

(CONVENIENCE TRANSLATION OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 18)

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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY - 30 JUNE 2015 AND REVIEW REPORT**

**(Convenience Translation into English of Independent Auditor's Review Report  
Originally Issued in Turkish)**

**Review Report on the Interim Condensed Financial Information**

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

**Introduction**

We have reviewed the accompanying condensed consolidated financial statements of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("the Company") and its subsidiaries (all together referred to as "the Group") as of June 30, 2015, which comprise the statement of consolidated financial position and the consolidated statement of income and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the six-month-period then ended and its explanatory disclosures. The Company management is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with Turkish Accounting Standards 34 - Interim Financial Reporting ("TAS 34"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

**Scope of a Review**

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of condensed interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards of Turkey and the objective of which is to express an opinion on the financial statements. Consequently, a review on the condensed interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention which may cause us to believe that the accompanying interim condensed consolidated financial information are not prepared, in all material respects, in accordance with TAS 34.

### Other Matter

Without qualifying our conclusion, we draw attention to the matters explained in the Note 7 of the condensed consolidated financial information: it has been stated in the notifications made in July 2012 that among the lawsuits filed in the previous years with the demand of the Republic of Turkey Privatization Administration for cancellation of the profit distribution decision taken by the Company's General Assembly dated March 30, 2006 and with the claim of the Republic of Turkey Prime Ministry Capital Market Board (CMB) asserting that the Company's financial statements dated December 31, 2005 were prepared in accordance with the "International Financial Reporting Standards" instead of the "Communiqué on Accounting Standards in Capital Market" series No: XI and No. 25 without the permission of the CMB, the lawsuits pertaining to the CMB resulted against the Company at the State Council after completion of all legal processes. On the other hand, as a result of the decision taken by Ankara 3rd Commercial Court of First Instance on June 26, 2015 regarding the lawsuit filed by the Privatization Administration, the lawsuit was rejected and it was resulted in favor of the Company. This decision can be appealed by the Privatization Administration at the Supreme Court.

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



Metin Ganogullari, SMMM  
Engagement Partner

August 5, 2015  
Istanbul, Turkey

<b>TABLE OF CONTENTS</b>		<b>PAGE</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....</b>		<b>1-2</b>
<b>CONSOLIDATED STATEMENT OF INCOME .....</b>		<b>3</b>
<b>CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME .....</b>		<b>4</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....</b>		<b>5</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOW .....</b>		<b>6</b>
<b>NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS .....</b>		<b>7-42</b>
NOTE 1	GROUP'S ORGANIZATION AND NATURE OF OPERATIONS .....	7-8
NOTE 2	BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS.....	8-13
NOTE 3	RELATED PARTY TRANSACTIONS .....	14-15
NOTE 4	INVENTORIES .....	16
NOTE 5	TANGIBLE AND INTANGIBLE ASSETS.....	17-18
NOTE 6	FINANCIAL LIABILITIES .....	19-20
NOTE 7	PROVISIONS.....	20-24
NOTE 8	EMPLOYEE BENEFITS.....	25-26
NOTE 9	COMMITMENTS AND CONTINGENCIES .....	27
NOTE 10	TAX ASSETS AND LIABILITIES.....	28-30
NOTE 11	EQUITY .....	31
NOTE 12	SALES AND COST OF SALES .....	32-33
NOTE 13	OPERATING EXPENSES AND OTHER OPERATING INCOME / (EXPENSES) .....	34-36
NOTE 14	FINANCIAL INCOME / EXPENSES.....	37
NOTE 15	NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS.....	38-41
NOTE 16	SUBSEQUENT EVENTS .....	42
NOTE 17	ADDITIONAL INFORMATION FOR CASH FLOW STATEMENT .....	42
NOTE 18	OTHER ISSUES AFFECTING THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR UNDERSTANDABLE AND INTERPRETABLE PRESENTATION.....	42

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 JUNE 2015

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

	Note	Current Period	(Reviewed) Current Period	Previous Period	(Audited) Previous Period
		30 June 2015 USD'000	30 June 2015 TRY'000	31 December 2014 USD'000	31 December 2014 TRY'000
<b>ASSETS</b>					
<b>Current Assets</b>		<b>3.055.955</b>	<b>8.209.211</b>	<b>3.178.814</b>	<b>7.371.353</b>
Cash and Cash Equivalents		1.190.268	3.197.417	943.038	2.186.810
Financial Derivative Instruments		11.069	29.735	15.795	36.628
Trade Receivables		571.509	1.535.245	757.626	1.756.860
<i>Due From Related Parties</i>	3	16.792	45.109	15.701	36.409
<i>Other Trade Receivables</i>		554.717	1.490.136	741.925	1.720.451
Other Receivables		1.146	3.079	1.639	3.800
Inventories	4	1.223.417	3.286.465	1.405.144	3.258.389
Prepaid Expenses		16.977	45.604	16.094	37.320
Other Current Assets		41.569	111.666	39.478	91.546
<b>Non Current Assets</b>		<b>3.643.070</b>	<b>9.786.378</b>	<b>3.692.406</b>	<b>8.562.321</b>
Other Receivables		9.024	24.241	10.237	23.738
Financial Investments		27	72	27	63
Financial Derivative Instruments		23.105	62.066	24.013	55.684
Investment Properties		24.670	66.272	24.879	57.691
Property, Plant and Equipment	5	3.493.820	9.385.450	3.535.882	8.199.357
Intangible Assets	5	66.808	179.466	72.689	168.559
Prepaid Expenses		16.746	44.984	10.931	25.348
Deferred Tax Assets	10	8.870	23.827	13.748	31.881
<b>TOTAL ASSETS</b>		<b>6.699.025</b>	<b>17.995.589</b>	<b>6.871.220</b>	<b>15.933.674</b>

The details of US Dollar amounts explained in Note 2.1.

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 JUNE 2015

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

	Note	Current Period	(Reviewed) Current Period	Previous Period	(Audited) Previous Period
		30 June 2015 USD'000	30 June 2015 TRY'000	31 December 2014 USD'000	31 December 2014 TRY'000
<b>LIABILITIES</b>					
<b>Current Liabilities</b>		<b>1.220.393</b>	<b>3.278.342</b>	<b>1.339.179</b>	<b>3.105.422</b>
Financial Liabilities	6	426.615	1.146.016	274.948	637.577
Short Term Portion of Long Term Fin. Liab.	6	326.516	877.121	615.918	1.428.252
Financial Derivative Instruments		2.308	6.201	2.629	6.096
Trade Payables		172.322	462.907	180.076	417.579
<i>Due to Related Parties</i>	3	7.832	21.038	7.904	18.329
<i>Other Trade Payables</i>		164.490	441.869	172.172	399.250
Other Payables		15.747	42.301	13.623	31.591
Deferred Revenue		57.393	154.175	32.972	76.458
Current Tax Liabilities	10	71.209	191.289	55.935	129.708
Short Term Provisions	7	88.951	238.949	101.138	234.528
Payables for Employee Benefits	8	30.375	81.597	42.917	99.520
Other Current Liabilities		28.957	77.786	19.023	44.113
<b>Non Current Liabilities</b>		<b>1.276.120</b>	<b>3.428.042</b>	<b>1.085.836</b>	<b>2.517.945</b>
Financial Liabilities	6	720.282	1.934.894	581.269	1.347.905
Financial Derivative Instruments		12.733	34.206	10.280	23.839
Provisions for Employee Benefits	8	193.876	520.808	210.326	487.724
Deferred Tax Liabilities	10	349.068	937.701	283.803	658.110
Other Non Current Liabilities		161	433	158	367
<b>EQUITY</b>		<b>4.202.512</b>	<b>11.289.205</b>	<b>4.446.205</b>	<b>10.310.307</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>4.084.319</b>	<b>10.971.704</b>	<b>4.313.813</b>	<b>10.003.303</b>
Share Capital		1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital		81.366	156.613	81.366	156.613
Treasury Shares (-)		(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium		55.303	106.447	55.303	106.447
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		(44.399)	(97.302)	(44.682)	(101.563)
<i>Revaluation Reserve of Tangible Assets</i>		10.618	28.224	10.405	24.151
<i>Actuarial (Loss)/ Gain funds</i>		(55.017)	(125.526)	(55.087)	(125.714)
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		101.946	3.165.030	(4.007)	1.623.162
<i>Cash Flow Hedging Reserves</i>		2.193	5.890	3.088	7.160
<i>Foreign Currency Translation Reserves</i>		99.753	3.159.140	(7.095)	1.616.002
Restricted Reserves Assorted from Profit		441.058	950.831	313.307	617.355
Retained Earnings		1.386.770	2.527.180	1.422.232	2.616.106
Net Profit for the Period		304.291	779.137	732.310	1.601.415
<b>Non-Controlling Interests</b>		<b>118.193</b>	<b>317.501</b>	<b>132.392</b>	<b>307.004</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6.699.025</b>	<b>17.995.589</b>	<b>6.871.220</b>	<b>15.933.674</b>

The details of US Dollar amounts explained in Note 2.1.

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



(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

	Current Period		(Reviewed) Current Period		Previous Period		(Reviewed) Previous Period	
	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014	1 January - 30 June 2014	1 April - 30 June 2014
	USD'000	TRY'000	TRY'000	USD'000	TRY'000	USD'000	TRY'000	TRY'000
<b>PROFIT FOR THE PERIOD</b>	312.155		453.160	373.275	807.620		356.951	
<b>Other Comprehensive Income/(Expense):</b>								
Not to be reclassified subsequently to profit or loss								
Change in Revaluation Reserve of Tangible Assets	213	1.470	340		(298)		(1.090)	
Change in Actuarial (Loss)/ Gain	87	226	(19.352)		(41.093)		(37.419)	
Tax Effect of Changes in Actuarial (Loss)/ Gain	(17)	(45)	(45)	3.870	8.219		7.485	
To be reclassified subsequently to profit or loss								
Change in Cash Flow Hedging Reserves	(1.121)	(1.739)	(23.478)	3.188	6.832		7.852	
Tax Effect of Change in Cash Flow Hedging Reserves	224	347	4.695	(638)	(1.367)		(1.570)	
Change in Foreign Currency Translation Reserves	(15.394)	1.585.867	301.051	(1.347)	(36.742)		(251.935)	
<b>OTHER COMP. INCOME/ EXPENSE FOR THE PERIOD (AFTER TAX)</b>	(16.008)	1.588.729	283.919	(13.939)	(64.449)		(276.677)	
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	296.147	2.388.003	737.079	359.336	743.171		80.274	
Distribution of Total Comprehensive Income								
- Non-controlling Interests	5.811	62.737	19.717	13.709	28.407		4.989	
- Equity Holders of the Parent	290.336	2.325.266	717.362	345.627	714.764		75.285	

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium	Other comprehensive income: expense not to be reclassified subsequently to profit or loss			Other comprehensive income: expense to be reclassified subsequently to profit or loss			Retained Earnings			Total Shareholders' Equity	
					Revaluation Reserve of Tangible Assets	Actuarial loss/(gain) funds	Cash Flow Hedging Reserves	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period	Equity Attributable to the Parent	Non-controlling Interests		
(Reviewed)															
1 January 2015	3.500.000	156.613	(116.232)	106.447	24.151	(125.714)	7.160	1.616.002	617.355	2.616.106	1.601.415	10.003.303	307.004	10.310.307	
Net profit for the period	-	-	-	-	-	-	-	-	-	-	779.137	779.137	20.137	799.274	
Other comprehensive income/(loss)	-	-	-	-	4.073	188	(1.270)	1.543.138	-	-	-	1.546.129	42.600	1.588.729	
Total comprehensive income/(loss)	-	-	-	-	4.073	188	(1.270)	1.543.138	-	-	779.137	2.325.266	62.737	2.388.003	
Dividend distributed (*)	-	-	-	-	-	-	-	-	(1.356.865)	-	(1.601.415)	(1.356.865)	(52.240)	(1.409.105)	
Transfers	-	-	-	-	-	-	-	-	333.476	1.267.939	(1.601.415)	-	-	-	
30 June 2015	3.500.000	156.613	(116.232)	106.447	28.224	(125.526)	5.890	3.159.140	950.831	2.527.180	779.137	10.971.704	317.501	11.289.205	
(Reviewed)															
1 January 2014	3.500.000	156.613	(116.232)	106.447	23.255	(66.809)	(9.344)	844.664	500.949	2.607.273	919.974	8.466.790	240.030	8.706.820	
Net profit for the period	-	-	-	-	-	-	-	-	-	-	777.099	777.099	30.521	807.620	
Other comprehensive income/(loss)	-	-	-	-	(298)	(32.106)	5.209	(35.140)	-	-	-	(62.335)	(2.114)	(64.449)	
Total comprehensive income/(loss)	-	-	-	-	(298)	(32.106)	5.209	(35.140)	-	-	777.099	714.764	28.407	743.171	
Dividend distributed (*)	-	-	-	-	-	-	-	-	-	(794.735)	-	(794.735)	(11.840)	(806.575)	
Transfers	-	-	-	-	-	-	-	-	116.406	803.568	(919.974)	-	-	-	
30 June 2014	3.500.000	156.613	(116.232)	106.447	22.957	(98.915)	(4.135)	809.524	617.355	2.616.106	777.099	8.386.819	256.597	8.643.416	

(\*) Annual General Assembly dated 31 March 2015, dividend distribution (gross dividend per share: TRY 0.4000 (2014: TRY 0.2343)) amounting to TRY 1.400.000 thousand (31 March 2014: TRY 820.000 thousand) from 2014 net profit was approved. As the Company holds 3,08% of its shares with a nominal value of TRY 1 as of 31 March 2015, dividends for treasury shares are netted off under dividends paid. The dividend payment was completed at 26 May 2015.

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

	Note	(Reviewed)		(Reviewed)	
		Current Period	Current Period	Previous Period	Previous Period
		1 January 30 June 2015	1 January 30 June 2015	1 January 30 June 2014	1 January 30 June 2014
		US'000	TRY'000	US'000	TRY'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax and non-controlling interests		385,311	999,906	413,734	893,613
Adjustments to reconcile net profit before tax to net cash provided by operating activities:					
Depreciation and amortization expenses	12/13	102,744	263,077	96,393	208,556
Provision for employee termination benefits	8	13,754	35,217	12,816	27,729
Provision for seniority incentive premium	8	2,669	6,835	3,658	7,914
(Gain) on sale of property plant and equipment	13	(103)	(263)	(272)	(588)
(Gain) on sale of investment property	13	(16,834)	(43,104)	-	-
Loss on write off of property plant and equipment	13	1,181	3,025	80	173
Increase in provision for doubtful receivables		1,122	2,873	293	633
Decrease in the allowance for inventories	4	760	1,947	(1,986)	(4,297)
Increase/ (decrease) in provision for unpaid vacations	8	4,965	12,713	5,554	12,016
Increase in provision for pending claims and lawsuits	7	2,100	5,378	2,715	5,874
Increase in penalty prov. for obligatory empl.t shortage of disabled people	7	639	1,636	422	914
Increase in provision for state right on mining activities	7	221	566	1,026	2,220
Increase in provision for civil defense fund	7	68	175	3,089	6,683
Interest expenses	14	26,505	67,867	33,063	71,535
Interest income from bank deposits	14	(17,642)	(45,172)	(11,724)	(25,367)
Interest income from overdue sales	13	(12,145)	(31,096)	(12,262)	(26,531)
Unrealized foreign currency loss of financial liabilities		(2,624)	(6,718)	4,176	9,035
Loss/(gain) on fair value changes of derivative financial instruments	14	2,049	5,246	(7,750)	(16,768)
Net cash provided by operating activities before changes in working capital		494,740	1,280,108	543,025	1,173,344
Changes in working capital	17	386,615	1,038,563	117,264	248,998
Interest income from overdue sales collected		15,753	40,335	10,764	23,290
Lawsuits paid	7	(2,010)	(5,146)	(2,300)	(4,976)
Penalty paid for the employment shortage of disabled people	7	(995)	(2,548)	(403)	(871)
Corporate tax paid	10	(90,581)	(222,780)	(50,941)	(110,217)
Employee termination benefits paid	8	(7,286)	(18,655)	(5,417)	(11,720)
State rights paid for mining activities	7	(1,405)	(3,598)	(1,395)	(3,019)
Unused vacation paid	8	(995)	(2,548)	(1,140)	(2,467)
Seniority incentive premium paid	8	(543)	(1,390)	(962)	(2,082)
Net cash provided by operating activities		793,293	2,102,341	608,495	1,310,280
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Changes in financial assets held to maturity		-	-	(49,905)	(105,968)
Cash provided/(used) by sale/purchase of investment property		14,967	38,324	(680)	(1,472)
Cash used in the purchase of tangible assets	5	(67,173)	(171,996)	(81,124)	(175,519)
Cash used in the purchase of intangible assets	5	(921)	(2,358)	(1,627)	(3,520)
Cash provided by sales of tangible assets	5/13	4,321	11,063	281	607
Net cash used in investing activities		(48,806)	(124,967)	(133,055)	(285,872)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
New borrowings		881,786	2,368,743	859,661	1,825,404
Repayment of borrowings		(873,545)	(2,346,604)	(617,217)	(1,310,599)
Interest paid		(30,843)	(77,990)	(29,048)	(62,848)
Interest received on bank deposits		18,585	47,586	11,234	24,306
Dividends paid		(519,831)	(1,356,865)	(380,040)	(794,735)
Dividends paid to non-controlling interests		(19,542)	(50,985)	(5,472)	(11,840)
Net cash used in by financing activities		(543,390)	(1,416,115)	(160,882)	(330,312)
NET CHANGES IN CASH AND CASH EQUIVALENTS		201,097	561,259	314,558	694,096
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		940,865	2,181,773	355,997	759,804
Currency translation difference, net		47,330	451,762	10,906	(6,886)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,189,292	3,194,794	681,461	1,447,014
Accrued interest income		976	2,623	1,115	2,368
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD INCLUDING ACCRUED INTEREST INCOME		1,190,268	3,197,417	682,576	1,449,382

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

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

#### NOTE 1 – GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

Name of the Company	Country of Operation	Operation	2015 Share %	2014 Share %
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Steel Production	95.07	95.07
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90.00	90.00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Ereco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

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

The number of the personnel employed by the Group as at 30 June 2015 and 31 December 2014 are as follows:

	Paid Hourly Personnel	Paid Monthly Personnel	30 June 2015 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.561	1.864	6.425
İskenderun Demir ve Çelik A.Ş.	3.636	1.911	5.547
Erdemir Madencilik San. ve Tic. A.Ş.	128	130	258
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	183	80	263
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	-	103	103
Erdemir Romania S.R.L.	228	50	278
Erdemir Asia Pacific Private Limited	-	4	4
	<b>8.736</b>	<b>4.142</b>	<b>12.878</b>

  

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

#### NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

##### 2.1 Basis of Presentation

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

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

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

In accordance with the Turkish Accounting Standard No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed interim consolidated financial statements in the interim period. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2014.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

#### **NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)**

##### **2.1 Basis of Presentation (cont’d)**

###### Functional and reporting currency

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

###### *Functional currency for the subsidiary abroad*

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

###### Presentation currency translation

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

- a) The assets and liabilities on financial position as of 30 June 2015 are translated from USD Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 2,6863=US \$ 1 and TRY 2,9822=EUR 1 on the balance sheet date (31 December 2014: TRY 2,3189= US \$ 1, TRY 2,8207=EUR 1).
- b) For the six months period ended 30 June 2015, income statements are translated from the average TRY 2,5605 = US \$ 1 and TRY 2,8577=EUR 1 rates of 2015 January - June period (30 June 2014: TRY 2,1636 = US \$ 1 TRY 2,9656 = 1 EUR).
- c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
- d) The differences between presentation of statutory and historical figures are recognised as translation differences under equity. All capital, capital measures and other measures are respresented with their statutory figures in the accompanying financial statements.

###### USD amounts presented in the financial statements

The figures in USD amounts presented in the accompanying condensed interim consolidated financial statements comprising the statements of financial position as of 30 June 2015 and 31 December 2014, consolidated statement of income and other comprehensive income and consolidated statement of cash flows for the interim period ended 30 June 2015 represent the consolidated financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of July 1, 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

###### Going concern

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

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

##### 2.1 Basis of Presentation (cont’d)

###### Approval of the consolidated financial statements

The condensed interim consolidated financial statements have been approved and authorized to be published on 5 August 2015 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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

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

Reclassifications of statement of financial position are as follows:

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

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

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

Reclassifications of income statement are as follows:

Account	(Previously Reported)	(Restated)	(Difference)
	1 January - 30 June 2014	1 January - 30 June 2014	1 January - 30 June 2014
Financial Incomes <sup>(1)</sup>	42.135	53.805	11.670
Financial Expenses (-) <sup>(1)</sup>	(132.785)	(144.455)	(11.670)
			-

(1) Foreign exchange loss (net) TRY 11.670 thousand out of TRY (45.574) thousand which were reported under “Financial Expense (-)” was reclassified to foreign exchange gain from deferred tax base under “Financial Income” for the period ended 30 June 2014.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

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

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

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements as at 30 June 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2015 summarized below.

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

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

##### **Annual Improvements to TAS/TFRSs**

In September 2014, POA issued the below amendments to the standards in relation to “Annual Improvements - 2010–2012 Cycle” and “Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

##### **Annual Improvements 2010–2012 Cycle**

- TFRS 2 Share-based Payment:
- TFRS 3 Business Combinations
- TFRS 8 Operating Segments
- TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets
- TAS 24 Related Party Disclosures

##### **Annual Improvements 2011–2013 Cycle**

- TFRS 3 Business Combinations
- Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement
- TAS 40 Investment Property

The amendments did not have a significant impact on the interim condensed consolidated financial statements of the Group.

Standards issued but not yet effective and not early adopted:

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- TFRS 9 Financial Instruments – Classification and measurement
- TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to TAS 16 and TAS 38)
- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated )

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

##### **2.3 Adoption of New and Revised Financial Reporting Standards (cont’d)**

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

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)
- TAS 1: Disclosure Initiative (Amendments to TAS 1)

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

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

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – clarification on the assessment of servicing contracts for the continuing involvement of financial assets
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

##### **Annual Improvements 2010–2012 Cycle**

- IFRS 13 Fair Value Measurement

##### **Annual Improvements 2011–2013 Cycle**

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments - Final standard (2014)



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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

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

**2.4 Summary of Significant Accounting Policies**

The condensed interim consolidated financial statements for the six months period ended 30 June 2015 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements for the period ended 30 June 2015 are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2014. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2014.

There has been no change in total ownership interests and effective interests in the subsidiaries, included in the scope of consolidation as of 30 June 2015, from the interests reported as of 31 December 2014.

**2.5 Restatement and errors in the accounting policies and estimates**

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

The accounting policies, estimations and assumptions used in the preparation of these condensed interim consolidated financial statements for the period ended 30 June 2015 are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2014.

**2.6 Segment Reporting**

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

#### NOTE 3 – RELATED PARTY DISCLOSURES

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

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

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

<u>Due from related parties (short term)</u>	30 June 2015	31 December 2014
Oyak Renault Otomobil Fab. A.Ş. <sup>(2)</sup>	33.596	27.886
Bolu Çimento Sanayi A.Ş. <sup>(1)</sup>	5.413	3.887
Adana Çimento Sanayi T.A.Ş. <sup>(1)</sup>	5.221	4.071
Other	879	565
	<u>45.109</u>	<u>36.409</u>

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

<u>Due to related parties (short term)</u>	30 June 2015	31 December 2014
Omsan Lojistik A.Ş. <sup>(1)</sup>	4.242	3.306
Omsan Denizcilik A.Ş. <sup>(1)</sup>	3.291	4.982
Oyak Pazarlama Hizmet ve Turizm A.Ş. <sup>(1)</sup>	7.724	5.361
Oyak Savunma ve Güvenlik Sistemleri A.Ş. <sup>(1)</sup>	4.225	2.876
Other	1.556	1.804
	<u>21.038</u>	<u>18.329</u>

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

<u>Major sales to related parties</u>	1 January - 30 June 2015	1 January - 30 June 2014
Oyak Renault Otomobil Fab. A.Ş. <sup>(2)</sup>	72.818	67.074
Adana Çimento Sanayi T.A.Ş. <sup>(1)</sup>	9.822	10.295
Bolu Çimento Sanayi A.Ş. <sup>(1)</sup>	9.004	8.515
Aslan Çimento A.Ş. <sup>(1)</sup>	994	1.533
Other	1.740	1.105
	<u>94.378</u>	<u>88.522</u>

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

(1) Subsidiaries of the parent company

(2) Joint venture

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

#### NOTE 3 – RELATED PARTY DISCLOSURES (cont'd)

<u>Major purchases from related parties</u>	1 January - 30 June 2015	1 January - 30 June 2014
Omsan Denizcilik A.Ş. <sup>(1)</sup>	37.903	42.414
Oyak Pazarlama Hizmet ve Turizm A.Ş. <sup>(1)</sup>	30.685	16.509
Omsan Lojistik A.Ş. <sup>(1)</sup>	16.063	15.800
Oyak Savunma ve Güvenlik Sistemleri A.Ş. <sup>(1)</sup>	14.635	13.441
Omsan Logistica SRL <sup>(1)</sup>	4.498	3.446
Other	4.413	2.348
	<u>108.197</u>	<u>93.958</u>

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

<sup>(1)</sup> Subsidiaries of the parent company

<sup>(2)</sup> Joint venture

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

The period end balances are un-secured and their collections will be done in cash. As of 30 June 2015, the Group provides no provision for doubtful receivables from related parties (31 December 2014: None).

#### Salaries, bonuses and other benefits of the key management:

For the six months period ended 30 June 2015, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 17.088 thousand (30 June 2014: TRY 11.273 thousand).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

**NOTE 4 – INVENTORIES**

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

	30 June 2015	31 December 2014
Raw materials	763.499	773.832
Work in progress	532.600	648.460
Finished goods	919.206	877.211
Spare parts	555.020	480.502
Goods in transit	381.596	361.212
Other inventories	265.799	228.924
Allowance for impairment on inventories (-)	(131.255)	(111.752)
	<u>3.286.465</u>	<u>3.258.389</u>

The movement of the allowance for impairment on inventories:

	1 January - 30 June 2015	1 January - 30 June 2014
Opening balance	111.752	88.739
Provision for the period	9.762	6.730
Provision released (-)	(7.815)	(11.027)
Translation difference	17.556	(425)
Closing balance	<u>131.255</u>	<u>84.017</u>

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

#### NOTE 5 – TANGIBLE AND INTANGIBLE ASSETS

The movement of tangible assets for the periods 1 January - 30 June 2015 and 1 January - 30 June 2014 is as follows:

	30 June 2015	30 June 2014
<u>Opening balance as of 1 January</u>		
Cost	19.275.851	17.487.681
Accumulated depreciation	(11.076.494)	(9.814.125)
Net book value	<u>8.199.357</u>	<u>7.673.556</u>
Net book value at the begin.of the period	8.199.357	7.673.556
Additions (*)	171.996	175.519
Disposals (-)	(11.677)	(192)
<i>Cost disposals</i>	(56.447)	(7.780)
<i>Accumulated depreciation disposals</i>	44.770	7.588
Transfers	(14)	(2.744)
Currency translation difference	1.285.158	(38.916)
<i>Cost currency translation difference</i>	2.993.895	(91.806)
<i>Accumulated depreciation currency translation difference</i>	(1.708.737)	52.890
Current period depreciation (-)	(259.370)	(202.868)
Net book value at the end of the period	<u>9.385.450</u>	<u>7.604.355</u>
<u>Closing balance as of</u>		
Cost	22.385.281	17.560.870
Accumulated depreciation	(12.999.831)	(9.956.515)
Net book value	<u>9.385.450</u>	<u>7.604.355</u>

(\*) The amount of capitalized borrowing costs is TRY 353 thousand for the current period (The capitalized borrowing costs for the six months period ended 30 June 2014 is TRY 1.997 thousand).

As of 30 June 2015, the Group has no collaterals or pledges upon its tangible assets. (31 December 2014: None).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

**NOTE 5 – TANGIBLE AND INTANGIBLE ASSETS (cont’d)**

The movement of intangible assets for the periods 1 January - 30 June 2015 and 1 January - 30 June 2014 is as follows:

	30 June 2015	30 June 2014
<u>Opening balance as of 1 January</u>		
Cost	358.050	319.317
Accumulated amortisation	(189.491)	(160.167)
Net book value	<u>168.559</u>	<u>159.150</u>
Net book value at the begin.of the period	168.559	159.150
Additions	2.358	3.520
Disposals (-)	(2.148)	-
<i>Cost disposals</i>	(4.119)	(15)
<i>Accumulated depreciation disposals</i>	1.971	15
Transfers	14	2.744
Currency translation difference	21.557	(593)
<i>Cost currency translation difference</i>	40.074	(1.185)
<i>Accumulated depreciation currency translation difference</i>	(18.517)	592
Current period amortisation (-)	(10.874)	(9.907)
Net book value at the end of the period	<u>179.466</u>	<u>154.914</u>
<u>Closing balance as of</u>		
Cost	396.377	324.381
Accumulated amortisation	(216.911)	(169.467)
Net book value	<u>179.466</u>	<u>154.914</u>

As of 30 June 2015, the Group has no collaterals or pledges upon its intangible assets. (31 December 2014: None).

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

	30 June 2015	30 June 2014
Associated with cost of production	256.237	199.669
General administrative expenses	4.897	6.340
Marketing, sales and distribution expenses	8.768	6.766
Research and development expenses	342	-
	<u>270.244</u>	<u>212.775</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

#### NOTE 6 – FINANCIAL LIABILITIES

Breakdown of financial liabilities is as follows:

	30 June 2015	31 December 2014
Short term financial liabilities	1.146.016	637.577
Current portion of long term financial liabilities	877.121	1.222.019
Corporate bonds issued	-	206.233
<b>Total short term financial liabilities</b>	<b>2.023.137</b>	<b>2.065.829</b>
Long term financial liabilities	1.934.894	1.347.905
<b>Total long term financial liabilities</b>	<b>1.934.894</b>	<b>1.347.905</b>
	<b>3.958.031</b>	<b>3.413.734</b>

As of 30 June 2015, the breakdown of the Group's loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	30 June 2015
No interest	TRY	-	38.716	-	38.716
Fixed	TRY	9,12	182.667	54.466	237.133
Fixed	US Dollars	1,23	1.087.673	58.185	1.145.858
Fixed	EURO	3,29	2.274	43.601	45.875
Floating	US Dollars	Libor+2,32	577.639	1.561.954	2.139.593
Floating	EURO	Euribor+0,47	106.365	177.871	284.236
Floating	Japanese Yen	JPY Libor+0,22	27.803	38.817	66.620
			<b>2.023.137</b>	<b>1.934.894</b>	<b>3.958.031</b>

As of 31 December 2014, the breakdown of the Group's loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2014
No interest	TRY	-	24.300	-	24.300
Fixed	TRY	9,10	196.110	166.462	362.572
Fixed	US Dollars	1,68	396.802	58.794	455.596
Fixed	EURO	5,50	955	2.971	3.926
Floating	TRY	Tribor+1,5	206.233	-	206.233
Floating	US Dollars	Libor+2,18	1.113.305	889.051	2.002.356
Floating	EURO	Euribor+0,32	103.141	185.311	288.452
Floating	Japanese Yen	JPY Libor+0,22	24.983	45.316	70.299
			<b>2.065.829</b>	<b>1.347.905</b>	<b>3.413.734</b>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

#### NOTE 6 – FINANCIAL LIABILITIES (cont’d)

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

	30 June 2015	31 December 2014
Within 1 year	2.023.137	2.065.829
Between 1-2 years	940.241	588.577
Between 2-3 years	486.082	522.255
Between 3-4 years	296.107	137.072
Between 4-5 years	192.574	16.680
Five years or more	19.890	83.321
	<u>3.958.031</u>	<u>3.413.734</u>

#### NOTE 7 – PROVISIONS

The movement of the short term provisions is as follows:

	30 June 2015	31 December 2014
Provision for lawsuits	222.867	214.722
Penalty prov. for employment shortage of disabled pers.	4.355	5.223
Provision for state right on mining activities (*)	1.452	4.484
Provision for civil defense fund (**)	10.275	10.099
	<u>238.949</u>	<u>234.528</u>

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

(\*\*) According to law number 5217, it is a provision of the enterprises that were subjected to “Natural Disaster Fund” ile “Civil Defense Fund”. It is calculated through revenue of the company.



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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

**NOTE 7 – PROVISIONS (cont'd)**

The movement of the provisions is as follows:

	1 January 2015	Change for the period	Payments	Provision released	Translation difference	30 June 2015
Provision for lawsuits	214.722	21.484	(5.146)	(16.106)	7.913	222.867
Penalty prov. for employment shortage of disabled pers.	5.223	2.129	(2.548)	(493)	44	4.355
Provision for state right on mining activities	4.484	1.452	(3.598)	(886)	-	1.452
Provision for civil defense fund	10.099	175	-	-	1	10.275
	<u>234.528</u>	<u>25.240</u>	<u>(11.292)</u>	<u>(17.485)</u>	<u>7.958</u>	<u>238.949</u>

	1 January 2014	Change for the period	Payments	Provision released	Translation difference	30 June 2014
Provision for lawsuits	194.475	16.028	(4.976)	(10.154)	(365)	195.008
Penalty prov. for employment shortage of disabled pers.	4.568	1.186	(871)	(272)	(9)	4.602
Provision for state right on mining activities	2.642	2.220	(3.019)	-	-	1.843
Provision for civil defense fund	3.341	6.683	-	-	(124)	9.900
	<u>205.026</u>	<u>26.117</u>	<u>(8.866)</u>	<u>(10.426)</u>	<u>(498)</u>	<u>211.353</u>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

**NOTE 7 – PROVISIONS (cont’d)**

As of 30 June 2015 and 31 December 2014, lawsuits filed by and against the Group are as follows:

	30 June 2015	31 December 2014
Lawsuits filed by the Group	326.000	300.304
Provision for lawsuits filed by the Group	5.920	5.872

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

	30 June 2015	31 December 2014
Lawsuits filed against the Group	272.818	242.347
Provision for lawsuits filed against the Group	222.867	214.722

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

**NOTE 7 – PROVISIONS (cont’d)**

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

Had the Company started to prepare its consolidated financial statements in accordance with IFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with IFRS based on “IFRS 1: First-time adoption of International Financial Reporting Standards” and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated income statement in accordance with “IFRS 3: Business Combinations”. Therefore, the net profit for the periods ended 30 June 2015 and 30 June 2014 will not be affected from the above mentioned disputes.

Company’s Shareholders’ General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to IFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals’ 11th Chamber reversed this rejection judgment on 30 November 2010; this time the Company appealed the Chamber’s decision on 18 February 2011. However, the Chamber rejected the Company’s appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. (E. 2011/551). The case was dismissed at the hearing held on 26 June 2015. The case is subject to appeal.

The Company, based on the above mentioned reasons, doesn’t expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 30 June 2015 and 31 December 2014.

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated )

#### **NOT 7 – PROVISIONS (cont’d)**

Enerjia Metal Maden Sanayi ve Ticaret A.Ş. initiated a debt collection proceeding that might end with a bankruptcy judgment against the Company based on the Export Protocol No. 69187 of 2 July 2009 and “Additional Terms to the Erdemir-Enerjia Export Protocol No. 68197” drafted by and between Enerjia and the Company. However the process stopped upon the Company’s objection to Enerjia’s request, and that led Enerjia to file a lawsuit against the Company before the 7th Commercial Court of Ankara on 27 March 2010 claiming that the objection should be overruled and USD 68.312.520 should be paid to itself (E. 2010/259). The Court dismissed the case, in favor of the Company, on 23 June 2011.

Enerjia appealed this rejection. 23rd Chamber of the Court of Appeals accepted this rejection on 6 April 2012 (E. 2011/2915) and after this, the case file was sent back to the 7th Commercial Court of Ankara. The case file was sent to the 4th Commercial Court of Ankara due to the the case shall seen by delegation according to the regulatory framework regarding the commercial courts. Therefore the case is still pending (E. 2014/734) and the next court hearing is on 9 September 2015.

An action of debt was instituted by Messrs. Bor-San Isı Sistemleri Üretim ve Pazarlama A.Ş. against our company at the 3rd Civil Court of Kdz. Ereğli on 17 April 2013 under file no 2013/253 Esas claiming for the compensation of the loss arising from the sales contract of TRY 18 thousand, reserving the rights for surplus. The Company was informed from the amendment petition, which was served to the company on 1 November 2013 that the plaintiff pleaded from the court to raise the claim to TRY 10.838 thousand as assessed by the expert opinion submitted to the court. The Company contested to the expert opinion and the amendment petition within the statutory period. The court has given the judgment of dismissal on 11 March 2014. The plaintiff, Bor-San Isı Sistemleri Üretim ve Pazarlama A.Ş. has appealed against the judgment. Upon the reversal of judgment, the Company appealed the decision of Supreme Court of Appeal. The rejection decision of Supreme Court of Appeal has been notified to the Company on 28 January 2015. Case is still ongoing with the Kdz. Ereğli Civil Court of First Instance 3rd (2015/16 Docket Number). Next hearing shall take place on the date of 9 September 2015.

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

It is learnt through a notified made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of TRY 8.669 thousand (USD 4.800 thousand) together with accessory against the Company before Ankara 14th Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgment becomes definite and in case of request. The case still continues on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. The court file has been entrusted to the expert. Date of next hearing of the case is 8 September 2015.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

**NOTE 8 – EMPLOYEE BENEFITS**

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

	30 June 2015	31 December 2014
Due to personnel	54.452	74.611
Social security premiums payable	27.145	24.909
	<u>81.597</u>	<u>99.520</u>

Provision of the employee termination benefits of the Group is as follows:

	30 June 2015	31 December 2014
Provisions for employee termination benefits	410.070	393.478
Provisions for seniority incentive premium	30.900	25.389
Provision for unpaid vacations	79.838	68.857
	<u>520.808</u>	<u>487.724</u>

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

As of 30 June 2015, the amount payable consists of one month's salary limited to a maximum of TRY 3.541,37 (31 December 2014: TRY 3.438,22). As of 1 July 2015, the employee termination benefit has been updated to a maximum of TRY 3.709,98.

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. The obligation as of 30 June 2015 has been calculated by an independent actuary. The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 30 June 2015, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. In the actuarial calculation as of 30 June 2015, the anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

**NOTE 8 – EMPLOYEE BENEFITS (cont’d)**

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

	1 January - 30 June 2015	1 January - 30 June 2014
Opening balance	393.478	307.528
Service cost	20.323	14.282
Interest cost	14.894	13.447
Actuarial loss/(gain)	(226)	41.093
Termination benefits paid	(18.655)	(11.720)
Translation difference	256	53
Closing balance	410.070	364.683

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

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

	1 January - 30 June 2015	1 January - 30 June 2014
Opening balance	25.389	17.667
Service cost	2.506	1.035
Interest cost	1.030	793
Actuarial loss/(gain)	3.299	6.086
Termination benefits paid	(1.390)	(2.082)
Translation difference	66	29
Closing balance	30.900	23.528

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

	1 January - 30 June 2015	1 January - 30 June 2014
Opening balance	68.857	67.037
Provision for the period	31.062	26.787
Vacation paid during the period (-)	(2.548)	(2.467)
Provisions released (-)	(18.349)	(14.771)
Translation difference	816	(326)
Closing balance	79.838	76.260

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

#### NOTE 9 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	30 June 2015	31 December 2014
Letters of guarantees received	1.644.365	1.538.130
	<u>1.644.365</u>	<u>1.538.130</u>

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

	30 June 2015	31 December 2014
A. Total CPM given for the Company's own legal entity	74.939	73.574
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	1.027.065	1.155.440
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>1.102.004</u>	<u>1.229.014</u>

As of 30 June 2015, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2014: 0%). Total CPM given in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 1.027.065 thousand has been given as collateral for financial liabilities explained in Note 6.

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

	30 June 2015	31 December 2014
US Dollars	714.170	771.816
TRY	110.286	144.474
EURO	241.911	274.778
Japanese Yen	35.637	37.946
	<u>1.102.004</u>	<u>1.229.014</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

(Amounts are expressed in thousands of Turkish Lira (“TRY Thousand”) unless otherwise indicated )

**NOTE 10 – TAX ASSETS AND LIABILITIES**

	30 June 2015	31 December 2014
<u>Corporate tax payable:</u>		
Current corporate tax provision	284.361	266.045
Prepaid taxes and funds (-)	(93.072)	(136.337)
	<u>191.289</u>	<u>129.708</u>
	1 January - 30 June 2015	1 January - 30 June 2014
<u>Taxation:</u>		
Current corporate tax expense	284.361	81.574
Deferred tax (income) / expense	(83.729)	4.419
	<u>200.632</u>	<u>85.993</u>
<u>Corporate tax</u>		

The effective corporate tax rate in Turkey is 20%, 16% in Romania in Singapore 17% as of 30 June 2015 (31 December 2014: in Turkey 20%, in Romania 16%, in Singapore 17%). The total amount of the corporate tax paid by the Group in 2015 is TRY 222.780 thousand (30 June 2014: TRY 110.217 thousand).

Deferred tax

Tax rate used in the calculation of deferred tax assets and liabilities (excluding land) are 20% for the subsidiaries in Turkey, 16% for the subsidiary in Romania and 17% for the subsidiary in Singapore (31 December 2014: in Turkey 20%, in Romania 16%, in Singapore 17%). Deferred tax related with the temporary differences arising from land parcels is calculated with the tax rate of 5% (31 December 2014: 5%).

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



(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

**NOTE 10 – TAX ASSETS AND LIABILITIES (cont’d)**

	30 June 2015	31 December 2014
<u>Deferred tax assets:</u>		
Carry forward tax losses	2.317	2.056
Provisions for employee benefits	104.160	97.545
Investment incentive	10.881	-
Provision for lawsuits	39.452	37.598
Inventories	7.690	15.601
Provision for other doubtful receivables	12.950	12.481
Tangible and intangible fixed assets	10.924	9.901
Other	23.499	21.606
	<u>211.873</u>	<u>196.788</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible fixed assets	(1.070.107)	(788.481)
Fair values of the derivative financial instruments	(10.262)	(13.399)
Amortized cost adjustment on loans	(5.615)	(6.199)
Inventories	(33.508)	(10.828)
Other	(6.255)	(4.110)
	<u>(1.125.747)</u>	<u>(823.017)</u>
	<u>(913.874)</u>	<u>(626.229)</u>

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

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

Presentation of deferred tax assets/(liabilities):

	30 June 2015	31 December 2014
Deferred tax assets	23.827	31.881
Deferred tax (liabilities)	(937.701)	(658.110)
	<u>(913.874)</u>	<u>(626.229)</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

**NOTE 10 – TAX ASSETS AND LIABILITIES (cont’d)**

	1 January - 30 June 2015	1 January - 30 June 2014
<u>Deferred tax asset/(liability) movements:</u>		
Opening balance	(626.229)	(409.266)
Deferred tax income	83.729	(4.419)
The amount in comprehensive (expense)/income	302	6.852
Translation difference	(371.676)	14.456
Closing balance	<u>(913.874)</u>	<u>(392.377)</u>
	1 January - 30 June 2015	1 January - 30 June 2014
<u>Reconciliation of tax provision:</u>		
Profit before tax	999.906	893.613
Statutory tax rate	20%	20%
Calculated tax acc. to effective tax rate	199.981	178.723
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	4.025	7.437
- Non-taxable income	-	(15.952)
- Effect of tax losses unrecognised deferred tax assets in prior years	-	(76.070)
- Effect of currency translation to non taxable assets	6.556	(3.906)
- Investment incentives	(10.881)	(2.411)
- Effect of non-taxable adjustments	1.162	(1.929)
- Effect of the different tax rates due to foreign subsidiaries	(211)	101
Tax expense in reported in the consolidate stat. of income	<u>200.632</u>	<u>85.993</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

#### NOTE 11 – EQUITY

As of 30 June 2015 and 31 December 2014, the capital structure is as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>30 June 2015</u>	<u>(%)</u>	<u>31 December 2014</u>
Ataer Holding A.Ş.	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	47,63	1.667.181	47,63	1.667.181
Erdemir's own shares	3,08	107.837	3,08	107.837
Historical capital	100,00	3.500.000	100,00	3.500.000
Effect of inflation		<u>156.613</u>		<u>156.613</u>
Restated capital		3.656.613		3.656.613
Treasury shares		<u>(116.232)</u>		<u>(116.232)</u>
		<u>3.540.381</u>		<u>3.540.381</u>

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

The issued capital of the Company in 2015 consists of 350.000.000.000 lots of shares (2014:350.000.000.000 lots). The nominal value of each share is 1 Kr (Turkish cent) (2014: 1 Kr). This capital is split between A and B group shares. Group A shares consist of 1 share with a share value of 1 Kr and Group B shares consist of 3.499.999.999,99 shares representing TRY 349.999.999.999 of the issued capital.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

**NOTE 12 – SALES AND COST OF SALES**

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
<u>Sales Revenue</u>				
Domestic sales	5.479.711	2.820.935	4.812.780	2.298.017
Export sales	499.665	314.632	665.768	331.238
Other revenues (*)	101.853	44.092	174.011	84.915
Sales returns (-)	(10.839)	(6.453)	(5.647)	(3.427)
Sales discounts (-)	(4.385)	(2.942)	(2.825)	(1.293)
	6.066.005	3.170.264	5.644.087	2.709.450
<u>Cost of sales (-)</u>	<u>(4.861.520)</u>	<u>(2.557.101)</u>	<u>(4.521.385)</u>	<u>(2.189.531)</u>
Gross profit	1.204.485	613.163	1.122.702	519.919

(\*)The total amount of by product exports in other revenues is TRY 25.582 thousand (30 June 2014: TRY 95.521 thousand).

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

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

The breakdown of cost of sales for the periods 1 January – 30 June 2015 and 1 January – 30 June 2014 is as follows:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Raw material usage	(3.427.944)	(1.787.488)	(3.230.207)	(1.518.194)
Personnel costs	(588.765)	(312.866)	(511.237)	(263.965)
Energy costs	(345.632)	(180.590)	(295.554)	(147.584)
Depreciation and amortization expenses	(249.070)	(137.863)	(195.450)	(97.668)
Factory overheads	(152.367)	(83.673)	(93.761)	(43.755)
Other cost of goods sold	(40.404)	(20.032)	(73.633)	(36.980)
Non-operating costs (*)	(6.461)	(1.543)	(59.494)	(36.068)
Freight costs for sales delivered to customers	(38.541)	(21.880)	(53.491)	(41.024)
Inventory write-downs within the period (Note 4)	(9.762)	(5.369)	(6.730)	(3.105)
Reversal of inventory write-downs (Note 4)	7.815	1.545	11.027	6.441
Other	(10.389)	(7.342)	(12.855)	(7.629)
	<u>(4.861.520)</u>	<u>(2.557.101)</u>	<u>(4.521.385)</u>	<u>(2.189.531)</u>

(\*) Due to the planned/ unplanned halt production of plant of the Group's, operations were suspended temporarily in the current period. As a result of this, idle capacity expense, TRY (6.461) thousand, has been accounted directly under cost of sales (30 June 2014: TRY (59.494) thousand).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

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

The breakdown of marketing, sales and distribution expenses according to their nature for the periods 1 January – 30 June 2015 and 1 January – 30 June 2014 is as follows:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Personnel expenses (-)	(35.364)	(18.725)	(31.776)	(16.483)
Depreciation and amortization(-)	(8.768)	(4.648)	(6.766)	(3.301)
Service expenses (-)	(20.338)	(9.903)	(19.310)	(9.678)
	<u>(64.470)</u>	<u>(33.276)</u>	<u>(57.852)</u>	<u>(29.462)</u>

The breakdown of general administrative expenses for the periods 1 January – 30 June 2015 and 1 January – 30 June 2014 is as follows:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
Personnel expenses (-)	(75.461)	(38.314)	(67.919)	(39.907)
Depreciation and amortization (-)	(4.897)	(2.563)	(6.340)	(3.171)
Service expenses (-)	(50.409)	(26.677)	(28.894)	(13.809)
Tax, duty and charges (-)	(3.708)	(2.145)	(1.999)	(855)
Provision for doubtful receivables (-)	(2.429)	(683)	-	-
	<u>(136.904)</u>	<u>(70.382)</u>	<u>(105.152)</u>	<u>(57.742)</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

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

The breakdown of other operating income for the periods 1 January – 30 June 2015 and 1 January – 30 June 2014 is as follows:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
<u>Other operating income</u>				
Gain on sale of investment property	43.104	43.104	-	-
Interest income from on credit sales	31.096	15.081	26.531	15.354
Discount income	13.066	7.492	10.586	625
Provisions released	17.970	6.326	10.735	6.982
Service income	8.347	5.032	8.205	4.944
Maintenance repair and rent income	6.523	4.672	3.610	1.772
Warehouse income	1.832	859	1.719	23
Indemnity and penalty detention income	799	460	3.083	1.866
Insurance indemnity income	3.595	3.529	235	4
Royalty income	-	-	341	243
Gain on sale of tangible assets	263	167	588	28
Other income and gains	8.465	4.035	10.247	6.134
	<u>135.060</u>	<u>90.757</u>	<u>75.880</u>	<u>37.975</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

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

The breakdown of other operating expenses for the periods 1 January – 30 June 2015 and 1 January – 30 June 2014 is as follows:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
<u>Other operating expenses (-)</u>				
Provisions expenses	(20.148)	(9.142)	(17.686)	(10.950)
Discount expenses	(17.850)	(8.462)	(4.660)	(1.320)
Port facility pre-licence expenses	(2.872)	(806)	(2.787)	(1.176)
Lawsuit compensation expenses	(1.881)	(1.071)	(2.245)	(1.068)
Penalty expenses	(2.372)	(1.321)	(993)	(85)
Service expenses	(1.504)	(913)	(1.282)	(613)
Rent expenses	(1.018)	(856)	(322)	(149)
Donation expenses	(903)	(575)	(6.656)	(41)
Stock exchange registration expenses	(959)	(959)	(900)	(900)
Loss on disposal of tangible assets	(3.025)	(2.484)	(173)	(162)
Other expenses and losses	(12.267)	(8.217)	(10.001)	(5.701)
	<u>(64.799)</u>	<u>(34.806)</u>	<u>(47.705)</u>	<u>(22.165)</u>



(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

**NOTE 14 – FINANCIAL INCOME / EXPENSES**

The breakdown of financial income for the periods 1 January – 30 June 2015 and 1 January – 30 June 2014 is as follows:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
<u>Financial incomes</u>				
Interest income on bank deposits	45.172	28.000	25.367	14.206
Foreign exchange gains (net)	236.033	36.482	-	(42.865)
Foreign exchange gains from deferred tax base	-	-	11.670	11.670
Fair value differences of derivative financial instruments (net)	-	-	16.768	7.336
	<u>281.205</u>	<u>64.482</u>	<u>53.805</u>	<u>(9.653)</u>

The breakdown of financial expense for the periods 1 January – 30 June 2015 and 1 January – 30 June 2014 is as follows:

	1 January - 30 June 2015	1 April - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2014
<u>Financial expenses (-)</u>				
Interest expenses on financial liabilities	(67.867)	(29.555)	(71.535)	(31.955)
Foreign exchange loss (net)	-	-	(57.244)	(57.244)
Interest cost of employee benefits	(15.924)	(8.009)	(14.240)	(7.167)
Foreign exchange loss from deferred tax base	(259.650)	(47.664)	-	41.686
Fair value differences of derivative financial instruments (net)	(5.246)	4.404	-	-
Other financial expenses	(1.152)	(587)	(1.436)	(299)
	<u>(349.839)</u>	<u>(81.411)</u>	<u>(144.455)</u>	<u>(54.979)</u>

During the period, the interest expenses of TRY 353 thousand have been capitalized as part of the Group's property, plant and equipment (1 January - 30 June 2014: TRY 1.997 thousand).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

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

##### Additional information about financial instruments

##### Foreign currency risk management

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates its functional currency. Foreign currency position table represents foreign currencies other than each entity’s functional currency. As of 30 June 2015, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	30 June 2015			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	192.055	32.619	50.746	483
2a. Monetary financial assets	88.299	39.230	15.757	3.379
2b. Non- monetary financial assets	-	-	-	-
3. Other	302.495	302.026	157	-
<b>4. Current assets (1+2+3)</b>	<b>582.849</b>	<b>373.875</b>	<b>66.660</b>	<b>3.862</b>
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	40.833	29.880	3.673	-
<b>8. Non-current assets (5+6+7)</b>	<b>40.833</b>	<b>29.880</b>	<b>3.673</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>623.682</b>	<b>403.756</b>	<b>70.333</b>	<b>3.862</b>
10. Trade payables	287.004	250.405	7.626	470.880
11. Financial liabilities	357.195	220.752	36.429	1.275.149
12a. Other monetary financial liabilities	501.529	500.555	326	-
12b. Other non-monetary financial liabilities	187.992	187.992	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>1.333.720</b>	<b>1.159.704</b>	<b>44.382</b>	<b>1.746.028</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	314.755	54.466	74.265	1.780.257
16a. Other monetary financial liabilities	522.804	522.804	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>837.559</b>	<b>577.270</b>	<b>74.265</b>	<b>1.780.257</b>
<b>18. Total liabilities (13+17)</b>	<b>2.171.279</b>	<b>1.736.974</b>	<b>118.647</b>	<b>3.526.286</b>
<b>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)</b>	<b>(556.251)</b>	<b>(20.091)</b>	<b>(179.787)</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative financial assets	183.018	79.289	34.783	-
19b. Off-balance sheet foreign currency derivative financial liabilities	739.269	99.380	214.570	-
<b>20. Net foreign currency asset/liability position (9-18+19)</b>	<b>(2.103.848)</b>	<b>(1.353.309)</b>	<b>(228.101)</b>	<b>(3.522.423)</b>
<b>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(1.702.933)</b>	<b>(1.477.133)</b>	<b>(52.144)</b>	<b>(3.522.423)</b>
22. Fair value of derivative financial instruments used in foreign currency hedge	67.529	-	22.644	-
23. Hedged foreign currency assets	739.269	99.380	214.570	-
24. Hedged foreign currency liabilities	183.018	79.289	34.783	-
25. Exports	525.247	-	-	-
26. Imports	2.593.766	-	-	-

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

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

##### Additional information about financial instruments (cont’d)

##### Foreign currency risk management (cont’d)

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates its functional currency. As of 31 December 2014, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

#### NOT 15 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

##### Additional information about financial instruments (cont’d)

##### Foreign currency risk management (cont’d)

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

As of 30 June 2015 asset and liability balances are translated by using the following exchange rates: TRY 2,6863 = US \$ 1, TRY 2,9822 = EUR 1 and TRY 0,0218= JPY 1 (31 December 2014: TRY 2,3189 = US \$ 1, TRY 2,8207 = EUR 1 and TRY 0,0193= JPY 1).

30 June 2015	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(133.322)	133.322
2- Hedged portion from TRY risk (-)	7.929	(7.929)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(125.393)	125.393
5- US Dollars net asset/liability	738	(738)
6- Hedged portion from US Dollars risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- US Dollars net effect (5+6+7)	738	(738)
9- Euro net asset/liability	(14.408)	14.408
10- Hedged portion from Euro risk (-)	10.373	(10.373)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(4.035)	4.035
13- Jap. Yen net asset/liability	(7.680)	7.680
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(7.680)	7.680
<b>TOTAL (4+8+12+16)</b>	<b>(136.370)</b>	<b>136.370</b>

In addition to the Group’s foreign currency sensitivity to a 10% (+/-) change in TRY, TRY 155.967 thousands of income / (TRY (65.870) thousand expense) will occur due to the decrease/ (increase) in deferred tax base.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

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

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

##### Additional information about financial instruments (cont'd)

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

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish – See Note 18)

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015**

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

#### **NOTE 16 – SUBSEQUENT EVENTS**

None.

#### **NOTE 17 – ADDITIONAL INFORMATION FOR CASH FLOW STATEMENTS**

Details of changes in working capital for the periods between 1 January – 30 June 2015 and 1 January – 30 June 2014 are as follows:

	1 January- 30 June 2015	1 January- 30 June 2014
Current trade receivables	505.239	(38.563)
Inventories	493.895	243.641
Other short term receivables / current assets	6.031	(11.265)
Other long term receivables / non current assets	2.719	17.040
Current trade payables	(20.830)	(3.404)
Other short term payables / liabilities	44.911	44.878
Other long term payables / liabilities	6.598	(3.329)
	<u>1.038.563</u>	<u>248.998</u>

Changes in 1 January – 30 June 2015 period in working capital represents differences in functional currencies converted to presentation currency, which is TRY.

#### **NOTE 18 – OTHER ISSUES AFFECTING THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION**

##### **Convenience translation to English**

As of 30 June 2015, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.