

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

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 DECEMBER 2009

(Translated into English from the original Turkish report)

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

We have audited the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow, the summary of significant accounting policies and the notes of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (the "Company") and its subsidiaries (together the "Group") prepared as of 31 December 2009.

Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting standards published by Capital Markets Board ("CMB") This responsibility includes designing, implementing and maintaining required internal control system relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to any error and/or fraud and irregularities; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our independent audit was conducted in accordance with the auditing standards published by the Capital Markets Board. These standards require comply with the ethical requirements and plan and perform an independent audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Our audit, involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected, depending on our professional judgment, include the assessment of the risks of material misstatement of the consolidated financial statements, whether due to any error and/or fraud and irregularities. In this risk assessment, the internal control is considered. However, our purpose is not to express an opinion on the effectiveness of the entity's internal control, but is to execute the relationship between the internal control system and the consolidated financial statements prepared by the management in order to design audit techniques appropriate to the circumstances. Our audit also includes evaluation of the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating of the convenience of the overall presentation of the financial statements.

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

Deloitte.

Opinion

In our opinion based on our audit, the accompanying consolidated financial statements presents fairly, in all material respects the financial position of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries as of 31 December 2009 and its financial performance and cash flow for the year ended in accordance with the financial reporting standards issued by CMB.

Without qualifying our opinion, as explained in greater detail in Note 22, the lawsuits, which were commenced by the Privatization Administration ("PA") of the Turkish Republic for the cancellation of the resolution of the Company's General Assembly as of 30 March 2006 regarding the dividend distribution and by the Capital Market Board's ("CMB") with the claim that the Company prepared its 31 December 2005 dated financial statements in accordance with IFRS instead of the Communiqué Serial XI, No: 25 on "Principles Regarding Accounting Standards in Capital Markets" without the permission of CMB, resulted in favor of the Company as of the reporting date, are in the appeal .

Istanbul, 19 February 2010

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



Berkman Özata
Partner

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

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

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2009

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

	Note	Current Period 31 December 2009	Previous Period 31 December 2008
ASSETS			
Current Assets		3.729.502.669	4.649.284.426
Cash and Cash Equivalents	6	1.065.737.367	973.469.825
Financial Investments	7	22.588	873.104
Trade Receivables	10	692.485.126	689.371.863
<i>Due from Related Parties</i>	38	64.024.254	106.529.988
<i>Other Trade Receivables</i>	10	628.460.872	582.841.875
Other Receivables	11	124.456	44.971.773
Inventories	13	1.644.880.477	2.553.534.328
Other Current Assets	26	284.483.978	387.063.533
		<u>3.687.733.992</u>	<u>4.649.284.426</u>
Non Current Assets Held for Sale	35	41.768.677	-
Non Current Assets		7.420.919.878	7.285.155.391
Trade Receivables	10	2.360.741	2.589.593
Other Receivables	11	26.722.247	153.913
Financial Investments	7	41.666	30.308.140
Associates Accounted Under Equity Method	16	-	10.909.480
Investment Properties	17	46.577.264	45.973.550
Property, Plant and Equipment	18	6.795.323.290	6.735.479.233
Intangible Assets	19	140.275.624	141.049.960
Deferred Tax Assets	36	353.505.904	232.336.835
Other Non Current Assets	26	56.113.142	86.354.687
TOTAL ASSETS		<u>11.150.422.547</u>	<u>11.934.439.817</u>

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

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

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2009

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

	Note	Current Period 31 December 2009	Previous Period 31 December 2008
LIABILITIES			
Current Liabilities		1.620.897.962	3.355.971.032
Financial Liabilities	8	837.296.086	2.279.853.357
Other Current Financial Liabilities	9	96.556.326	-
Trade Payables	10	355.004.343	393.357.474
<i>Due to Related Parties</i>	38	5.147.811	3.939.773
<i>Other Trade Payables</i>	10	349.856.532	389.417.701
Other Payables	11	53.444.045	193.144.607
<i>Due to Related Parties</i>	38	1.871.365	117.076.064
<i>Other Payables</i>	11	51.572.680	76.068.543
Current Tax Liabilities	36	2.385.751	1.650.768
Provisions	22	73.932.797	229.719.508
Other Current Liabilities	26	202.278.614	258.245.318
Non Current Liabilities		3.610.830.559	2.474.840.646
Financial Liabilities	8	3.328.726.727	2.254.463.506
Other Non Current Financial Liabilities	9	9.414.527	-
Provisions for Employee Benefits	24	121.870.564	117.287.493
Deferred Tax Liabilities	36	150.606.462	102.491.378
Other Non Current Liabilities	26	212.279	598.269
EQUITY	27	5.918.694.026	6.103.628.139
Shareholder's Equity Attributable to Equity			
Holders of the Parent		5.762.058.750	5.936.255.412
Share Capital		1.600.000.000	1.148.812.500
Inflation Adjustment of Share Capital		731.967.735	731.967.735
Treasury Shares Adjustment (-)		(57.692.172)	(43.790.843)
Share Issue Premium		231.020.042	231.020.042
Revaluation Reserves		25.869.903	26.376.841
Cash Flow Hedging Reserves		(7.259.727)	(1.616.880)
Foreign Currency Translation Reserve		4.108.212	3.464.667
Restricted Reserves Assorted from Profit		1.688.196.335	1.665.921.924
Retained Earnings		1.714.538.844	1.962.624.966
Net Profit/(Loss) for the Period		(168.690.422)	211.474.460
Minority Interest		156.635.276	167.372.727
TOTAL LIABILITIES AND EQUITY		11.150.422.547	11.934.439.817

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

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

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

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

	Note	Current Period 1 January- 31 December 2009	Previous Period 1 January- 31 December 2008
OPERATING INCOME			
Revenue	28	5.235.709.736	6.800.384.174
Cost of Sales (-)	28	(4.990.985.007)	(5.963.512.851)
GROSS PROFIT		244.724.729	836.871.323
Marketing, Sales and Distribution Expenses (-)	29	(68.086.413)	(73.348.128)
General Administrative Expenses (-)	29	(108.248.107)	(125.560.712)
Research and Development Expenses (-)	29	(2.365.699)	(3.182.997)
Other Operating Income	31	96.877.548	59.196.636
Other Operating Expenses (-)	31	(111.156.156)	(177.102.564)
OPERATING PROFIT		51.745.902	516.873.558
(Losses)/revenues from investments accounted under equity method	16/31	(642.992)	2.547.262
Financial Income	32	142.944.425	494.773.300
Financial Expense (-)	33	(417.522.454)	(729.401.198)
PROFIT/(LOSS) BEFORE TAXATION		(223.475.119)	284.792.922
Tax Income/(Expense)	36	54.993.561	(57.099.328)
- Current tax expense		(16.464.319)	(44.707.211)
- Deferred tax income/(expense)		71.457.880	(12.392.117)
PROFIT/(LOSS) FOR THE PERIOD		(168.481.558)	227.693.594
- Minority Interest		208.864	16.219.134
- Owners of the Company		(168.690.422)	211.474.460
EARNINGS/(LOSS) PER SHARE	37	(0,1054)	0,1322

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

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

		Current Period	Previous Period
		1 January-	1 January-
		31 December	31 December
	Note	2009	2008
PROFIT/(LOSS) FOR THE PERIOD		(168.481.558)	227.693.594
Other Comprehensive Income/(Expense):	34		
Change in Revaluation Reserves		(582.185)	9.821.202
Change in Cash Flow Hedging Reserves		(7.604.291)	(2.137.858)
Change in Currency Translation Reserves		643.545	5.490.086
Income Tax Relating to the Components of Other Comprehensive Income/ (Expense)	36	1.596.105	(995.914)
OTHER COMPREHENSIVE INCOME/ (EXPENSE) (AFTER TAX) FOR THE PERIOD		(5.946.826)	12.177.516
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(174.428.384)	239.871.110
Distribution of Total Comprehensive Profit/(Loss)			
- Minority Interest		(231.722)	16.125.727
- Owners of the Company		(174.196.662)	223.745.383

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

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

	Note	Share Capital	Inflation Adjustment to Share Capital	Treasury Shares Adjustment	Share Issue Premium	Revaluation Reserves	Cash Flow Hedging Reserves	Foreign Currency Translation Reserve	Restricted Reserves Assorted from Profit	Retained Earnings	Attributable to Equity Holders of the Parent	Minority Interest	Total Shareholders' Equity
January 1, 2009		1.148.812.500	731.967.735	(43.790.843)	231.020.042	26.376.841	(1.616.880)	3.464.667	1.665.921.924	2.174.099.426	5.936.255.412	167.372.727	6.103.628.139
Dividends paid		-	-	-	-	-	-	-	-	-	-	(10.505.729)	(10.505.729)
Total comprehensive income/ (loss) for the period		-	-	-	-	(506.938)	(5.642.847)	643.345	-	(168.690.422)	(174.196.662)	(231.722)	(174.428.384)
Transfers from retained earnings	27	451.187.500	-	(13.901.329)	-	-	-	-	22.274.411	(459.560.582)	-	-	-
December 31, 2009	27	1.600.000.000	731.967.735	(57.692.172)	231.020.042	25.869.903	(7.259.727)	4.108.212	1.688.196.335	1.545.848.422	5.762.058.750	156.635.276	5.918.694.026
January 1, 2008		844.018.500	731.967.735	(34.399.974)	231.020.042	17.979.124	-	(2.025.419)	1.457.099.875	2.758.781.354	6.004.441.237	158.814.688	6.163.255.925
Dividends paid		-	-	-	-	-	-	-	-	(289.015.199)	(289.015.199)	(7.567.688)	(296.582.887)
Total comprehensive income/ (loss) for the period		-	-	-	-	8.397.717	(1.616.880)	5.490.086	-	211.474.460	223.745.383	16.125.727	239.871.110
Cumulative translation adjustments		-	-	-	-	-	-	-	-	(2.916.009)	(2.916.009)	-	(2.916.009)
Transfers from retained earnings	27	304.794.000	-	(9.390.869)	-	-	-	-	208.822.049	(504.225.180)	-	-	-
December 31, 2008	27	1.148.812.500	731.967.735	(43.790.843)	231.020.042	26.376.841	(1.616.880)	3.464.667	1.665.921.924	2.174.099.426	5.936.255.412	167.372.727	6.103.628.139

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
 ORIGINALLY ISSUED IN TURKISH

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

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2009

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

	Note	Current Period 1 January – 31 December 2009	Previous Period 1 January – 31 December 2009
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/ (Loss) before tax and minority interest		(223.475.119)	284.792.922
Necessary adjustments to reconcile net profit /(loss) before tax with net cash provided by operating activities			
Depreciation and amortization expenses	28/30	281.049.586	226.932.635
Provision for employment termination benefits	24	32.252.437	26.030.048
Provision for seniority incentive bonus	24	4.158.281	-
Gain/ (Loss) from associates accounted for using the equity pick up method	16	642.992	(2.547.262)
Gain / (Loss) arising from sales of property plant and equipment	31	(495.470)	5.128.015
Increase in the impairment allowance of fixed assets	31	-	17.969.016
Retirement loss of fixed assets	31	-	53.906.767
Increase in the impairment of the financial investments	7	-	629.642
Increase in the provision for doubtful receivables	10/11	33.911.730	3.242.040
Decrease in the allowance for inventories	13	(976.798.270)	981.719.237
(Decrease)/ Increase in the provision for unpaid vacations	26	(10.009.157)	828.544
(Decrease)/ Increase in the provision for pending claims and lawsuits	22	(1.789.594)	9.343.732
(Decrease)/ Increase in the penalty provision for obligatory employment shortage of disabled people, ex-convicts and terror victims	22	(50.352.780)	659.327
(Decrease)/ Increase in the provisions for tax related contingencies	22	(2.006.793)	1.264.234
(Decrease)/ Increase in the provision for loss on purchase commitments	22	(101.637.544)	101.637.544
Finance expense	33	243.847.302	156.614.608
Interest income	32	(122.123.232)	(263.362.682)
Accrued finance expense		195.891.963	461.838.978
Gain / (Loss) on the valuation of derivative financial instruments		99.229.698	(3.000.994)
Minority share on the change of derivative financial instruments		(440.586)	(93.407)
Net cash (used in)/ provided by operating activities before changes in working capital		(598.144.556)	2.063.532.944
Changes in working capital	42	1.791.367.735	(1.902.385.199)
Interest paid		(249.367.143)	(105.417.962)
Interest received		120.159.608	266.375.357
Taxes paid	36	(15.729.336)	(66.447.676)
Employment termination benefits paid	24	(31.827.647)	(16.458.809)
Cash provided by operating activities		1.016.458.661	239.198.655
CASH FLOW FROM INVESTING ACTIVITIES			
Changes in marketable securities	7	(12.621)	489.953
Purchase of financial assets	7	(3.546)	(3.480)
Cash provided by fixed asset sales	18/19/31	31.447.643	137.480.323
Cash used in the purchases of investment property	17	(603.714)	(15.103.235)
Cash used in the purchases of tangible fixed assets	18	(347.673.137)	(622.821.383)
Purchases of intangible assets	19	(9.729.050)	(97.545.803)
Change in the revaluation reserves		(506.938)	8.397.717
Cash used in investing activities		(327.081.363)	(589.105.908)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3.661.942.324	2.661.836.487
Repayment of borrowings		(4.251.128.090)	(1.623.683.207)
Translation difference		618.115	(1.423.330)
Dividends paid		-	(289.015.199)
Dividends paid to minority interest		(10.505.729)	(7.567.688)
Cash (used in) / provided by financing activities		(599.073.380)	740.147.063
NET CHANGES IN CASH AND CASH EQUIVALENTS		90.303.918	390.239.810
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6	972.980.449	582.740.639
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	1.063.284.367	972.980.449
Accrued Interest	6	2.453.000	489.376
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD INCLUDING ACCRUED INTEREST	6	1.065.737.367	973.469.825

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

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

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts are expressed as Turkish Lira ("TRY") 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 is respectively Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu respectively.

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

The Company was incorporated in Turkey as a joint stock company in 1960. The principal activities of the Company are production of iron and steel rolled products, alloyed and non-alloyed iron, steel and pig iron castings, cast and pressed products, coke and 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	Operation	2009 Share %	2008 Share %
İskenderun Demir ve Çelik A.Ş. ("ISDEMİR")	Iron and Steel	92,91	92,91
Erdemir Madencilik San. ve Tic. A.Ş.	Iron Ore and Pellet	90,00	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Iron and Steel	100,00	100,00
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Management and Consultancy	100,00	100,00
Erdemir Romania S.R.L.	Iron and Steel	100,00	100,00
Erdemir Çelbor Çelik Çekme Boru San.ve Tic. A.Ş.	Iron and Steel	100,00	100,00
Erdemir Lojistik A.Ş.	Logistics Services	100,00	100,00

Arcelor Mittal Ambalaj Çeliği San. ve Tic. A.Ş. which was consolidated under equity method in the previous reporting periods has been disclosed as "non current assets held for sale" as of 1 April 2009 (Note 35).

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

Erdemir Gaz San. ve Tic. A.Ş. as described in Note 7 is excluded form group consolidation, as it has not been operating since its establishment and as it does not significantly affect the consolidated financial results of the Group.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts are expressed as Turkish Lira ("TRY") 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 31 December 2009 and 31 December 2008 are as follows:

	31 December 2009	31 December 2008
Monthly paid personnel (A)	3.244	3.551
Hourly paid personnel (B)	8.003	9.063
Candidate worker (C)	1.786	1.797
Contractual personnel (D)	17	17
Contractual personnel (Contractor)	111	209
TOTAL	13.161	14.637

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 subsidiary which operates abroad maintain its books of account and prepare its statutory financial statements denominated in the currency of the foreign country and in compliance with the legislation of the foreign country. The accompanying consolidated financial statements include the adjustments and reclassifications applied on the Group’s legal books in accordance with the Generally Accepted Accounting Principles issued by Capital Market Board ("CMB").

CMB, in accordance with Communiqué Serial: XI, No: 29 on "Communiqué on Financial Reporting in the Capital Markets", regulates the comprehensive set of principles, procedures and basis of preparation, presentation and announcement of financial statements prepared by the entities. This communiqué is effective for the periods from the first interim financial statements prepared subsequent to 1 January 2008 and supersedes the Communiqué Serial XI, No: 25 "Accounting Standards in Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union (EU). However, IAS/IFRS issued by the IASB shall be applied until the differences between IAS/IFRS that are endorsed by the European Union and the standards issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"). Accordingly, Turkish Accounting Standards/ Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards are essential.

Until the differences between IAS/IFRS that are endorsed by the European Union and the ones issued by the IASB are announced by TASB, the consolidated financial statements are prepared within the framework of Communiqué XI, No: 29. The consolidated financial statements and the related notes are presented in accordance with the formats recommended by the CMB, with the announcements dated 17 April 2008 and 9 January 2009, including all compulsory disclosures.

The Group, prepares its consolidated financial statements as of 31 December 2005 and after in accordance with IFRS based on the permission of the CMB’s Statement No:017/83-3483, dated 7 March 2006, stating that: As explained in your letter, if the disclosure of the financial statements prepared in accordance with IFRS, instead of the CMB’s Communiqué Serial: XI, No: 25 is needed, the 2005 financial statements prepared in accordance with IFRS should be revised according to the accounting standards announced by our Board.

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

2.1 Basis of Presentation (cont'd)

Hence, these financial statements may be issued to public if only the necessary restatement adjustments in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" are eliminated and the necessary adjustments in the comparative financial statements are made".

Approval of the consolidated financial statements:

The financial statements have been approved and authorized to be published on 19 February 2010 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

2.2 The Adjustment of the Financial Statements in Hyperinflationary Periods

In accordance with the decision made on 17 March 2005, by CMB, as effective from 1 January 2005, the inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements due to the accounting standards of CMB. Since the date of the decision, the preparation and publication of the financial statements in accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, have ceased.

2.3 Changes in Accounting Estimates and Errors

The changes in accounting estimates affecting the current period are recognized in the current period, the changes in accounting estimates affecting both in the current and future periods, prospectively. Since 1 January 2009, based on the report of Hatch Associates Limited prepared as of 31 December 2008 and dated 12 May 2009, the Group has changed the depreciation method of Erdemir and İsdemir's land improvements, machinery, equipment and vehicles from straight line to the units of production method, where it is appropriate, to reflect their expected consumption model in a more accurate way.

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

	1 January 2009 and after
Buildings	% 2-16
Land improvements	% 2-33 and units of production level
Machinery and equipments	% 3-50 and units of production level
Vehicles	% 5-25 and units of production level
Furniture and fixtures	% 5-33
Other tangible fixed assets	% 5-25

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

	New rates applied after 1 January 2009 (*)
Decrease in the depreciation amount between 01 January- 31 December 2009	42.799.620

(*) The net effect of the decrease in the depreciation charges on the income statement after the inventory and tax effect before the minority interest is TRY32.527.201.

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

2.3 Changes in Accounting Estimates and Errors (cont'd)

As the differences between the depreciation methods of units of production and straight line will change according to the production levels in the future years, the estimated effects on the consolidated financial statements can not be predicted.

2.4 Consolidation Principles

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

The companies which the Group, directly or indirectly, has above 50% ownership interest or 50% voting rights or has power to exercise control on operations, have been fully consolidated. If the Group has the power to govern the financial and operating policies of the subsidiaries for its own benefit, control is deemed to present.

The accounting policies of the subsidiaries consolidated are changed and aligned with the Group's accounting policies when necessary. All significant transactions and balances between the Company and its subsidiaries are eliminated during consolidation.

When the Group purchases a company, the assets and liabilities of the relevant subsidiary are measured at their fair values at the date of acquisition. The amount of the minority interest shares is obtained by the calculation of the fair values of assets and liabilities with respect to the proportion of the minority interest. The operational results of subsidiaries are included or excluded from consolidation according to their effective dates of acquisition and disposal, respectively.

Investments in Associates

An associate is an entity over which the Group has a significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the authority to control the financial or operational policies of the investee or has the authority to participate without a joint control.

The results of operations, assets and liabilities of the associates that are incorporated in the accompanying consolidated financial statements are accounted for via the equity method, in cases where the associates are held for sale.

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

2.4 Consolidation Principles (cont'd)

Investments in Associates (cont'd)

According to the equity method, the investments in associates are carried into the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the registered assets and liabilities on the date of acquisition such as identifiable assets, liabilities and contingent liabilities, is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, is recognized immediately in the consolidated income statement after the revaluation.

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

2.5 Comparative Information and Restatement of Financial Statements with Prior Periods

The Group's consolidated financial statements are presented in comparison with the previous period in order to allow for the determination of the financial position and performance trends. The comparative information is reclassified when necessary in order to be aligned with the current period consolidated financial statements. The detailed information about these restatements are presented in Note 42.

2.6 Critical Decisions of the Group on the Application of the Accounting Policies

Deferred taxes

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements of IFRS and the corresponding tax bases which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between tax statutory and IFRS financial statements. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring, the carry-forward period associated with the deferred tax assets, future reversals of existing taxable temporary differences that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group has recognized the deferred tax assets because it is probable that the taxable profit is sufficiently available.

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

2.7 Offsetting

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

2.8 Adoption of New and Revised International Financial Reporting Standards

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

IFRS 8 "Operating Segments"

IFRS 8 "Operating Segments" replaces IAS 14 "Segment Reporting". This standard requires a management approach, under which the segment information is presented on the same basis as it is used for internal reporting purposes. Accordingly, the operating segments are reported in a manner that is consistent with the internal reporting provided to the decision makers. As explained in Note 5, this does not result in any additional disclosures.

IAS 1 (Revised) "Presentation of Financial Statements"

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

IFRS 7 (Amendment) "Financial Instruments Disclosures"

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

IAS 23 (Revised) "Borrowing Costs"

The Group has been applying IAS 23 Borrowing Cost amendments in the previous years too. The revised standard requires that borrowing costs should be capitalized, if the costs are directly related to the acquisition, construction or production of the qualifying asset. In the current year, the Group has determined the construction of the production facility as a qualifying asset as in the previous years. Also, the interests and foreign exchange gain/loss of the loans issued in 2009 for the construction have been capitalized. The details of the amount and the nature of the capitalized borrowing costs are explained in Note 18, Property, Plant and Equipment.

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

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

The following standards, amendments and interpretations are effective from 1 January 2009 but are not relevant to the Group's operations:

- IFRIC 13, "Customer Loyalty Programs"
- IFRS 2, (Revised), "Share-based Payment"
- IAS 32 "Financial Instruments: Presentation"
- IAS 38 "Intangible Assets"
- IAS 39 "Financial Instruments: Recognition and Measurement"
- IAS 40, (Amendment) "Investment Property"
- IFRIC 15, "Agreements for the Construction of Real Estates"
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 18, "Transfers of Assets from Customers"

Standards, amendments and interpretations to existing standards issued but are not yet effective and have not been early adopted by the Group:

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

- IFRS 2 (Amendment), "Share-based Payment" (Amendments related to Group Cash-Settled Share-Based Payment Transactions)
- IFRS 3, "Business Combinations", IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates", IAS 31 "Interests in Joint Ventures" (Comprehensive Revision on Applying the Acquisition Method)
- IFRS 9, "Financial Instruments: Classification and Measurement"
- IAS 24, "Related Party Disclosures"
- IFRIC 17, "Distributions of non-cash assets to owners"
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"
- May 2008 Amendments (IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations)
- April 2009 Amendments (IFRS 2 "Share-based Payment", IFRS 5 – "Non-Current Assets Held for Sale and Discontinued Operations", IFRS 8 – "Operating Segments", IAS 1 - "Presentation of Financial Statements", IAS 7 – "Statement of Cash Flows", IAS 17 – "Leases", IAS 36 – "Impairment of Assets" IAS 38 – "Intangible Assets", IAS 39 - "Financial Instruments: Recognition and Measurement"

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

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

Summary about below standards are as following:

IFRS 2, "Share Based Payments"

The revisions in IFRS 2 "Share Based Payments" clarify the accounting of Group transactions paid in cash. These revisions specify the accounting transactions of an entity when it undertakes share based payment agreements. In such agreements in which the entity receives or acquires goods or services, the related costs are compensated by parent company or an other company. The accounting requirements for the share-based payment depend on how the transaction will be settled, that is, by the issuance of equity, cash or equity or cash. These revisions state that in the scope of the share based payment agreements an entity which purchases goods and/or services shall recognize these goods and/or services without considering whether the payment is by cash or share or is paid by which Group company.

IFRS 3, "Business Combinations"

The costs related with acquisitions shall be presented under profit and loss statement when incurred and changes in the contingent costs recorded at the time of inception shall be recorded under statement of income instead of correction from the goodwill.

IFRS 9, "Financial Instruments: Classification and Measurement"

IFRS 9, "Financial Instruments: Classification and Measurement" standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value.

IAS 24, "Related Party Disclosures"

The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements

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

IFRIC 17 will apply to the mutual distribution of all non monetary assets including the cases where the shareholders have the right to choose the monetary and non monetary assets to be distributed.

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC 19 is effective for annual periods beginning or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability.

The management of the Group anticipates that, the standards and interpretations above are unlikely to have material impact on the financial statements of the Group in the forthcoming periods.

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

2.9 Summary of Significant Accounting Policies

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

2.9.1 Revenue Recognition

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

Sale of goods

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

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

Dividend and interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Rental income

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

2.9.2 Inventories

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

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

2.9 Summary of Significant Accounting Policies (cont'd)

2.9.3 Property, Plant and Equipment

Property, plant and equipment purchased before 1 January 2005 are disclosed in the financial statements at their indexed historical cost for inflation effects as at 31 December 2004, on the other hand the purchases made in 2005 and in later periods are presented at their historical cost, less depreciation and impairment loss. Except for land and construction in progress, other tangible assets are depreciated according to straight-line basis or units of production method basis using the expected useful lives of the assets.

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

Any increase arising from the revaluation of the existing assets is recorded under the revaluation reserve, in the shareholders' equity. Increase arising from the revaluation is recorded to the extent that it reverses a revaluation decrease previously recognized in the consolidated income statement. A decrease in carrying amount arising on the revaluation of land and buildings is charged to the consolidated income statement to the extent that it exceeds the balance in the revaluation reserve that is related to the previous revaluation.

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

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

2.9.4 Finance Lease Operations

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. By this way, interest is calculated over the remaining principle of the liability. Finance expenses are recognized immediately in the consolidated income statement, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (detailed in Note 2.9.7). Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

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

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

2.9 Summary of Significant Accounting Policies (cont'd)

2.9.5 Intangible Assets

Purchased intangible assets

Intangible assets purchased before 1 January 2005 are recognized at their acquisition cost indexed for inflation effects as of 31 December 2004, on the other hand the purchases made in and after 1 January 2005 are recognized at acquisition cost less any amortization and impairment loss. Intangible assets are amortized principally on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, and any changes in the estimate is accounted for on a prospective basis.

The amortization rates of the intangible assets are stated below:

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

2.9.6 Impairment of Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization or depreciation and are tested annually for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing the impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered from impairment are reviewed at every reporting date for the possible reversal of the impairment at each reporting date.

2.9.7 Borrowing Costs

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

All other borrowing costs are recognized directly in the statement of income/(loss) the period in which they are incurred.

2.9.8 Financial Instruments

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

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

2.9 Summary of Significant Accounting Policies (cont'd)

2.9.8 Financial Instruments (cont'd)

Financial assets

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

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

Effective interest method

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

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

Available for sale financial assets

Some of the shares and borrowing instruments held by the Group are classified as available for sale and recognized at their fair values.

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

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

Dividends associated with the available for sale equity instruments are recognized in profit and loss when the Group has the right to receive the related payments.

Receivables

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

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

2.9 Summary of Significant Accounting Policies (cont'd)

2.9.8 Financial Instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets

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

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

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

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

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

Cash and cash equivalents

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

Financial liabilities

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

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

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

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

2.9 Summary of Significant Accounting Policies (cont'd)

2.9.8 Financial Instruments (cont'd)

Financial liabilities (cont'd)

Other financial liabilities

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

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

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

Derivative Financial Instruments and Hedge Accounting

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

On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognized asset or liability (fair value hedge) or a hedge from changes that could affect the statement of income due to a specific risk in cash flow of a forecasted transaction (cash flow hedge).

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

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

The Group, evaluates the derivative financial instruments held for fair value hedge purpose with their fair values and associate them with profit/loss.

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

2.9 Summary of Significant Accounting Policies (cont'd)

2.9.9 Foreign Currency Transactions

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

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

2.9.10 Earnings per Share

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

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

2.9.11 Subsequent Events

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

In the case that events requiring an adjustment, the Group adjusts the amounts recognized in its consolidated financial statements to reflect the adjustments after the balance sheet date.

2.9.12 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

2.9 Summary of Significant Accounting Policies (cont'd)

2.9.13 Related Parties

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

2.9.14 Non Current Assets Held for Sale and Discontinued Operations

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

2.9.15 Investment Properties

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

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

2.9.16 Taxation and Deferred Income Taxes

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

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

Current tax

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

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

2.9 Summary of Significant Accounting Policies (cont'd)

2.9.16 Taxation and Deferred Income Taxes (cont'd)

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

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

2.9 Summary of Significant Accounting Policies (cont'd)

2.9.17 Provisions for Employee Benefits

Under Turkish law and union agreements, employee termination payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as a part of defined retirement benefit plan as per IFRS 19 (revised) "Employee Benefits" ("IAS 19").

In accordance with the termination indemnities accounted in the balance sheet and the union agreements in force, severance payment liabilities represent the present value of the residual obligation. Actuarial gains and losses, on the other hand, are recognized in the statement of income.

2.9.18 Retirement Plans

None.

2.9.19 Agricultural Operations

None.

2.9.20 Statement of Cash Flows

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

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

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

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

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

2.9.21 Share Capital and Dividends

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

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

2.9 Summary of Significant Accounting Policies (cont'd)

2.9.22 Treasury Shares

Article IV-K of Articles of Association "According to Turkish Commercial Code Article 329, transactions of an entity's own shares" allows Erdemir to purchase, hold, sell or transfer its own shares, without voting rights. As of 31 December 2009, the Company holds its own shares with a nominal value of TRY49.296.859 (31 December 2008 with the historical value of TRY35.395.530). The Company's own shares have been reclassified in the balance sheet as a deduction from the share capital.

NOTE 3 – BUSINESS COMBINATIONS

None.

NOTE 4 – JOINT VENTURES

None.

NOTE 5 – OPERATING SEGMENTS

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.

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NOTE 6 – CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as of 31 December 2009 and 31 December 2008 is as follows:

	31 December 2009	31 December 2008
Cash	24.725	11.139
Checks and payment orders given (-)	-	(26.000)
Banks – demand deposits	57.474.534	146.167.802
Banks – time deposits	1.008.238.108	827.316.884
	<u>1.065.737.367</u>	<u>973.469.825</u>
Time deposit interest accruals (-)	(2.453.000)	(489.376)
Cash and cash equivalents excluding interest accruals	<u>1.063.284.367</u>	<u>972.980.449</u>

The breakdown of demand deposits is presented below:

	31 December 2009	31 December 2008
USD	40.342.507	10.339.920
EUR	7.594.427	1.136.261
TRY	4.538.501	132.703.481
RON	4.949.386	1.968.178
JPY	22.484	11.064
GBP	27.229	8.898
	<u>57.474.534</u>	<u>146.167.802</u>

The breakdown of time deposits is presented below:

	31 December 2009	31 December 2008
USD	648.714.606	385.679.168
TRY	294.414.407	394.043.493
EUR	65.109.095	47.504.249
RON	-	89.974
	<u>1.008.238.108</u>	<u>827.316.884</u>

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

As of 31 December 2009, the breakdown of the Group's time deposits with respect to their maturities is presented below:

<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>31 December 2009</u>
TRY	10,25%	18.01.2010	50.210.299
TRY	10,75%	05.02.2010	32.093.859
TRY	9,81%	08.01.2010	30.193.415
TRY	7,50%	04.01.2010	23.754.878
TRY	9,40%	04.01.2010	20.149.294
TRY	9,50%	04.01.2010	20.148.279
TRY	9,80%	08.01.2010	20.128.876
TRY	10,60%	05.02.2010	20.052.274
TRY	10,20%	11.01.2010	15.087.893
TRY	10,00%	15.01.2010	10.046.480
TRY	10,25%	29.01.2010	10.044.750
TRY	10,25%	19.01.2010	10.042.123
TRY	10,75%	29.01.2010	10.008.798
TRY	10,75%	12.02.2010	10.008.782
TRY	10,25%	22.01.2010	7.019.597
TRY	10,65%	15.01.2010	5.024.746
TRY	6,25%	04.01.2010	200.032
TRY	5,75%	04.01.2010	200.032
USD	3,25%	19.01.2010	105.535.751
USD	2,40%	22.01.2010	75.542.227
USD	3,10%	18.01.2010	60.304.692
USD	2,36%	04.01.2010	37.870.803
USD	3,25%	22.01.2010	37.673.306
USD	3,10%	08.02.2010	30.188.050
USD	3,50%	19.01.2010	30.157.314
USD	3,25%	18.01.2010	30.154.189
USD	2,98%	18.01.2010	30.150.852
USD	3,20%	08.01.2010	22.627.068
USD	2,90%	18.01.2010	22.612.398
USD	2,94%	06.01.2010	15.093.376
USD	2,85%	04.01.2010	15.091.090
USD	2,70%	04.01.2010	15.089.296
USD	2,50%	06.01.2010	15.087.933
USD	3,00%	08.02.2010	15.086.651
USD	3,00%	29.01.2010	15.076.777
USD	3,15%	22.01.2010	15.069.982
USD	3,25%	29.01.2010	15.061.017
USD	2,35%	22.01.2010	7.553.687
USD	3,05%	14.01.2010	7.539.817
USD	3,00%	14.01.2010	7.539.632
USD	2,76%	14.01.2010	7.538.742
USD	3,19%	22.01.2010	7.535.068
USD	3,10%	22.01.2010	7.534.888
EUR	3,10%	01.01.2010	49.534.315
EUR	3,25%	01.01.2010	15.574.780
TOTAL			<u>1.008.238.108</u>

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

As of 31 December 2008, the breakdown of the Group's time deposits with respect to their maturities is presented below:

<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>31 December 2008</u>
TRY	17,00	02.01.2009	251.834.918
TRY	22,50	02.01.2009	50.030.738
TRY	15,75	02.01.2009	48.926.045
TRY	15,40	02.01.2009	20.008.415
TRY	15,50	02.01.2009	13.217.595
TRY	15,25	02.01.2009	10.004.168
TRY	15,00	03.01.2009	21.614
USD	3,35	02.01.2009	145.059.481
USD	7,25	05.01.2009	113.375.148
USD	2,50	02.01.2009	81.872.440
USD	2,50	05.01.2009	45.372.099
EUR	8,20	15.01.2009	32.341.546
EUR	7,75	02.01.2009	13.582.719
EUR	1,70	02.01.2009	1.579.984
RON	13,25	25.01.2009	89.974
TOTAL			827.316.884

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NOTE 7 – FINANCIAL INVESTMENTS

Held for Trading Portfolio:

	31 December 2009	31 December 2008
Investment Funds	<u>22.588</u>	<u>9.967</u>

Derivative Financial Instruments:

	31 December 2009	31 December 2008
Income accruals of the derivative financial instruments (Note 39)	<u>-</u>	<u>863.137</u>
	<u>22.588</u>	<u>873.104</u>

Financial Assets Held as Available for Sale:

As of 31 December 2009 and 31 December 2008 the Group's subsidiaries, their percentage shares and amounts of the ownership interest are as follows:

<u>Company</u>	Interest %	31 December 2009	Interest %	31 December 2008
Borçelik Çelik San. Tic. A.Ş. (*)	-	-	9,34	48.415.165
Erdemir Gaz San. ve Tic. A.Ş. (**)	100,00	41.666	100,00	38.120
Impairment		<u>-</u>		<u>(18.145.145)</u>
		<u>41.666</u>		<u>30.308.140</u>

(*) Borçelik Çelik San. Tic. A.Ş shares have been disclosed under "Non current assets held for sale" since 1 April 2009 (Note 35).

(**) The financial statements of Erdemir Gaz San. ve Tic. A.Ş., which has a total asset of TRY729 and has not been operating since its establishment, are not consolidated as their effects on the accompanying consolidated financial statements are immaterial and disclosed at cost.

NOTE 8 – FINANCIAL LIABILITIES

	31 December 2009	31 December 2008
Short term financial liabilities	<u>29.393.986</u>	<u>1.371.395.202</u>
Current portion of long term financial liabilities	<u>807.880.899</u>	<u>908.016.584</u>
Finance lease payables	<u>21.201</u>	<u>441.571</u>
Total short term financial liabilities	<u>837.296.086</u>	<u>2.279.853.357</u>
Long term financial liabilities	<u>3.328.726.727</u>	<u>2.254.442.496</u>
Finance lease payables	<u>-</u>	<u>21.010</u>
Total long term financial liabilities	<u>3.328.726.727</u>	<u>2.254.463.506</u>
	<u>4.166.022.813</u>	<u>4.534.316.863</u>

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NOTE 8 – FINANCIAL LIABILITIES (cont'd)

As of 31 December 2009, the breakdown of the Group's fixed interest loans in their original currency and by their weighted average effective interest rates, is presented as follows:

Type of original currency	The effective weighted average rate of interest (%)	2009 Short term portion	2009 Long term portion	31 December 2009
USD	5,78	2.088.306	-	2.088.306
TRY	Spot	8.515.490	-	8.515.490
		<u>10.603.796</u>	<u>-</u>	<u>10.603.796</u>

As of 31 December 2009, according to their type of original currency and interest rates, the breakdown of the Group's fixed-interest loans that contain financial hedge arrangements in their original currency and by their respective interest rates, is presented as follows:

Type of original currency	Fixed rate of interest (%)	2009 Short term portion	2009 Long term portion	31 December 2009
USD	3,19	29.851.889	-	29.851.889
USD	2,72	153.341.601	74.467.306	227.808.907
USD	3,35	30.636.967	29.799.941	60.436.908
USD	3,27	15.328.004	14.879.863	30.207.867
USD	3,60	57.270.085	55.827.519	113.097.604
USD	2,03	22.444.722	52.909.326	75.354.048
USD	1,00	61.348.704	59.137.410	120.486.114
		<u>370.221.972</u>	<u>287.021.365</u>	<u>657.243.337</u>
		<u>380.825.768</u>	<u>287.021.365</u>	<u>667.847.133</u>

As of 31 December 2009, the breakdown of the Group's variable interest loans in their original currency and by their weighted average effective interest rates, is presented as follows:

Type of original currency	The effective weighted average interest rate (%)	2009 Short term portion	2009 Long term portion	31 December 2009
USD	Libor + 1,324	290.236.756	1.527.129.581	1.817.366.337
TRY	TRYLibor + 1,766	54.203.445	855.668.943	909.872.388
EUR	Euribor + 0,268	89.870.916	520.438.669	610.309.585
JPY	JPYLibor+0,215	22.138.000	138.468.169	160.606.169
		<u>456.449.117</u>	<u>3.041.705.362</u>	<u>3.498.154.479</u>

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NOTE 8 – FINANCIAL LIABILITIES (cont'd)

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

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

As of 31 December 2008, according to their type of original currency and interest rates, the breakdown of the fixed-interest loans by using financial hedge agreements, is as follows:

Type of original currency	Fixed rate of interest (%)	2009 Short term portion	2009 Long term portion	31 December 2009
USD	3,69	619.552	29.378.302	29.997.854
USD	3,60	7.400.725	222.753.739	230.154.464
USD	3,35	16.859.168	59.266.833	76.126.001
USD	3,27	8.451.671	29.578.408	38.030.079
USD	3,60	3.168.927	110.831.128	114.000.055
		<u>36.500.043</u>	<u>451.808.410</u>	<u>488.308.453</u>
		<u>1.263.270.139</u>	<u>453.792.981</u>	<u>1.717.063.120</u>

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

Type of original currency	The effective weighted average interest rate (%)	2008 Short term portion	2008 Long term portion	31 December 2008
USD	Libor + 0,941	892.981.736	1.075.523.397	1.968.505.133
EUR	Euribor + 0,204	99.464.867	564.663.412	664.128.279
JPY	JPYLibor+0,215	23.695.044	160.462.706	184.157.750
		<u>1.016.141.647</u>	<u>1.800.649.515</u>	<u>2.816.791.162</u>

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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

NOTE 8 – FINANCIAL LIABILITIES (cont'd)

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

	31 December 2009	31 December 2008
Within one year	837.274.885	2.279.411.786
Between 1-2 years	2.264.672.684	718.914.884
Between 2-3 years	286.718.788	567.551.363
Between 3-4 years	238.613.532	272.410.229
Between 4-5 years	189.605.453	219.986.660
Five years or more	349.116.270	475.579.360
	<u>4.166.001.612</u>	<u>4.533.854.282</u>

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

	31 December 2009	31 December 2008
Within one year	21.201	441.571
Between 1-2 years	-	21.010
	<u>21.201</u>	<u>462.581</u>

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

	31 December 2009	31 December 2008
EUR	21.201	264.511
TRY	-	198.070
	<u>21.201</u>	<u>462.581</u>

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NOTE 8 – FINANCIAL LIABILITIES (cont'd)

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

Interest Rate (%)	Type of original currency	2009 Short term portion	2009 Long term portion	31 December 2009	31 December 2008
Libor + 3,50	USD	14.728.144	447.010.888	461.739.032	-
Libor + 3,85	USD	8.985.422	376.425.000	385.410.422	-
Libor + 1,50	USD	204.168.405	98.916.186	303.084.591	304.215.650
Libor + 0,30	USD	44.123.012	182.094.755	226.217.767	264.568.522
Libor + 1,40	USD	92.552.294	103.871.976	196.424.270	227.953.981
Libor + 2,20	USD	43.836.047	136.896.661	180.732.708	218.508.933
Libor + 1,05	USD	87.881.572	85.605.904	173.487.476	182.477.674
Libor + 1,25	USD	44.889.444	105.818.652	150.708.096	151.799.941
Libor + 0,45	USD	9.816.714	123.818.095	133.634.809	117.013.137
Libor + 0,90	USD	11.611.646	55.033.566	66.645.212	76.400.256
Libor + 0,95	USD	30.636.967	29.799.941	60.436.908	76.126.001
Libor + 1,16	USD	6.976.977	27.811.348	34.788.325	-
Libor + 0,50	USD	29.851.889	-	29.851.889	105.242.388
Libor + 0,20	USD	5.911.779	19.408.626	25.320.405	42.826.217
Libor + 0,78	USD	2.197.444	11.568.100	13.765.544	-
Libor + 0,15	USD	1.412.477	10.071.247	11.483.724	12.895.429
Libor + 2,25	USD	10.789.785	-	10.789.785	-
Libor + 2,70	USD	10.088.711	-	10.088.711	-
5,78	USD	2.088.306	-	2.088.306	4.244.054
Libor + 0,55	USD	-	-	-	257.748.197
Libor + 0,44	USD	-	-	-	152.762.304
Libor + 1,15	USD	-	-	-	151.396.085
4,00	USD	-	-	-	86.878.583
4,27	USD	-	-	-	69.987.847
Libor + 0,80	USD	-	-	-	53.780.832
Libor + 0,65	USD	-	-	-	28.646.624
Libor + 1,70	USD	-	-	-	22.621.923
Libor + 1,00	USD	-	-	-	8.146.531
Libor + 0,25	USD	-	-	-	1.682.962
Euribor + 0,215	EUR	42.957.234	255.301.330	298.258.564	246.987.967
Euribor + 0,14	EUR	9.466.658	63.391.310	72.857.968	81.170.343
		714.970.927	2.132.843.585	2.847.814.512	2.946.082.381

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NOTE 8 – FINANCIAL LIABILITIES (cont'd)

Interest Rate (%)	Type of original currency	2009 Short term portion	2009 Long term portion	31 December 2009	31 December 2008
Previous Page Total		714.970.927	2.132.843.585	2.847.814.512	2.946.082.381
Euribor + 0,20	EUR	11.372.876	61.197.304	72.570.180	112.972.209
Euribor + 0,35	EUR	5.712.673	38.964.733	44.677.406	-
Euribor + 0,15	EUR	5.792.304	36.313.736	42.106.040	93.089.587
Euribor + 0,77	EUR	5.845.967	29.708.855	35.554.822	-
Euribor + 0,50	EUR	5.386.087	24.334.102	29.720.189	30.516.385
Euribor + 0,125	EUR	1.513.954	7.742.683	9.256.637	10.601.711
Euribor + 0,25	EUR	1.823.162	3.484.617	5.307.779	7.003.275
Euribor + 0,22	EUR	-	-	-	81.786.802
JPYLibor + 0,215	JPY	22.138.000	138.468.169	160.606.169	184.157.750
2,50	JPY	-	-	-	4.513.143
TRLibor + 2,00	TRY	11.822.448	291.672.981	303.495.429	-
TRLibor + 1,50	TRY	27.140.492	276.193.374	303.333.866	-
TRLibor + 1,75	TRY	13.907.612	137.802.588	151.710.200	-
TRLibor + 1,65	TRY	877.480	100.000.000	100.877.480	-
TRLibor + 2,25	TRY	455.413	50.000.000	50.455.413	-
Spot	TRY	8.515.490	-	8.515.490	9.476.644
19,90	TRY	-	-	-	250.276.389
20,00	TRY	-	-	-	250.135.536
19,50	TRY	-	-	-	240.176.239
25,90	TRY	-	-	-	208.489.444
26,00	TRY	-	-	-	104.576.787
TOTAL		837.274.885	3.328.726.727	4.166.001.612	4.533.854.282

The fair values of the Group's loans are approximate to their book values.

NOTE 9 - OTHER FINANCIAL LIABILITIES

	31 December 2009	31 December 2008
<u>Other current financial liabilities</u>		
Expense accruals of the derivative financial instruments (Note 39)	96.556.326	-
<u>Other non current financial liabilities</u>		
Expense accruals of the derivative financial instruments (Note 39)	9.414.527	-

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NOTE 10 – TRADE RECEIVABLES AND PAYABLES

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

	31 December 2009	31 December 2008
<u>Short term trade receivables</u>		
Trade receivables	590.157.406	573.897.951
Due from related parties (Note 38)	64.024.254	106.529.988
Notes receivables	34.649.069	5.486.521
Discount on receivables (-)	(1.852.179)	(5.021.047)
Other trade receivables	25.571.526	21.294.137
Provision for doubtful receivables (-)	(20.064.950)	(12.815.687)
	<u>692.485.126</u>	<u>689.371.863</u>

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

	1 January – 31 December 2009	1 January – 31 December 2008
Opening balance	12.815.687	9.590.844
Provision for the period	9.868.544	3.236.842
Provision released (-)	(2.619.281)	(11.999)
Closing balance	<u>20.064.950</u>	<u>12.815.687</u>

	31 December 2009	31 December 2008
<u>Long term trade receivables</u>		
Trade receivables	4.660.859	5.976.130
Discount on receivables (-)	(680.325)	(1.766.744)
Provision for doubtful receivables (-)	(1.619.793)	(1.619.793)
	<u>2.360.741</u>	<u>2.589.593</u>

The movements of the provision for long term doubtful receivables are as follows:

	1 January – 31 December 2009	1 January – 31 December 2008
Opening balance	1.619.793	1.730.064
Provision released (-)	-	(110.271)
Closing balance	<u>1.619.793</u>	<u>1.619.793</u>

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

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

The majority of the trade receivables are secured by bank collaterals. In the case of doubtful receivable balance that are not secured with bank collaterals, the Group applies its own administrative procedures in an effort to collect the outstanding balance; if the collection is not made, the Group relies on its legal counsel to assist in the collection efforts. The Group's policy is to provide a 100% provision for all receivables that are being followed up by its legal counsel.

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

As of the balance sheet date, there is no significant amount of overdue receivables within the trade receivables. All of these receivables, except for receivables from related parties, are under bank guarantee and they were collected during the subsequent months. Therefore, there is no need to provide any provision.

Other explanatory notes related to the credit risk of the Group is disclosed in Note 39.

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

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

<u>Short term trade payables</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
Trade payables	348.736.935	387.097.908
Trade payables due to related parties (Note 38)	5.147.811	3.939.773
Discount on trade payables (-)	(573.055)	(1.208.154)
Other trade payables	1.692.652	3.527.947
	<u>355.004.343</u>	<u>393.357.474</u>

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NOTE 11 – OTHER RECEIVABLES AND PAYABLES

Other Current Receivables

	31 December 2009	31 December 2008
Receivables from Privatization Administration	-	44.742.482
Other receivables	6.884.571	6.802.722
Provision for other doubtful receivables (-)	(6.884.571)	(6.800.431)
Deposits and guarantees given	124.456	227.000
	<u>124.456</u>	<u>44.971.773</u>

Other explanatory notes related to the Group's credit risk is disclosed in Note 39.

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

	1 January – 31 December 2009	1 January – 31 December 2008
Opening balance	6.800.431	6.672.963
Provision for the period	599.398	693.752
Provision released (-)	(515.258)	(566.284)
Closing balance	<u>6.884.571</u>	<u>6.800.431</u>

Other Non Current Receivables

	31 December 2009	31 December 2008
Receivables from the Privatization Administration	53.156.654	-
Provision for other doubtful receivables (-)	(26.578.327)	-
Deposits and guarantees given	143.920	153.913
	<u>26.722.247</u>	<u>153.913</u>

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

	1 January- 31 December 2009	1 January- 31 December 2008
Opening balance	-	-
Provision for the period	26.578.327	-
Closing balance	<u>26.578.327</u>	<u>-</u>

Other Current Payables

	31 December 2009	31 December 2008
Deferred and installed payables to public institutions	23.272.871	31.110.241
Taxes and funds payable	12.365.506	20.528.089
Social security deductions payable	11.772.583	16.356.585
Deposits and guarantees received	4.161.720	8.073.628
Non trade payables to related parties (Note 38)	1.871.365	117.076.064
	<u>53.444.045</u>	<u>193.144.607</u>

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NOTE 12 – RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None.

NOTE 13 – INVENTORIES

	31 December 2009	31 December 2008
Raw materials	423.726.902	1.183.916.128
Work in progress	380.153.868	1.041.333.939
Finished goods	223.756.742	768.006.301
Spare parts	251.488.002	162.805.548
Goods in transit	231.739.034	241.178.566
Trade goods	975.653	2.183.145
Other inventories	145.283.089	143.151.784
Allowance for impairment of inventories (-)	(12.242.813)	(989.041.083)
	<u>1.644.880.477</u>	<u>2.553.534.328</u>

The movements of the allowance for impairment of inventories:

	1 January – 31 December 2009	1 January – 30 December 2008
Opening balance	989.041.083	7.321.846
Provision for the period	106.832.060	983.588.572
Used portion of the provision (-)	(1.083.630.330)	(1.869.335)
Closing balance	<u>12.242.813</u>	<u>989.041.083</u>

As of 1 January - 31 December 2009, the depreciation expense of TRY48.980.319 is recorded as part of cost of sales (1 January- 31 December 2008: TRY31.519.859).

The Group has allocated an impairment provision for the inventories of raw materials, work in progress and finished goods in cases when their net realizable values are lower than their costs or when they are classified as slow-moving inventories. The provision allocated as of 31 December 2008 was released since the related inventories were disposed of the current period.

NOTE 14 – BIOLOGICAL ASSETS

None.

NOTE 15 – ASSETS OF ONGOING CONSTRUCTION CONTRACTS

None.

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NOTE 16 – ASSOCIATES ACCOUNTED UNDER EQUITY METHOD

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

<u>Company</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
ArcelorMittal Amb. Çel. San. ve Tic. A.Ş.	-	10.909.480

<u>Name of the associate:</u>	<u>Country of incorporation</u>	<u>Share in capital %</u>	<u>Voting Right %</u>	<u>Nature of business</u>
ArcelorMittal Ambalaj Çeliği San. ve Tic. A.Ş.	Turkey	25,00	25,00	Steel for Packaging

The financial information of the Group's associate consolidated by the equity method is summarized below:

	<u>1 January – 31 March 2009 (*)</u>	<u>1 January – 31 December 2008</u>
Income	40.904.945	266.932.180
Net profit/(loss) for the period	(2.571.969)	10.189.049
Group's share in net profit/(loss) for the period	(642.992)	2.547.262

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

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NOTE 17 – INVESTMENT PROPERTIES

	1 January – 31 December 2009	1 January – 31 December 2008
<u>Cost</u>		
As of 1 January	45.973.550	30.870.315
Additions	603.714	15.103.235
As of 31 December	<u>46.577.264</u>	<u>45.973.550</u>
<u>Book Value</u>	<u>46.577.264</u>	<u>45.973.550</u>

As of 31 December 2009, according to the valuation report dated December 2009, the fair value of the Group's investment properties with a total carrying value of TRY46.577.264 is, TRY203.749.000 (31 December 2008: TRY177.185.000). The fair value of the investment properties have been determined in reference to the valuation of an independent valuation firm. Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş. is the independent valuation company that is authorized by the CMB. The valuation is undertaken predominantly by using the precedent values of similar properties as references.

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

The Group earned rental income of TRY82.196 (31 December 2008: TRY68.511) from the investment properties that are leased under operational leases for the year ended on 31 December 2009.

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NOTE 18 – PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	<u>Land</u>	<u>Land improvements</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Other</u>	<u>Construction in progress (CIP)</u>	<u>Total</u>
Opening balance as of									
1 January 2009	95.435.452	1.420.508.894	2.117.904.966	8.828.843.282	597.767.332	267.285.408	14.628.397	1.477.565.472	14.819.939.203
Translation gain/loss	(345.920)	-	(370.411)	(958.024)	(35.920)	(58.806)	-	(80.204)	(1.849.285)
Additions	75.540	565.125	1.286.241	10.387.745	1.770.136	1.907.288	322.100	361.878.638	378.192.813
Disposals	-	(16.650.436)	(33.232.507)	(311.776.963)	(7.376.175)	(8.283.729)	(497.731)	(24.847.668)	(402.665.209)
Transfers from CIP	-	53.827.916	272.615.478	750.640.620	64.306.427	48.919.496	194.086	(1.191.277.694)	(773.671)
Closing balance as of									
31 December 2009	95.165.072	1.458.251.499	2.358.203.767	9.277.136.660	656.431.800	309.769.657	14.646.852	623.238.544	14.792.843.851
<u>Accumulated Depreciation</u>									
Opening balance as of									
1 January 2009	-	(976.715.844)	(1.639.740.716)	(5.010.906.051)	(314.908.831)	(129.764.453)	(12.424.075)	-	(8.084.459.970)
Translation gain/loss	-	-	33.342	585.600	18.582	32.482	-	-	670.006
Charge for the period	-	(18.506.803)	(68.947.818)	(170.677.212)	(14.343.634)	(12.432.439)	(552.850)	-	(285.460.756)
Disposals	-	16.649.049	30.572.565	310.390.938	7.071.889	6.844.207	201.511	-	371.730.159
Closing balance as of									
31 December 2009	-	(978.573.598)	(1.678.082.627)	(4.870.606.725)	(322.161.994)	(135.320.203)	(12.775.414)	-	(7.997.520.561)
Net book value as of									
31 December 2008	95.435.452	443.793.050	478.164.250	3.817.937.231	282.858.501	137.520.955	2.204.322	1.477.565.472	6.735.479.233
Net book value as of									
31 December 2009	95.165.072	479.677.901	680.121.140	4.406.529.935	334.269.806	174.449.454	1.871.438	623.238.544	6.795.323.290

The amount of capitalized finance expenses is TRY30.519.676 for the current period. (The capitalized finance expenses for the year ended 31 December 2008 is: TRY438.924.156)

TRY15.459.746 of the charge for the period is on the inventory, TRY259.234.801 is on the cost of sales and the remaining TRY10.766.209 is on the general administration expenses.

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

<u>Cost</u>	<u>Land</u>	<u>Land improvements</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Other</u>	<u>Construction in progress (CIP)</u>	<u>Total</u>
Opening balance as of									
1 January 2008	89.146.382	1.178.036.544	2.139.283.317	8.582.394.411	409.337.579	168.467.973	15.538.986	2.139.659.019	14.721.884.211
Translation gain/loss	87.004	-	787.709	2.021.185	66.831	134.034	-	78.864	3.175.627
Additions	25.397	6.973.251	5.739.633	18.781.538	4.146.629	5.404.863	651.154	1.081.904.101	1.123.626.566
Disposals	(338.077)	(47.232.342)	(102.826.395)	(791.871.824)	(8.070.387)	(4.443.977)	(1.715.076)	(80.800.575)	(1.037.298.653)
Transfers from CIP	-	282.731.441	74.311.771	1.015.315.261	192.209.575	97.701.976	133.333	(1.663.275.937)	(872.580)
Valuation increase	6.514.746	-	608.931	2.202.711	77.105	20.539	-	-	9.424.032
Closing balance as of									
31 December 2008	95.435.452	1.420.508.894	2.117.904.966	8.828.843.282	597.767.332	267.285.408	14.628.397	1.477.565.472	14.819.939.203
<u>Accumulated Depreciation</u>									
Opening balance as of									
1 January 2008	-	(1.010.962.744)	(1.658.351.376)	(5.572.478.183)	(311.481.875)	(120.368.800)	(13.551.762)	-	(8.687.194.740)
Translation gain/loss	-	-	(67.355)	(1.160.696)	(38.984)	(87.962)	-	-	(1.354.997)
Charge for the period	-	(12.020.768)	(65.139.326)	(171.302.143)	(10.697.780)	(12.921.806)	(569.958)	-	(272.651.781)
Disposals	-	46.271.854	83.799.013	751.997.882	7.309.808	3.614.115	1.697.645	-	894.690.317
Impairment	-	(4.186)	18.328	(17.962.911)	-	-	-	-	(17.948.769)
Closing balance as of									
31 December 2008	-	(976.715.844)	(1.639.740.716)	(5.010.906.051)	(314.908.831)	(129.764.453)	(12.424.075)	-	(8.084.459.970)
Net book value as of									
31 December 2007	89.146.382	167.073.800	480.931.941	3.009.916.228	97.855.704	48.099.173	2.007.224	2.139.659.019	6.034.689.471
Net book value as of									
31 December 2008	95.435.452	443.793.050	478.164.250	3.817.937.231	282.858.501	137.520.955	2.204.322	1.477.565.472	6.735.479.233

TRY47.940.368 of the charge for the period is on the inventory, TRY7.241.579 is on the construction in progress, TRY214.129.634 is on the cost of sales and the remaining TRY3.340.200 is on the general administration expenses.

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NOTE 19 – INTANGIBLE ASSETS

	Rights	Exploration costs and other assets with specific useful life	Other intangible fixed assets	Total
<u>Cost</u>				
Opening balance as of 1 January 2009	141.311.026	61.966.819	3.296.855	206.574.700
Translation difference	(13.339)	-	(20.872)	(34.211)
Additions	8.907.934	-	821.116	9.729.050
Disposals	(41.876)	(17.123)	(67.134)	(126.133)
Transfers from CIP	730.221	-	43.450	773.671
Closing balance as of 31 December 2009	150.893.966	61.949.696	4.073.415	216.917.077
<u>Accumulated amortization</u>				
Opening balance as of 1 January 2009	(29.785.963)	(33.312.024)	(2.426.753)	(65.524.740)
Translation difference	2.287	-	4.382	6.669
Charge for the period	(7.818.244)	(2.737.515)	(676.633)	(11.232.392)
Disposals	41.876	-	67.134	109.010
Closing balance as of 31 December 2009	(37.560.044)	(36.049.539)	(3.031.870)	(76.641.453)
Net book value as of 31 December 2008	111.525.063	28.654.795	870.102	141.049.960
Net book value as of 31 December 2009	113.333.922	25.900.157	1.041.545	140.275.624

TRY183.816 of the charge for the period is on the stocks, TRY10.337.145 is on the cost of sales and the remaining TRY711.431 is on the general administration expenses.

	Rights	Exploration costs and other assets with specific useful life	Other intangible fixed assets	Total
<u>Cost</u>				
Opening balance as of 1 January 2008	43.461.742	61.966.819	2.727.756	108.156.317
Translation difference	8.791	-	9.528	18.319
Additions	96.967.913	-	559.571	97.527.484
Transfers from CIP	872.580	-	-	872.580
Closing balance as of 31 December 2008	141.311.026	61.966.819	3.296.855	206.574.700
<u>Accumulated amortization</u>				
Opening balance as of 1 January 2008	(23.831.762)	(29.277.350)	(1.899.067)	(55.008.179)
Translation difference	(4.489)	-	(9.320)	(13.809)
Charge for the period	(5.949.712)	(4.034.674)	(518.366)	(10.502.752)
Closing balance as of 31 December 2008	(29.785.963)	(33.312.024)	(2.426.753)	(65.524.740)
Net book value as of 31 December 2007	19.629.980	32.689.469	828.689	53.148.138
Net book value as of 31 December 2008	111.525.063	28.654.795	870.102	141.049.960

TRY1.039.951 of the charge for the period is on the stocks, TRY8.749.900 is on the cost of sales and the remaining TRY712.901 is on the general administration expenses.

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NOTE 20 – GOODWILL

None.

NOTE 21 – GOVERNMENT GRANTS AND INCENTIVES

The government grants and incentives used in the current period are as follows :

	1 January – 31 December 2009	1 January – 31 December 2008
Energy grants	5.018.685	3.674.055
Research and development grants	808.035	31.026
Social security grants	502.765	476.810
Tax grants	57.401	65.915
Investment incentive allowance	-	185.657.845
	<u>6.386.886</u>	<u>189.905.651</u>

NOTE 22 – PROVISIONS

	31 December 2009	31 December 2008
Provision for the potential tax risks	42.629.219	44.636.012
Provision for the lawsuits	24.279.009	26.068.603
Penalty provision the for obligatory employment shortage of disabled people, ex-convicts and terror victims	7.024.569	57.377.349
Provisions for the purchase commitments	-	101.637.544
	<u>73.932.797</u>	<u>229.719.508</u>

The probable repayment periods of the provisions are expected to be with in a year.

The movements of the provisions in the current period:

The movements of the penalty provisions for obligatory employment of disabled, ex-convicts and terror victims are as follows:

	1 January – 31 December 2009	1 January – 31 December 2008
Opening balance	57.377.349	56.718.022
Increase during the period	2.144.828	8.926.257
Provisions released (-)	(52.497.608)	(8.266.930)
Closing balance	<u>7.024.569</u>	<u>57.377.349</u>

Provision was released as of 31 December 2009 as the Group is exempt from the obligatory employment of ex-convicts and terror victims by the "Law Amending Employment Law and Certain Other Laws" dated 26 May 2008 and numbered 5763 and regulation on "Domestic Work Placement Services" published and put in force in the Official Gazette, numbered 27210 on 25.04.2009.

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NOTE 22 – PROVISIONS (cont'd)

The movement of the provisions in the current period (cont'd)

The movements of the provision for potential tax risks are as follows:

	1 January – 31 December 2009	1 January – 31 December 2008
Opening balance	44.636.012	43.371.778
Increase during the period	3.167.479	3.167.479
Provision released (-)	(5.174.272)	(1.903.245)
Closing balance	42.629.219	44.636.012

The movements of the provision for the continuing lawsuits are as follows:

	1 January – 31 December 2009	1 January – 31 December 2008
Opening balance	26.068.603	16.724.870
Increase during period	8.034.248	12.093.925
Provision released (-)	(9.823.842)	(2.750.192)
Closing balance	24.279.009	26.068.603

The movements of the provision for the purchase commitments are as follows:

	1 January – 31 December 2009	1 January – 31 December 2008
Opening balance	101.637.544	-
Increase during period	-	101.637.544
Used portion of the provision (-)	(101.637.544)	-
Closing balance	-	101.637.544

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NOTE 22 – PROVISIONS (cont'd)

As of 31 December 2009, lawsuits commenced by and against the Group are as follows:

<u>Lawsuits commenced by the Group</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
TRY	56.205.828	36.309.642
USD	82.990.942	85.088.833
	<u>139.196.770</u>	<u>121.398.475</u>
<u>Provision for lawsuits commenced by the Group</u>		
TRY	12.921.691	10.393.696
USD	7.705.942	9.473.833
	<u>20.627.633</u>	<u>19.867.529</u>
<u>Lawsuits commenced against the Group</u>		
TRY	78.248.219	71.615.589
USD	4.664.410	5.116.360
	<u>82.912.629</u>	<u>76.731.949</u>
<u>Provision for lawsuits commenced against the Group</u>		
TRY	19.010.920	20.345.918
USD	5.268.089	5.722.685
	<u>24.279.009</u>	<u>26.068.603</u>

As of 31 December 2009, USD 25.000.000 (31 December 2008: TRY37.642.500) of the lawsuits commenced by the Group is against the insurance company for the compensation of the losses of a crane that was destructed by a shipping accident in 2005. An additional lawsuit in the amount of USD 25.000.000 (31 December 2008: TRY37.642.500) was commenced by the Group in relation to the same accident. This lawsuit was filed against the ship owner, the captain and the indemnity insurance company of the ship.

Upon the Decision of the Competitive Board related to flat iron and steel markets, dated 02/04/2008 and numbered 08-27/313-M and as announced on ISE Bulletin dated 04/12/2008, 24/07/2009 and 27/05/2009, taken in the meetings of Competition Board dated 02/04/2008 and numbered 08-27, in flat iron and steel markets, an investigation to detect if the 4. article of Act. No. 4054 on the Protection of Competition is trespassed was commenced. The investigation is conducted concerning the Company's subsidiary, ArcelorMittal Ambalaj Çeliği San. ve Tic. A.Ş., ArcelorMittal FCE Çelik ve Ticaret A.Ş. and Borçelik Çelik San. ve Tic. A.Ş. this matter was announced on ISE Bulletin dated 04/12/2008, 03/02/2009, 27/05/2009. Competition Board made short decision on 19/06/2009 and this matter and the content of the decision was made public by the Company and ISE Bulletin dated 19/06/2009, 24/07/2009, 18/09/2009. In the Investigation Report prepared by authorities dated 01/12/2008 and numbered SR/08-5, an administrative fine of %0,5 (five in thousand) of the gross revenue from the fiscal year before the decision (TRY80.457.859,90) was imposed on the grounds that the Stock Transfer Agreement between the Company and ArcelorMittal Group regarding the transfer of 25% of shares from ArcelorMittal Ambalaj Çeliği San. ve Tic. A.Ş. and accompanying Commercial Agreement and the applications related to the agreements were against the Article 4 of Act No:4054. It was also decided that while it was offered to end the partnerships with both ArcelorMittal

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NOTE 22 – PROVISIONS (cont'd)

Ambalaj Çeliği San. and Tic. A.Ş. and Borçelik Çelik San. ve Tic. A.Ş., by the Competition Board, by stating the Stock Transfer Agreement between the Company and ArcelorMittal Group regarding the transfer of 25% of shares from ArcelorMittal Ambalaj Çeliği San. ve Tic. A.Ş. and accompanying Commercial Agreement and the applications related to the agreements were against article 4 of Act: 4054, an administrative fine of %0,2 (two in thousand) of the gross revenues from the fiscal year of 2008 that was TRY5.028.616.243,94 amounting to TRY10.057.232,49 was imposed for the Company. Also, on the ground that the Company trespassed Article 4 of Act No:4054 by its shares in Borçelik Çelik San. ve Tic. A.Ş., an administrative fine of %0,2 (two in thousand) of the gross revenues from the fiscal year of 2008 that was TRY5.028.616.243,94 amounting to TRY10.057.232,49 was imposed for the Company and it was decided that the Company's partnerships with both ArcelorMittal Ambalaj Çeliği San. and Tic. A.Ş. and Borçelik Çelik San. ve Tic. A.Ş. will be disestablished. The Full Decision was conveyed to the Company on 29/09/2009 and the matter was announced to the public by the Company and the ISE Bulletin dated 30/09/2009 and 18/11/2009.

The Company filed a suit for nullity with the demand to stay of execution against the Full Decision of Competition Board dated 16/06/2009 and numbered 09-28/600-141. Also, the Company announced the lawsuit to the public in the ISE Bulletin dated 24/11/2009. The suit for nullity is in progress in the file of the 13. Agency of Council of State numbered 2009/7029 E.

The case regarding the amount TRY 35.673.249 filed by the Privatization Administration, which is one of the cases filed against Erdemir Group as of 31 December 2009 and 31 December 2008, is in relation to the dividend receivables and the cancellation of the General Assembly meeting in 2005.

Information about the stages of the case is given below:

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

However, CMB, based on the decision No: 21/526 on 05.05.2006 which was communicated to the Company by the letter numbered B.02.1.SP.K.0.13-855-7484, considering the preparation of the Company's consolidated financial statements as of 31 December 2005 in accordance with a new set of accounting standards (IFRS) instead of the standard (Communiqué XI:No:25) applied in the periods of 2005 resulted in a significant impact on the net profit for the year (TRY152.329.914), it is decided that the Company's consolidated financial statements as of 31 December 2005 should be revised and publicly disclosed, in accordance with the set of accounting standards that were used within the year and should be immediately presented to the General Assembly for approval.

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NOTE 22 – PROVISIONS (cont'd)

The Company commenced an annulment lawsuit in 11th Administrative Court of Ankara to suspend the execution of CMB's decision taken at CMB meeting No: 21/526 dated 05.05.2006 (E.2006/1396). The 11th Administrative Court of Ankara rejected the demand on 13.07.2006 and the appeal to this decision was also rejected on 20.07.2006 with the affirmation of two members and reasoned refusal of one member of the court. The 11th Administrative Court of Ankara has also decided to reject lawsuit with its decision dated 29.03.2007, numbered E. 2006/1396; K. 2007/494. The Company has appealed this decision on 11.10.2007 which was communicated to the Company on 18.09.2007. The lawsuit in the 13th Chamber of the State Council with file number of 2007/13762 is still continuing.

On the other hand, the Privatization Administration (PA) has commenced a lawsuit in 3rd Commercial Court of Ankara against the Company on 1 May 2006 to request the cancellation of the Company's General Assembly's resolution on 30 March 2006 regarding the dividend distribution (E.2006/218). In this lawsuit, the Court has decided to dismiss the lawsuit with the trial on 23 October 2008. The dismissal decision of the 3rd Commercial Court of First Instance of Ankara about the lawsuit dated 23/10/2008 numbered E. 2006/218; K.2008/480 was communicated to the Company on 23/12/2008. This decision appealed by the petition of the Privatization Administration's on 07/01/2009 and the Company, by its petition dated 26.01.2009, answered to the appeal, emphasizing the necessity of the affirmation of the decision. The lawsuit is still at Supreme Court of Appeals.

Due to the Company's considerations that there was a permission of CMB about "Application of IFRS on financial statements prepared in 2005" numbered B.02.1.SPK.0.17/83-3483 dated 7 March 2006 and the related lawsuits are also in progress, the Company has not fulfilled CMB's request and consequently CMB restated the Company's consolidated financial statements as of 31 December 2005 by adding negative goodwill of TRY152.329.914, which was previously classified into the retained earnings, to the profit for the year ended 31 December 2005, and made the necessary disclosure to the public by publishing it in the Istanbul Stock Exchange (ISE) bulletin dated 15 August 2006.

Therefore the Company has also commenced a new annulment lawsuit in 10th Administrative Court of Ankara on 10 October 2006 against CMB's restatement of consolidated financial statements as of 31 December 2005 on 15 August 2006. Later, the lawsuit has been forwarded to the 11th Administrative Court of Ankara. The 11th Administrative Court of Ankara has rejected this lawsuit with the decision numbered E.2006/2548; K.2007/1071 dated 25.06.2007. This decision has been declared to the Company on 18.09.2007 and the Company has appealed this decision on 11.10.2007 with a demand of "Suspension of Execution". The judicial process within the framework of the 13th Chamber of the State Council and numbered as 2007/13724 is still in progress however, the Chamber has decided to suspend the execution of the decision of 11th Administrative Court of Ankara numbered E.2006/2548; K.2007/1071 dated 25.06.2007 and its related action, by its decision numbered 2007/13724 and dated 04.12.2007.

If the Company had started to prepare its consolidated financial statements in accordance with IFRS after 31 December 2005, it would also have to present the comparative financial statements in accordance with IFRS based on "IFRS 1: First-time adoption of International Financial Reporting Standards" and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in income statement in accordance with "IFRS 3: Business Combinations". Therefore, the net profit for the period ended 31 December 2009 and 2008 will not be affected from the above mentioned disputes. The Company, based on the above mentioned reasons, did not make any adjustments in the accompanying consolidated financial statements according to the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above and expects the resolution of these pending lawsuits. In relation to the other lawsuits that are commenced against the Group, as of 31 December 2009 a total of TRY 24.279.009 (31 December 2008: TRY 26.068.603) provision is allocated.

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NOTE 23 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 December 2009	31 December 2008
Letters of guarantee received	952.654.202	1.137.609.593
Cash	983.358	1.159.271
	<u>953.637.560</u>	<u>1.138.768.864</u>

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

	31 December 2009	31 December 2008
A. Total CPM given for the Company's own legal entity	70.876.259	117.974.442
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	2.858.040.065	3.076.642.366
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>2.928.916.324</u>	<u>3.194.616.808</u>

The ratio of the other CPM given by the Group to shareholders equity is % 0. (31 December 2008: % 0)

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NOTE 24 – PROVISIONS FOR EMPLOYEMENT TERMINATION BENEFITS

	31 December 2009	31 December 2008
Provisions for employee termination benefits	117.712.283	117.287.493
Provisions for incentive premium for severance payment	4.158.281	-
	<u>121.870.564</u>	<u>117.287.493</u>

According to the articles of Turkish Labor Law in force, there is an obligation to pay the legal employment termination benefits to each employee whose employment contracts are ended properly entitling them to receive employment 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 employment termination benefits, who are entitled to terminate.

As of 31 December 2009, the amount payable consists of one month's salary limited to a maximum of TRY2.365,16 (31 December 2008: TRY2.173,19).

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

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

The principal assumption is that, the maximum liability for each employment year will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. In the accompanying financial statements as of 31 December 2009, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 4,80% and a discount rate of 11%, (31 December 2008: the annual inflation rate 5,40% and the discount rate 12%). The probability of retirement is assumed as %99,67. (31 December 2008 : %99,64).

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

The anticipated rate of resignations which do not result in the payment of employee benefits is also considered in the calculation. As the maximum liability is revised semi annually, the maximum amount of TRY2.427,04 effective from 1 January 2010 has been taken into consideration in calculating the provision for employment termination benefits of the Group (31 December 2008: TRY2.260,05 effective as of 1 January 2009). According to the current labor agreement, employees completing their 10th, 15th and 20th service years receive seniority incentive bonus premium payments.

The movements of the provision for employee termination benefits are as follows:

	1 January – 31 December 2009	1 January – 31 December 2008
Provision at 1 January	117.287.493	107.716.254
Service cost	20.979.286	25.176.306
Interest cost	7.317.478	6.138.933
Actuarial gain/loss	3.955.673	(5.285.191)
Termination benefits paid	(31.827.647)	(16.458.809)
Provision at 31 December	<u>117.712.283</u>	<u>117.287.493</u>

NOTE 25 – RETIREMENT PLANS

None.

NOTE 26 – OTHER CURRENT – NON CURRENT ASSETS AND LIABILITIES

Other current assets

	31 December 2009	31 December 2008
VAT deductible	78.421.464	63.900.916
VAT receivable	71.652.508	51.420.376
Other VAT	49.867.418	45.160.853
VAT carried forward	35.109.931	10.215.680
Order advances	20.676.146	25.588.587
Prepaid expenses	19.866.609	10.853.646
Deferred income	3.942.238	1.049.936
Prepaid taxes and funds	1.684.548	174.717.260
Advances given to personnel	245.841	178.972
Business advances given	117.856	479.585
Other	2.899.419	3.497.722
	<u>284.483.978</u>	<u>387.063.533</u>

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

Other non current assets

	31 December 2009	31 December 2008
Prepaid expenses	34.260.652	23.810.264
Advances given	21.852.490	62.544.423
	<u>56.113.142</u>	<u>86.354.687</u>

Other current liabilities

	31 December 2009	31 December 2008
VAT payable	69.064.860	51.072.763
Advances received	55.895.729	116.893.279
Unused vacation accruals	39.805.018	49.814.175
Due to personnel	12.928.323	21.131.540
Other VAT	8.812.583	719.448
Expense accruals	1.524.371	4.166.906
Deferred income	279.781	248.349
Other liabilities	13.967.949	14.198.858
	<u>202.278.614</u>	<u>258.245.318</u>

Other non current liabilities

	31 December 2009	31 December 2008
Deferred income	<u>212.279</u>	<u>598.269</u>

NOTE 27 – EQUITY

As of 31 December 2009 and 31 December 2008, the capital structure is as follows:

<u>Shareholders</u>	(%)	31 December 2009	(%)	31 December 2008
Ataer Holding A.Ş.	49,29	788.563.515	49,29	566.194.732
Held by public	47,63	762.139.626	47,63	547.222.238
Erdemir's own shares	3,08	49.296.859	3,08	35.395.530
Historical capital	100,00	1.600.000.000	100,00	1.148.812.500
Effect of inflation		<u>731.967.735</u>		<u>731.967.735</u>
Restated capital		2.331.967.735		1.880.780.235
Treasury share adjustment		<u>(57.692.172)</u>		<u>(43.790.843)</u>
		<u>2.274.275.563</u>		<u>1.836.989.392</u>

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NOTE 27 – EQUITY (cont'd)

According to the decisions of the Board of Directors of Ereğli Demir ve Çelik Fabrikaları T.A.Ş (Erdemir) dated 24.07.2009, numbered 9010, and dated 09.09.2009, numbered 9015, the registered capital was decided to be increased 39,27425% in total TRY451.187.500,00 from TRY1.148.812.500,00 to TRY1.600.000.000,00. The capital increase procedure was completed by the registration and announcement of the certificate of registry, dated 15.10.2009 and no. 88/861 received from Capital Market Board.

The issued capital of the Company consists of 160.000.000.000 lots of shares (2008: 114.881.250.000 lots). The nominal value of each share is 1 Kr (Turkish cent) (2008: 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 1.599.999.999,99 shares representing TRY159.999.999.999 of the issued capital.

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

Other equity items	31 December 2009	31 December 2008
Share Issue Premium	231.020.042	231.020.042
Revaluation reserves	25.869.903	26.376.841
<i>-Revaluation reserves of fixed assets</i>	<i>25.869.903</i>	<i>26.376.841</i>
Cash flow hedge reserves	(7.259.727)	(1.616.880)
Foreign Currency Translation Reserve	4.108.212	3.464.667
Restricted Reserves Assorted from Profit	1.688.196.335	1.665.921.924
<i>-Legal reserves</i>	<i>481.269.018</i>	<i>458.994.607</i>
<i>-Statutory reserves</i>	<i>1.206.927.317</i>	<i>1.206.927.317</i>
Retained earnings	1.714.538.844	1.962.624.966
<i>-Extraordinary reserves</i>	<i>537.873.352</i>	<i>331.817.904</i>
<i>-Accumulated profit</i>	<i>1.176.665.492</i>	<i>1.630.807.062</i>
	3.656.473.609	3.887.791.560

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NOTE 27 – EQUITY (cont'd)

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

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

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

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

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

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

CMB regulations on dividend distributions public companies is detailed below:

Regarding the Principles of the dividend distribution of the profits from 2009 operations, as of January 2010, the Capital Market Board (CMB) decided not to oblige a minimum dividend distribution (31 December 2008: 20%) for the incorporated partnerships who have shares on the stock exchange. In this context, it is decided that dividend distribution will be performed within the framework of the principles of the Board's Communiqué Serial: IV, No: 27 on "Principles regarding distribution of dividends and interim dividends to be followed by the publicly held joint stock corporations subject to capital market law", of the decisions in the articles of association of corporations and of the dividend distribution politics announced to public by corporations.

In addition, according to the Board's decision, the companies that are obligated to disclose in their consolidated financial statements, have to calculate the amount of the net distributable profit, as long as it is sufficient to be paid out of the companies legal resources, by taking into consideration the net profit for the period on the consolidated financial statements that will be prepared and announced to public with in the framework of Communiqué Serial: XI, No: 29.

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NOTE 27 – EQUITY (cont'd)

As of the balance sheet date, the amount of the Group's distributable resources in its statutory records (Erdemir solo), of which TRY2.781.654.986 (31 December 2008: TRY2.781.654.986) is the inflation adjustment differences is (Erdemir solo) TRY3.887.444.330 in total (31 December 2008: TRY3.784.483.110).

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

According to the first paragraph of Article 466 of the Turkish Commercial Code ("TCC"), 5% of the profit shall be allocated as the first legal reserves, up to 20% of the paid/ issued capital. First dividend is appropriated for shareholders after deducting from the profit. Following the deduction of the amounts from the "profit", General Assembly of Shareholders is authorized to decide whether shall be the remaining balance shall be fully or totally placed in extraordinary legal reserves or whether it is distributed, also taking into consideration the Company's profit distribution policy. According to the sub-clause 3 of the clause 2 of Article 466 of the Turkish Commercial Code, after deducting dividends amounting to 5% of the paid/issued capital from the part decided to be allocated; ten percent of the remaining balance shall appropriated to second legal reserves. If it is decided to distribute the profit as bonus share, through the method of adding the profit to the capital, second legal reserves is not appropriated.

According to the CMB Communiqué, until the company's Article of Association was revised on 31 March 2008, an amount equal to the first dividend distributed to shareholders is allocated as status reserves in order to be used in the plant expansion. Also according to the 13th Article of Association before the revision on 31 March 2008, 5% of the net profit for the period after taxation is estimated to be allocated as legal reserves up until reaching 50% of the paid/issued capital. The reserve amount that exceeds the 20% of the legal reserves, defined by the Article 466 of TCC, is recorded as status reserve.

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

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

Currency translation reserve arises from expressing the assets and liabilities of the Group's foreign operations in TRY by using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified to equity and transferred to the Group's translation reserve. Such exchange differences are recognized in the consolidated income statement in the period of which the foreign operation is disposed.

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NOTE 28 – SALES AND COST OF SALES

	1 January – 31 December 2009	1 January – 31 December 2008
Sales Revenues		
Domestic iron and steel sales	3.911.876.422	5.430.059.416
Export iron and steel sales	1.207.385.381	1.197.305.531
Other revenues (*)	121.310.657	289.729.267
Sales returns (-)	(3.428.632)	(4.340.433)
Sales discounts (-)	(199.586)	(111.803.391)
Other discounts (-)	(1.234.506)	(566.216)
	<u>5.235.709.736</u>	<u>6.800.384.174</u>
Cost of Sales (-)	<u>(4.990.985.007)</u>	<u>(5.963.512.851)</u>
Gross profit	<u>244.724.729</u>	<u>836.871.323</u>

(*) The total of the by product exports in other revenues is TRY9.303.911 (31 December 2008: TRY20.322.480).

In terms of the Group's sales tonnages to export customers, 39% of total sales tonnage is to European Union countries, followed by 28% sales tonnage to Asian countries, 21% sales tonnage to African countries with the remaining 12% export sales tonnage to other countries.

The breakdown of cost of sales for the periods 1 January – 31 December 2009 and 1 January – 31 December 2008 is as follows:

	1 January – 31 December 2009	1 January – 31 December 2008
Material usage	(3.252.312.171)	(4.390.021.086)
Reversal of inventory write downs	1.014.074.780	1.869.335
Reversal of allowance/allowance for purchase commitments	101.637.544	(101.637.544)
Inventory write downs	(106.832.060)	(983.588.572)
Change of finished goods and semi finished goods	(1.205.429.630)	1.147.174.439
Personnel expenses	(625.085.540)	(818.804.912)
Energy	(377.826.113)	(344.444.021)
Depreciation and amortization expenses	(269.571.946)	(222.879.534)
Other	(269.639.871)	(251.180.956)
	<u>(4.990.985.007)</u>	<u>(5.963.512.851)</u>

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

	1 January – 31 December 2009	1 January – 31 December 2008
Marketing, sales and distribution expenses (-)	(68.086.413)	(73.348.128)
General administrative expenses (-)	(108.248.107)	(125.560.712)
Research and development expenses (-)	(2.365.699)	(3.182.997)
	<u>(178.700.219)</u>	<u>(202.091.837)</u>

NOTE 30 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

The breakdown of marketing, sales and distribution expenses according to their nature for the periods 1 January – 31 December 2009 and 1 January – 31 December 2008 is as follows:

	1 January – 31 December 2009	1 January – 31 December 2008
Personnel expense (-)	(7.166.524)	(10.002.409)
Depreciation and amortization(-)	(120.219)	(162.691)
Other (-)	(60.799.670)	(63.183.028)
	<u>(68.086.413)</u>	<u>(73.348.128)</u>

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

	1 January – 31 December 2009	1 January – 31 December 2008
Personnel expense (-)	(53.985.878)	(64.739.523)
Depreciation and amortization (-)	(11.353.942)	(3.887.565)
Other (-)	(42.908.287)	(56.933.624)
	<u>(108.248.107)</u>	<u>(125.560.712)</u>

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

	1 January – 31 December 2009	1 January – 31 December 2008
Personnel expense (-)	(1.162.577)	(1.454.975)
Depreciation and amortization (-)	(3.479)	(2.845)
Other (-)	(1.199.643)	(1.725.177)
	<u>(2.365.699)</u>	<u>(3.182.997)</u>

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NOTE 31 – OTHER OPERATING INCOME/EXPENSES

<i>Other operating income</i>	1 January – 31 December 2009	1 January – 31 December 2008
Provisions released	67.461.181	16.773.240
Rent income	3.733.257	716.708
Service income	2.959.136	4.540.940
Maintenance and repair income	2.745.679	5.595.617
Fixed asset sales income	1.324.908	2.212.056
Indemnity and penalty detention income	5.348.389	9.337.249
Other income and gains	13.304.998	20.020.826
	<u>96.877.548</u>	<u>59.196.636</u>

<i>Other operating expenses (-)</i>	1 January -- 31 December 2009	1 January -- 31 December 2008
Provision expenses	(64.381.464)	(27.387.365)
Site maintenance costs	(12.679.769)	(16.273.519)
Compensations paid	(8.255.825)	(13.556.455)
Service expenses	(5.127.853)	(6.283.224)
Losses from the sale of fixed asset	(829.438)	(7.340.071)
Allowance for impairment of fixed assets	-	(17.969.016)
Retirement loss of fixed assets	-	(53.906.767)
Other expenses	(19.881.807)	(34.386.147)
	<u>(111.156.156)</u>	<u>(177.102.564)</u>

	1 January – 31 December 2009	1 January – 31 December 2008
Profit/(loss) from associates accounted for using the equity pick up method (*)	(642.992)	2.547.262

(*) The financial statements of ArcelorMittal Ambalaj Çeliği San. Ve Tic. A.Ş. were consolidated using the equity pick up method until 31 March 2009. As of 1 April 2009, it was reclassified as non current assets held for sale (Note 35).

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NOTE 32 – FINANCIAL INCOME

	1 January – 31 December 2009	1 January – 31 December 2008
Interest income from sales with maturity	61.297.997	199.322.215
Interest income	60.825.235	71.686.680
Foreign exchange gains from financial liabilities	10.206.187	-
Discount income	3.838.908	774.340
Dividend payments from affiliates	2.808.166	1.132.610
Foreign exchange gains from trade receivables and payables	-	145.320.621
Foreign exchange gains from bank deposits	-	73.526.109
Fair value gain differences of derivative instruments	-	3.000.994
Other finance income	3.967.932	9.731
	<u>142.944.425</u>	<u>494.773.300</u>

NOTE 33 – FINANCIAL EXPENSE

	1 January – 31 December 2009	1 January – 31 December 2008
Bank loans interest expenses (-)	(217.992.579)	(156.614.610)
Fair value loss of derivative financial instruments (-)	(99.229.698)	-
Foreign exchange losses from deposits (-)	(46.898.344)	-
Interest expense of the loans borrowed from related parties (-)	(25.854.723)	(2.000.476)
Foreign exchange loss from trade receivables and payables (-)	(11.794.235)	-
Foreign exchange loss from financial liabilities (-)	-	(537.884.861)
Other finance expenses (-)	(15.752.875)	(32.901.251)
	<u>(417.522.454)</u>	<u>(729.401.198)</u>

During the year, TRY24.445.899 of finance expenses related to foreign currency translation losses and TRY6.073.777 of in total TRY30.519.676, have been capitalized as part of the Group's property, plant and equipment (1 January – 31 December 2008: the foreign currency translation losses of TRY342.245.407, the interest expenses of TRY96.678.749, in total TRY438.924.156 has been capitalized).

NOTE 34 – OTHER COMPREHENSIVE INCOME/ EXPENSES

	1 January – 31 December 2009	1 January – 31 December 2008
<u>Other comprehensive income/(expenses):</u>		
Change in revaluation reserves	(582.185)	9.821.202
Change in cash flow hedging reserves	(7.604.291)	(2.137.858)
Change in currency translation reserves	643.545	5.490.086
Tax income/expense relating to the other comprehensive income	1.596.105	(995.914)
	<u>(5.946.826)</u>	<u>12.177.516</u>

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NOTE 35 –NON CURRENT ASSETS HELD FOR SALE

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

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

NOTE 36 –TAX ASSETS AND LIABILITIES

	<u>31 December 2009</u>	<u>31 December 2008</u>
<u>Corporate Tax Payable:</u>		
Current corporate tax provision	16.464.319	44.707.211
Prepaid taxes and funds	(14.078.568)	(43.056.443)
	<u>2.385.751</u>	<u>1.650.768</u>
	<u>1 January – 31 December 2009</u>	<u>1 January – 31 December 2008</u>
<u>Taxation:</u>		
Current corporate tax expense	16.464.319	44.707.211
Deferred tax expense/income	(71.457.880)	12.392.117
	<u>(54.993.561)</u>	<u>57.099.328</u>

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

Corporate Tax

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

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

The effective corporate tax rate as of 31 December 2009 is 20% (31 December 2008: 20%). The total amount of the corporate tax paid by the Group in 2009 is TRY15.729.336 (31 December 2008: TRY66.447.676).

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax of 2009 has been calculated over the corporate earnings using the rate % 20, during the temporary taxation period. (2008: % 20).

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

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

Income Withholding Tax

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

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

Investment allowance application

Investment allowance application is abolished effective from 1 January 2006. However, if companies fail to make a profit or incur losses, any allowance outstanding as of 31 December 2005 may be carried forward to the following years so as to be deducted from taxable income of subsequent profitable years. Nonetheless, companies can deduct the carried forward outstanding allowance only from 2006, 2007 and 2008 taxable income. It is not possible to carry forward the investment incentive amount to the following years which cannot be deducted from 2008 taxable income.

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

Investment allowance application (cont'd)

However, with the decision numbered 2006/95, which was taken during the meeting of the Constitutional Court on 15.10.2009, the phrase " only related to the years 2006, 2007 and 2008..." which was a part of the Temporary Article 69 of the Income Tax Law was cancelled and the cancellation became effective from the date the decision has been published in the Official Gazette on 08.01.2010. According to the decision, the investment incentive amount outstanding that cannot be deducted from 2008 taxable income previously, will be deducted from taxable income of the subsequent profitable years.

The effective tax rate to be used in the case of deducting the tax investment incentive amounts in 2008 is 30%. If the Company does not use the investment incentive carried forward, the effective tax rate will be 20% and the right to use investment incentive will be forfeited. In the period of 1 January–31 December 2009 the Group utilized 20% as the effective corporate tax rate in 2008 as there is no investment incentive left.

The Company has calculated its statutory financial statements as of 31 December 2004 at the amounts adjusted by inflation in accordance with the Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 which requires the application of inflation accounting in Turkey. Effective in and after from 2004, in case of the actual inflation rate reaches the certain thresholds determined by the Law, has to be applied. Inflation accounting principles of the tax legislation do not differ substantially from the decrees of the IAS 29 standard.

According to the Law No. 5024, as the inflation of 2004 is above the certain thresholds, the Group made inflation adjustments And these balances as of 1 January 2005 were accepted as the opening balances for statutory bookings.

Deferred Tax

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

Tax rate used in the calculation of deferred tax assets and liabilities (excluding land) is 20%. (December 2008: 20%). Differed tax of the temporary differences arising from land parcels is calculated with the tax rate of 5% (2008:5%).

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

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

Deferred Tax (cont'd)

	31 December 2009	31 December 2008
<u>Deferred tax assets:</u>		
Carry forward tax losses (*)	(248.555.949)	(22.192)
Fair values of the derivative financial instruments	(21.194.170)	(674.398)
Provision for employee termination benefits	(24.358.517)	(23.371.577)
Amortized cost adjustment on loans	(10.315.636)	(1.176.625)
Inventories	(6.153.079)	(93.590.605)
Fixed assets	(12.638.949)	(67.884.861)
Provision for unused vacations	(7.961.004)	(9.940.656)
Provision for lawsuits	(4.855.800)	(5.213.709)
Income accruals	(2.115.284)	(2.467.897)
Provision for purchase commitments	-	(20.327.509)
Investment incentive	(7.459.235)	-
Other	(7.898.281)	(7.666.806)
	<u>(353.505.904)</u>	<u>(232.336.835)</u>
<u>Deferred tax liabilities:</u>		
Property, plant and equipment and intangible assets	121.141.420	76.427.416
Amortized cost adjustment on loans	23.671.943	21.509.597
Fair values of the derivative financial instruments	-	847.026
Land and parcels	776.937	776.937
Inventories	37.835	477.150
Other	4.978.327	2.453.252
	<u>150.606.462</u>	<u>102.491.378</u>
	<u>(202.899.442)</u>	<u>(129.845.457)</u>
	31 December 2009	31 December 2008
<u>Presentation of deferred tax (asset)/ liabilities</u>		
Deferred tax (assets)	(353.505.904)	(232.336.835)
Deferred tax liabilities	150.606.462	102.491.378
	<u>(202.899.442)</u>	<u>(129.845.457)</u>
	1 January – 31 December 2009	1 January – 31 December 2008
<u>Deferred Tax (asset)/ liability movements</u>		
Opening balance	(129.845.457)	(143.233.488)
Deferred tax expense/(income)	(71.457.880)	12.392.117
The amount netted under equity	(1.596.105)	995.914
Closing balance	<u>(202.899.442)</u>	<u>(129.845.457)</u>

(*) As almost all of the carry forward financial losses occurred in the current period, the Group has the right to deduct the carry forward losses from taxable profit until 31 December 2014. According to the projections made, the Group will create a financial profit and will be able to use the unused tax losses, therefore the Group's Management recorded deferred tax income for the carry forward tax losses.

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

Deferred Tax (cont'd)

<u>Tax Provision Reconciliation</u>	<u>1 January – 31 December 2009</u>	<u>1 January – 31 December 2008</u>
Profit/ (loss) before tax	(223.475.119)	284.792.922
Effective tax rate	%20	20%
Calculated tax	(44.695.024)	56.958.584
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	11.940.011	16.513.763
- Non-taxable income	(28.237.673)	(28.205.314)
- Effect of adjustments	12.823.263	49.333.327
- Investment incentive	(7.459.235)	(37.326.612)
- Other	635.097	(174.420)
Taxation in (income)/expense statement	<u>(54.993.561)</u>	<u>57.099.328</u>

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

Comprehensive income in the current period:	1 January – 31 December 2009		1 January – 31 December 2008	
	Before tax	income/(expense) Tax	After tax	income/(expense) Tax
Change in revaluation reserves	(582.185)	75.247	(506.938)	(1.423.486)
Change in cash flow hedging reserves	(7.604.291)	1.520.858	(6.083.433)	427.572
Change in currency translation reserves	643.545	-	643.545	-
	<u>(7.542.931)</u>	<u>1.596.105</u>	<u>(5.946.826)</u>	<u>(995.914)</u>
			<u>9.821.202</u>	<u>13.173.430</u>
			<u>(2.137.858)</u>	<u>427.572</u>
			<u>5.490.086</u>	<u>5.490.086</u>
				<u>12.177.516</u>
				<u>8.397.716</u>
				<u>(1.710.286)</u>

NOTE 37 – EARNINGS/ (LOSS) PER SHARE

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

	1 January – 31 December 2009		1 January – 31 December 2008	
	1 January – 31 December 2009	1 January – 31 December 2008	1 January – 31 December 2008	1 January – 31 December 2008
Number of shares outstanding (*)	160.000.000.000	160.000.000.000	160.000.000.000	160.000.000.000
Net profit/(loss) – TRY	(168.690.422)	211.474.460	211.474.460	211.474.460
Profit/(loss) per share with 1 TRY nominal value TRY %	(0,1054) / (%10,54)	0,1322 / (%13,22)	0,1322 / (%13,22)	0,1322 / (%13,22)

(*) According to the decision taken by the Ereğli Demir ve Çelik Fabrikaları T.A.Ş Board of Directors dated 24 July 2009 and with the Approval No: 88/861 received from CMB on 15 October 2009 the Company's paid capital was increased from TRY1.148.812.500 to TRY1.600.000.000, by means of bonus shares distribution from retained earnings.

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NOTE 38 – RELATED PARTY TRANSACTIONS

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

The trade payables to related parties mainly arise from purchased service transactions.

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

	31 December 2009	31 December 2008
<u>Due from related parties (short term)</u>		
ArcelorMittal Amb.Çel. San. ve Tic. A.Ş.	61.746.999	99.304.040
Oyak Renault Otomobil Fab. A.Ş.	1.241.900	-
Adana Çimento Sanayi T.A.Ş.	783.325	6.617.869
Oyak Beton A.Ş.	250.680	595.771
Bolu Çimento Sanayi A.Ş.	-	12.308
Other	1.350	-
	<u>64.024.254</u>	<u>106.529.988</u>
<u>Due to related parties (short term)</u>		
Omsan Lojistik A.Ş.	1.750.319	898.612
Oyak Pazarlama Hizmet ve Turizm A.Ş.	1.069.752	1.380.357
Omsan Logistica SRL	493.637	-
Oyak Savunma ve Güvenlik Sistemleri A.Ş.	434.747	753.050
Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş.	85.297	808.780
Other	1.314.059	98.974
	<u>5.147.811</u>	<u>3.939.773</u>
<u>Non trade payables from related parties (shot term)</u>		
Payables to shareholders (*)	1.789.615	1.862.358
Oyak Genel Müdürlüğü (**)	14.400	102.553.834
Oyak İnşaat A.Ş. (**)	-	10.401.528
Other	67.350	2.258.344
	<u>1.871.365</u>	<u>117.076.064</u>

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

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

Interest expense paid by the Group to the related parties is TRY25.854.723 (2008:TRY2.000.476).

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NOTE 38 – RELATED PARTY TRANSACTIONS (cont'd)

	1 January – 31 December 2009	1 January – 31 December 2008
<u>Major sales to related parties</u>		
ArcelorMittal Amb.Çel. San. ve Tic. A.Ş.	98.490.031	165.145.463
Borçelik Çelik San. Tic. A.Ş.	88.573.499	31.399.202
Adana Çimento Sanayi T.A.Ş.	19.207.226	8.167.255
Oytaş İç ve Dış Ticaret A.Ş.	1.615.623	1.712.379
Ünye Çimento Sanayi ve Ticaret A.Ş.	1.561.270	1.385.438
Oyak Renault Otomobil Fab. A.Ş.	1.380.388	-
Bolu Çimento Sanayi A.Ş.	1.343.712	1.396.386
Oyak Beton A.Ş.	988.271	666.823
Other	5.593	-
	<u>213.165.613</u>	<u>209.872.946</u>

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

	1 January – 31 December 2009	1 January – 31 December 2008
<u>Major purchases from related parties</u>		
Oyak Pazarlama Hizmet ve Turizm A.Ş.	10.467.101	13.187.285
Omsan Lojistik A.Ş.	7.963.159	10.597.715
Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş.	7.762.102	6.083.169
Oyak Savunma ve Güvenlik Sistemleri A.Ş.	4.949.101	3.957.011
Omsan Logistica SRL	1.908.342	-
Diğer	671.692	993.866
	<u>33.721.497</u>	<u>34.819.046</u>

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

For the period ended 31 December 2009, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY7.519.780 (31 December 2008: TRY13.325.245).

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NOTE 39 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional information about financial instruments

(a) Capital risk management

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

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

The capital structure of the Group consists of debt which includes the financial liabilities disclosed in Note 8, cash and cash equivalents and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings as disclosed in Note 27.

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

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

	Not	31 December 2009	31 December 2008
Total financial debt	8	4.166.022.813	4.534.316.863
Less: Cash and cash equivalents	6	1.065.737.367	973.469.825
Net debt		3.100.285.446	3.560.847.038
Total adjusted equity (*)		5.925.953.753	6.105.245.019
Total resources		9.026.239.199	9.666.092.057
Net debt/Total adjusted equity ratio	27	%52	%58
Distribution of net debt/ total adjusted equity		34/66	37/63

(*) Total adjusted equity is calculated by subtracting cash flow hedging reserves and adding minority interests.

(b) Significant accounting policies

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

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

Additional information about financial instruments (cont'd)

(c) Financial risk management objectives

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

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

(d) Market risk

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

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

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

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

Additional information about financial instruments (cont'd)

(e) Credit Risk

Credit risk of financial instruments

	<u>Receivables</u>					<u>Derivative financial instruments(**)</u>
	<u>Trade receivables</u>		<u>Other receivables</u>			
31 December 2009	<u>Related party</u>	<u>Third party</u>	<u>Related party</u>	<u>Third party</u>	<u>Bank deposits</u>	
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	64.024.254	630.821.613	-	26.846.703	1.065.712.642	301.585
- Secured part of the maximum credit risk exposure via collateral etc.	61.746.999	502.520.675	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor doubtful	64.024.254	591.479.696	-	-	1.065.712.642	301.585
B. Net book value of financial assets that are renegotiated, otherwise classified as overdue or doubtful	-	39.341.917	-	-	-	-
C. Carrying value of financial assets that are overdue but not doubtful	-	-	-	26.846.703	-	-
- Secured part with collateral etc.	-	-	-	-	-	-
D. Net book value of doubtful financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	21.684.743	-	33.462.898	-	-
- Provision (-)	-	(21.684.743)	-	(33.462.898)	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Provision (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

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

(**) The balances are presented net under other liabilities.

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

Additional information about financial instruments (cont'd)

(e) Credit Risk (cont'd)

Credit risk of financial instruments

	Receivables				Derivative financial instruments(**)
	Trade receivables		Other receivables		
	Related party	Third party	Related party	Third party	Bank deposits
31 December 2008					
Maximum credit risk exposure as of balance sheet date (*)(A+B+C+D+E)	106.529.988	585.431.468	-	45.125.686	973.484.686
- Secured part of the maximum credit risk exposure via collateral etc.	99.304.040	585.431.468	-	-	-
A. Net book value of the financial assets that are neither overdue nor doubtful	87.287.307	411.343.423	-	45.125.686	973.484.686
B. Net book value of financial assets that are renegotiated, otherwise classified as overdue or doubtful	19.242.681	174.088.045	-	-	-
C. Carrying value of financial assets that are overdue but not doubtful	-	-	-	-	-
- Secured part with collateral etc.	-	-	-	-	-
D. Net book value of doubtful financial assets	-	-	-	-	-
- Overdue (gross carrying amount)	-	14.435.480	-	6.800.431	-
- Provision (-)	-	(14.435.480)	-	(6.800.431)	-
- Secured part via collateral etc.	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-
- Provision (-)	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-

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

(**) The balances are presented net under other liabilities in the balance sheet.

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

Additional information about financial instruments (cont'd)

(e) Credit Risk (cont'd)

The aging of the overdue receivables is as follows:

31 December 2009	<u>Receivables</u>				<u>Derivative financial instruments</u>	<u>Other</u>	<u>Total</u>
	<u>Trade receivables</u>	<u>Other receivables</u>	<u>Bank deposits</u>				
Overdue 1-30 days	-	-	-	-	-	-	-
Overdue 1-3 months	-	-	-	-	-	-	-
Overdue 3-12 months	-	-	-	-	-	-	-
Overdue 1-5 years	21.684.743	60.309.601	-	-	-	-	81.994.244
Overdue 5 years or more	-	-	-	-	-	-	-
Total overdue receivables	21.684.743	60.309.601	-	-	-	-	81.994.244
The portion under guarantee with collateral	-	-	-	-	-	-	-

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

Additional information about financial instruments (cont'd)

(e) Credit Risk (cont'd)

The aging of the overdue receivables is as follows:

31 December 2008	<u>Receivables</u>			<u>Derivative financial instruments</u>	<u>Other</u>	<u>Total</u>
	<u>Trade receivables</u>	<u>Other receivables</u>	<u>Bank deposits</u>			
Overdue 1-30 days	-	-	-	-	-	-
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-12 months	-	-	-	-	-	-
Overdue 1-5 years	14.435.480	6.800.431	-	-	-	21.235.911
Overdue 5 years or more	-	-	-	-	-	-
Total overdue receivables	14.435.480	6.800.431	-	-	-	21.235.911

The portion under guarantee with collateral

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

Additional information about financial instruments (cont'd)

(f) Foreign currency risk management

As of 31 December 2009, the foreign currency position of the Group in terms of original currency is as follows:

	31 December 2009				
	TRY (Functional Currency)	USD	EUR	JPY	GBP
1. Trade Receivables	516.469.522	337.845.709	3.599.147	-	-
2a. Monetary financial assets	761.808.876	457.632.406	33.654.364	1.379.217	10.780
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	2.134.133	853.440	1.628	51.870.500	-
4. Current assets (1+2+3)	1.280.412.531	796.331.555	37.255.139	53.249.717	10.780
5. Trade receivables	-	-	-	-	-
6a. Monetary trade receivables	-	-	-	-	-
6b. Non-monetary trade receivables	-	-	-	-	-
7. Other	16.755.725	10.561.360	395.077	-	-
8. Long term assets (5+6+7)	16.755.725	10.561.360	395.077	-	-
9. Total assets (4+8)	1.297.168.256	806.892.915	37.650.216	53.249.717	10.780
10. Trade payables	244.360.943	120.843.964	26.403.244	325.806.621	23.422
11. Financial liabilities	774.555.949	440.025.923	41.601.128	1.357.992.902	-
12a. Other monetary financial liabilities	27.435.055	18.218.498	1.603	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	1.046.351.947	579.088.385	68.005.975	1.683.799.523	23.422
14. Trade payables	-	-	-	-	-
15. Financial liabilities	2.473.057.784	1.204.855.512	240.910.369	8.493.937.469	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	2.473.057.784	1.204.855.512	240.910.369	8.493.937.469	-
18. Total liabilities (13+17)	3.519.409.731	1.783.943.897	308.916.344	10.177.736.992	23.422
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	402.021.900	267.000.000	-	-	-
19.a Off-balance sheet foreign currency derivative financial assets	402.021.900	267.000.000	-	-	-
19.b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-	-
20. Net foreign currency asset/liability (9-18+19)	(1.820.219.575)	(710.050.982)	(271.266.128)	(10.124.487.275)	(12.642)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(2.241.131.333)	(988.465.782)	(271.662.833)	(10.176.357.775)	(12.642)
22. Fair value of derivative financial instruments used in foreign currency hedge	(96.228.704)	(63.909.613)	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	402.021.900	267.000.000	-	-	-
25. Exports	1.216.689.292	649.815.806	97.410.457	-	879.616
26. Imports	3.024.687.623	1.955.448.424	-	-	-

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

Additional information about financial instruments (cont'd)

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

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

	31 December 2008				
	TRY (Functional Currency)	USD	EUR	JPY	GBP
1. Trade Receivables	569.715.060	357.316.214	13.707.843	-	-
2a. Monetary financial assets	444.679.560	261.865.429	22.720.716	660.770	4.059
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	17.626.607	1.221.726	4.349.834	379.202.960	1.232
4. Current assets (1+2+3)	1.032.021.227	620.403.369	40.778.393	379.863.730	5.291
5. Trade receivables	-	-	-	-	-
6a. Monetary trade receivables	-	-	-	-	-
6b. Non-monetary trade receivables	-	-	-	-	-
7. Other	57.588.573	28.452.699	6.800.988	-	-
8. Long term assets (5+6+7)	57.588.573	28.452.699	6.800.988	-	-
9. Total assets (4+8)	1.089.609.800	648.856.068	47.579.381	379.863.730	5.291
10. Trade payables	270.060.043	121.195.881	32.338.706	1.002.470.528	88.832
11. Financial liabilities	1.216.524.248	719.835.808	46.575.284	1.685.882.560	-
12a. Other monetary financial liabilities	9.225.658	6.100.415	-	-	-
12b. Other non-monetary financial liabilities	8.401	324	3.695	-	-
13. Current liabilities (10+11+12)	1.495.818.350	847.132.428	78.917.685	2.688.353.088	88.832
14. Trade payables	-	-	-	-	-
15. Financial liabilities	2.254.463.506	1.011.251.986	263.772.618	9.590.168.888	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	2.254.463.506	1.011.251.986	263.772.618	9.590.168.888	-
18. Total liabilities (13+17)	3.750.281.856	1.858.384.414	342.690.303	12.278.521.976	88.832
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	145.999.046	106.717.675	-	(919.800.000)	-
19a. Off-balance sheet foreign currency derivative financial assets	294.623.062	169.005.076	-	2.333.055.556	-
19b. Off-balance sheet foreign currency derivative financial liabilities	148.624.016	62.287.401	-	3.252.855.556	-
20. Net foreign currency asset/liability (9-18+19)	(2.514.673.010)	(1.102.810.671)	(295.110.922)	(12.818.458.246)	(83.541)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(2.735.878.835)	(1.239.202.447)	(306.258.049)	(12.277.861.206)	(84.773)
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-
25. Exports	1.217.628.011	875.301.203	42.967.911	-	-
26. Imports	4.841.224.598	3.181.660.521	13.826.323	-	-

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

Additional information about financial instruments (cont'd)

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

Foreign currency sensitivity

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

In the calculation of Erdemir Group's currency risk, the Value at Risk (VaR) is calculated by using the parametric method arising from the consolidated foreign currency position including derivative instruments. With this method, the effects of changes in currency values on the foreign currency position are determined.

Since there are no stock portfolios and interest bearing treasury products among assets, the Value at Risk related to interest rates and equity prices is not calculated.

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

In parametric method, the Value at Risk is defined as the maximum loss on holding the current position for 1 day, based on the change in the earning yield calculated with a 99% confidence level.

In cases where the Value at Risk exceeds the limit predefined by the Group Risk Committee periodically, the Group Risk Committee gathers to take necessary actions and develop action plans. After evaluations, the committee provides valid precautions to be taken.

	31 December 2009	31 December 2008
Foreign Currency Position Parametric VaR	<u>37.320.644</u>	<u>87.808.820</u>

The increase in the volatility due to the global financial crisis in the last quarter of 2008, has increased the fluctuations in currencies in the last quarter of 2008 and first quarter of 2009. The Value at Risk results are in line with the open foreign currency position and the fluctuations in currencies.

The calculations of Value at Risk are supported by stress tests and scenario analyses. The testing of potential losses in extraordinary market conditions helps the determination of the Group financial strategies.

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

Additional information about financial instruments (cont'd)

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

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

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

Asset and liability balances are translated by using the following exchange rates: TRY1,5057 = US \$ 1, TRY2,1603 = EUR 1 and TRY0,0163 = JPY 1 (31 December 2008: TRY1,5123 = US \$ 1, TRY2,1408 = EUR 1 and TRY0,0167 = JPY 1)

31 December 2009	Profit/(loss) after capitalization on fixed assets and before tax and minority interest	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
1- USD net asset / liability	(147.114.568)	147.114.568
2- Hedged portion (-)	40.202.190	(40.202.190)
3- Effect of capitalization (-)	32.740.492	(32.740.492)
4- USD net effect (1+2+3)	(74.171.886)	74.171.886
5- EUR net asset / liability	(58.601.621)	58.601.621
6- Hedged portion (-)	-	-
7- Effect of capitalization (-)	-	-
8- EUR net effect (5+6+7)	(58.601.621)	58.601.621
9- JPY net asset / liability	(16.504.940)	16.504.940
10- Hedged portion (-)	-	-
11- Effect of capitalization (-)	(1.458.955)	1.458.955
12- JPY net effect (9+10+11)	(17.963.895)	17.963.895
13- Other currencies net asset / liability	(2.873)	2.873
14- Hedged portion (-)	-	-
15- Effect of capitalization (-)	-	-
16- Other Currencies net effect (13+14+15)	(2.873)	2.873
Total (4+8+12+16)	(150.740.275)	150.740.275

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

Additional information about financial instruments (cont'd)

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

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

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

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

Additional information about financial instruments (cont'd)

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

Forward agreements:

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

31 December 2009	Average exchange rate	Sales with original currency	Purchases with original currency	Original currency (TRY equivalent)	Agreement value (TRY equivalent)	Fair value
Unrealized sale/purchase forward agreements:						
TRY Sale/ USD Purchase	1,8673	498.582.400	267.000.000	498.582.400	594.811.104	(96.228.704)
Less than 3 months				498.582.400	594.811.104	<u>(96.228.704)</u>

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

Additional information about financial instruments (cont'd)

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

Forward agreements:

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

31 December 2008	Average exchange rate	Sales with original currency	Purchases with original currency	Original currency (TRY equivalent)	Agreement value (TRY equivalent)	Fair value
Unrealized sale/purchase forward agreements:						
TRY Sale/ USD Purchase						
Less than 6 months	1,5981	204.160.500	135.000.000	204.160.500	203.491.056	669.444
USD Sale/ TRY Purchase						
Less than 3 months	1,5350	20.000.000	30.700.000	30.700.000	30.700.000	-
3 to 6 months	1,5930	20.000.000	31.860.000	31.860.000	31.900.000	(40.000)
USD Sale/ JPY Purchase						
3 to 6 months	105,5	16.096.323	1.679.277.778	28.097.675	26.617.224	1.480.452
12 months	105,6	6.191.078	653.777.778	10.939.010	9.353.061	1.585.949
JPY Sale/USD Purchase						
3 to 6 months	90,655	2.599.077.778	26.969.912	40.786.598	41.170.366	(383.768)
12 months	92,930	653.777.778	7.035.164	10.639.278	10.950.361	(311.083)
				357.183.061	354.182.068	3.000.994

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

Additional information about financial instruments (cont'd)

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

Forward agreements (cont'd):

The change in the fair value of derivative financial instruments impact retained earnings amounting to TRY3.000.994 and income statement for the period amounting to (TRY99.229.698). The income/expense accruals arising from the change in the fair value of the derivative financial instruments are as follows:

	31 December 2009		31 December 2008	
	Assets	Liabilities	Assets	Liabilities
Income/expense accruals from forward exchange transactions (*)	-	(96.228.704)	4.235.129	(1.234.135)

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

(g) Interest Rate Risk Management

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

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

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

Interest rate sensitivity

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

Interest Position Table

	31 December 2009	31 December 2008
Floating interest rate financial instruments		
Financial liabilities	3.498.154.479	2.816.791.162

In addition to these, as of 31 December 2009, the amount of the Group's financial loans is TRY657.243.337 of which the floating interest rates have been fixed by the hedge purposed agreements (31 December 2008: TRY488.308.453) (Note 8).

For the year round, if the USD, EUR and JPY denominated interest rates increase/decrease by 100 base points in TRY, 50 base points in USD and EUR and 25 base points in JPY respectively ceteris paribus, the profit before taxation and minority interest after considering the effect of capitalization and hedging would be lower/higher TRY19.028.635 (31 December 2008: TRY12.236.251).

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

Additional information about financial instruments (cont'd)

(g) Interest Rate Risk Management(cont'd)

Interest rate swap agreements

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

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

31 December 2009

<u>Unrealized agreements with fixed payments and floating interest receipts</u>	<u>Average fixed interest rate of the agreements</u>	<u>Nominal Amount (*)</u>	<u>Fair Value Amount</u>
Between 3-6 months	% 3,190	29.720.653	(327.622)
Between 1-4 years	% 2,551	624.865.500	(9.414.527)
		<u>654.586.153</u>	<u>(9.742.149)</u>

(*) In order to hedge against the interest rate risk of the borrowings with floating rates, the Group trades floating interest rates with fixed rates by making swap agreements. The fair value of the interest rate swap agreements with a notional amount of TRY654.586.153 is found to be effective. The fair value of such agreements which is categorized as cash flow hedges, is recognized under equity with its deferred tax effect and minority interest deducted as (TRY7.259.727).

31 December 2008

<u>Unrealized agreements with fixed payments and floating interest receipts</u>	<u>Average fixed interest rate of the agreements</u>	<u>Nominal Amount (*)</u>	<u>Fair Value Amount</u>
Between 3-4 years	% 3,645	483.540.929	(2.137.857)

(h) Credit Risk Management

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

(i) Liquidity Risk Management

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

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

Additional information about financial instruments (cont'd)

(i) Liquidity Risk Management (cont'd)

Liquidity risk tables

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

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

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

31 December 2009

<u>Contractual maturity analysis</u>	<u>Book value</u>	<u>Total cash outflow due to agreement (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Non derivative financial liabilities						
Borrowings from banks	4.166.001.612	4.393.228.578	187.624.741	660.570.786	3.139.056.417	405.976.634
Finance leasing liabilities	21.201	21.370	-	21.370	-	-
Trade payables	355.004.343	355.577.398	152.303.618	203.273.780	-	-
Other financial liabilities (*)	27.408.638	27.408.638	25.912.244	1.496.394	-	-
Total liabilities	4.548.435.794	4.776.235.984	365.840.603	865.362.330	3.139.056.417	405.976.634

31 December 2009

<u>Contractual maturity analysis</u>	<u>Book value</u>	<u>Total cash outflow due to agreement (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Derivative financial liabilities	(105.970.853)	(106.811.528)	(97.314.299)	(6.104.016)	(3.393.213)	-
Derivative cash inflows	301.585 (**)	418.203.347	405.920.107	7.475.418	4.807.822	-
Derivative cash outflows	(106.272.438) (**)	(525.014.875)	(503.234.406)	(13.579.434)	(8.201.035)	-

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

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

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

Additional information about financial instruments (cont'd)

(i) Liquidity Risk Management (cont'd)

Liquidity risk tables (cont'd)

31 December 2008

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

31 December 2009

<u>Contractual maturity analysis</u>	<u>Book value</u>	<u>Total cash outflow due to agreement (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Derivative financial liabilities	863.137	3.413.362	2.669.133	(6.131.681)	6.875.910	-
Derivative cash inflows	7.567.087 (**)	413.140.463	70.465.864	290.988.387	51.686.212	-
Derivative cash outflows	(6.703.950) (**)	(409.727.101)	(67.796.731)	(297.120.068)	(44.810.302)	-

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

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

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NOTE 40 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)
Additional information about financial instruments (cont'd)

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

	Cash and cash equivalent	Loans and receivables	Available for sale financial assets	Held for trading financial instruments	Financial liabilities at amortized cost	Hedging instruments (Equity)	Hedging instruments (Income Statement)	Carrying value	Note
31 December 2009									
Financial Assets									
Cash and cash equivalents	1.065.737.367	-	-	-	-	-	-	1.065.737.367	6
Trade receivables	-	694.845.867	-	-	-	-	-	694.845.867	10
Other financial assets	-	26.846.703	30.311.686	22.588	-	-	-	57.180.977	7/11/35
Derivative financial instruments	-	-	-	-	-	301.585	-	301.585	9
Financial Liabilities									
Financial payables	-	-	-	-	4.166.022.813	-	-	4.166.022.813	8
Trade payables	-	-	-	-	355.004.343	-	-	355.004.343	10
Other liabilities	-	-	-	-	27.408.638	-	-	27.408.638	11
Derivative financial instruments	-	-	-	-	-	10.043.734	96.228.704	106.272.438	9
31 December 2008									
Financial Assets									
Cash and cash equivalents	973.469.825	-	-	-	-	-	-	973.469.825	6
Trade receivables	-	691.961.456	-	-	-	-	-	691.961.456	10
Other financial assets	-	45.125.686	30.308.140	9.967	-	-	-	75.443.793	7/11
Derivative financial instruments	-	-	-	7.567.087	-	-	-	7.567.087	7/9
Financial Liabilities									
Financial payables	-	-	-	-	4.534.316.863	-	-	4.534.316.863	8
Trade payables	-	-	-	-	393.357.474	-	-	393.357.474	10
Other liabilities	-	-	-	-	125.782.478	-	-	125.782.478	11
Derivative financial instruments	-	-	-	-	-	6.703.950	-	6.703.950	9

(*) Book values of the financial assets and liabilities are close to the fair values.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

NOTE 40 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Additional information about financial instruments (cont'd)

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

Financial asset and liabilities at fair value	31 December 2009	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
Fair value differences of financial assets reflected on profit/loss				
Financial Assets held for trading	22.588	22.588	-	-
Derivative Financial Assets (*)	-	-	-	-
Derivative Financial Liabilities (*)	(96.228.704)	-	(96.228.704)	-
Fair value differences of financial assets reflected on comprehensive income				
Derivative Financial Assets (*)	301.585	-	301.585	-
Derivative Financial Liabilities (*)	(10.043.734)	-	(10.043.734)	-
Total	<u>(105.948.265)</u>	<u>22.588</u>	<u>(105.970.853)</u>	<u>-</u>

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

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

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

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

NOTE 41 – SUBSEQUENT EVENTS

No significant subsequent events occurred as of reporting date.

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

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

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

Changes in working capital are as follows:

	1 January – 31 December 2009	1 January – 31 December 2008
Current trade receivables	(10.362.526)	232.838.522
Inventories	1.901.095.682	(2.053.572.875)
Other receivables / current assets	101.867.283	(209.917.965)
Non current trade receivables	228.852	865.364
Other long term receivables / non current assets	21.837.366	(33.894.414)
Current trade payables	(38.353.131)	(169.531)
Other short term payables / liabilities	(193.974.328)	161.669.170
Non current trade payables	-	(165.261)
Other non current trade payables/ liabilities	9.028.537	(38.209)
	<u>1.791.367.735</u>	<u>(1.902.385.199)</u>

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

<u>Account Name</u>	31 December 2008 (Previously reported)	31 December 2008 (Restated)	Difference
Assets:			
Other current assets ⁽¹⁾⁽²⁾	394.630.620	387.063.533	(7.567.087)
Financial Investments ⁽²⁾	9.967	873.104	863.137
Liabilities			
Other current liabilities ⁽¹⁾	264.949.268	258.245.318	(6.703.950)

⁽¹⁾ The derivative financial instruments' expense accruals of TRY6.703.950 which were previously reported in "Other current liabilities" is reclassified to "Other current assets" and is offset with the income accruals of the derivative financial instruments.

⁽²⁾ The derivative financial instruments' income accruals of TRY863.137 which were previously reported in "Other current assets" is reclassified to "Financial Investments".

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

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

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

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

<u>Account Name</u>	<u>1 January – 31 December 2008 (Previously reported)</u>	<u>1 January - 31 December 2008 (Restated)</u>	<u>Difference</u>
Sales ⁽⁴⁾⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾	6.808.694.806	6.800.384.174	(8.310.632)
Cost of sales (-) ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾	(5.973.365.035)	(5.963.512.851)	9.852.184
General Administration Expenses (-) ⁽⁸⁾	(126.467.442)	(125.560.712)	906.730
Other operating income ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾	65.091.151	59.196.636	(5.894.515)
Other operating expenses (-) ⁽¹⁾⁽³⁾⁽⁶⁾⁽⁷⁾	(180.548.797)	(177.102.564)	3.446.233
Financial Income ⁽⁹⁾	766.458.835	494.773.300	271.685.535
Financial Expenses (-) ⁽⁹⁾	(1.001.086.733)	(729.401.198)	(271.685.535)
Total			-

⁽¹⁾ Train ferry income and expense of TRY660.062 and TRY1.912.411 which were previously reported in "Other operating income/expense" are reclassified to "Cost of sales (-)"

⁽²⁾ Income arising from the returned materials to the warehouse of TRY1.097.629 which was previously reported in "Other operating expenses" is reclassified to "Cost of sales".

⁽³⁾ Excess demand sales expenses of TRY1.150.742 which was previously reported in "Other operating expenses (-)" is reclassified to "Cost of sales (-)".

⁽⁴⁾ Raw material export sales income of TRY8.310.632 which was previously reported in "Sales income" is reclassified to "Cost of sales (-)".

⁽⁵⁾ Scrap sales income of TRY3.666.327 which was previously reported in "Other operating income" is reclassified to "Cost of sales (-)".

⁽⁶⁾ Income from dispatch kilogram differences of TRY470.497 and expense of TRY342.664 which were previously reported in "Other operating income" and "Other operating expense (-)" respectively are reclassified to "Cost of sales (-)".

⁽⁷⁾ Income from electricity sales of TRY40.416 which was previously reported in "Other operating expenses" is reclassified to "Cost of sales (-)".

⁽⁸⁾ Laboratory service expense of TRY906.730 which was previously reported in "General administrative expenses (-)" is reclassified to "Cost of sales (-)".

⁽⁹⁾ TRY271.685.535 which was previously reported in "Foreign exchange loss from bank deposits (-)" is reclassified to "Foreign exchange gain from bank deposits (-)" in order to be offset.

⁽¹⁰⁾ Sales revenues in the framework of Inward Processing Authorization Certificate" of TRY356.242.103 which was previously reported in "Export Iron and Steel Sales" is reclassified to "Domestic Iron and Steel Sales".

⁽¹¹⁾ Metal and service sales of TRY134.589.450 which was previously reported in "Domestic Iron and Steel Sales" is reclassified to "Other Sales".

⁽¹²⁾ Service sales of TRY1.108.573 which was previously reported in "Export Iron and Steel Sales" is reclassified to "Other Sales".