(CONVENIENCE TRANSLATION OF
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH- SEE NOTE 32)

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY-31 MARCH 2013

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CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2013

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

	Note	(Unaudited) Current Period 31 March 2013	(Audited-Restated) (*) Previous Period 31 December 2012	(Audited-Restated) (*) Previous Period 31 December 2011
ASSETS				
Current Assets		**5.986.322.821**	**5.854.230.082**	**6.024.733.105**
Cash and Cash Equivalents	4	1.985.361.227	1.829.716.171	1.102.710.213
Other Short Term Financial Assets	5	7.739.215	543.101	9.232.974
Trade Receivables	8	1.074.471.987	1.047.300.360	1.141.698.002
Due From Related Parties	28	*20.120.826*	*17.941.389*	*9.723.604*
Other Trade Receivables	8	*1.054.351.161*	*1.029.358.971*	*1.131.974.398*
Other Receivables	9	305.165	296.045	277.962
Inventories	10	2.780.210.408	2.848.119.207	3.628.497.829
Other Current Assets	18	138.234.819	128.255.198	142.316.125
Non Current Assets		**7.254.835.806**	**7.287.190.543**	**7.365.849.568**
Other Receivables	9	238.949	238.949	219.483
Financial Investments	5	92.199	84.594	66.086
Other Long Term Financial Assets	5	8.140.298	9.579.245	47.475.443
Investment Properties	11	46.577.264	46.577.264	46.577.264
Property, Plant and Equipment	12	6.961.047.436	6.997.897.584	6.911.644.581
Intangible Assets	13	149.029.912	152.910.729	164.152.691
Deferred Tax Assets	26	15.769.541	14.073.770	110.735.816
Other Non Current Assets	18	73.940.207	65.828.408	84.978.204
TOTAL ASSETS		**13.241.158.627**	**13.141.420.625**	**13.390.582.673**

(*) Detailed information about restated financial statements are given in note 32.

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

CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2013

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

	Note	(Unaudited) Current Period 31 March 2013	(Audited-Restated) (*) Previous Period 31 December 2012	(Audited-Restated) (*) Previous Period 31 December 2011
LIABILITIES				
Current Liabilities		**2.782.534.402**	**2.817.904.101**	**2.415.353.191**
Financial Liabilities	6	1.717.725.457	2.022.433.668	1.487.868.881
Other Current Financial Liabilities	7	1.366.221	4.180.528	558.936
Trade Payables	8	425.103.079	428.055.750	533.658.160
Due to Related Parties	*28*	*10.143.668*	*11.727.235*	*9.852.395*
Other Trade Payables	*8*	*414.959.411*	*416.328.515*	*523.805.765*
Other Payables	9	181.141.120	48.017.783	63.694.522
Due to Related Parties	*28*	-	-	*341*
Other Payables	*9*	*181.141.120*	*48.017.783*	*63.694.181*
Current Tax Liabilities	26	24.407.448	12.209.061	44.693.617
Provisions	15	126.628.243	113.061.323	77.424.150
Other Current Liabilities	18	306.162.834	189.945.988	207.454.925
Non Current Liabilities		**2.937.783.666**	**2.907.604.439**	**3.687.681.410**
Financial Liabilities	6	2.387.487.997	2.396.318.269	3.289.928.316
Other Non Current Financial Liabilities	7	17.300.655	14.576.726	10.400.444
Provisions for Employment Benefits	0	287.117.006	283.979.209	218.122.934
Deferred Tax Liabilities	17	184.802.993	150.043.899	113.234.445
Other Non Current Liabilities	26	61.075.015	62.686.336	55.995.271
EQUITY	19	**7.520.840.559**	**7.415.912.085**	**7.287.548.072**
Equity attributable to equity holders of the parent		**7.315.076.898**	**7.204.811.565**	**7.086.723.062**
Share Capital		3.500.000.000	3.090.000.000	2.150.000.000
Inflation Adjustment to Capital		156.613.221	342.195.166	731.967.735
Treasury Shares (-)		(116.232.173)	(103.599.856)	(74.637.969)
Share Issue Premium		106.447.376	106.447.376	231.020.042
Revaluation Reserve of Tangible Assets		26.678.944	26.813.595	27.228.155
Cash Flow Hedging Reserves		(31.792.143)	(29.878.279)	(14.783.355)
Actuarial loss/ (gain) funds		(57.784.354)	(57.784.354)	(28.958.282)
Foreign Currency Translation Reserves		53.201	(315.217)	(489.005)
Restricted Reserves Assorted from Profit		1.435.961.396	1.618.843.079	1.757.470.693
Retained Earnings		2.066.883.264	1.760.073.286	1.287.337.399
Net Profit for the Period		228.248.166	452.016.769	1.020.567.649
Non-controlling Interests		**205.763.661**	**211.100.520**	**200.825.010**
TOTAL LIABILITIES AND EQUITY		**13.241.158.627**	**13.141.420.625**	**13.390.582.673**

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

CONSOLIDATED STATEMENT OF INCOME AS OF 31 MARCH 2013

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

	Note	(Unaudited) Current Period 1 January- 31 March 2013	(Unaudited- Restated) (*) Previous Period 1 January- 31 March 2012
OPERATING INCOME			
Revenue	20	2.428.942.385	2.435.338.933
Cost of Sales (-)	20	(2.034.652.919)	(2.239.559.851)
GROSS PROFIT		**394.289.466**	**195.779.082**
Marketing, Sales and Distribution Expenses (-)	21	(25.456.651)	(27.871.727)
General Administrative Expenses (-)	21	(42.734.009)	(44.640.331)
Research and Development Expenses (-)	21	(701.478)	(178.504)
Other Operating Income	23	10.911.219	18.834.577
Other Operating Expenses (-)	23	(16.232.152)	(23.111.824)
OPERATING PROFIT		**320.076.395**	**118.811.273**
Finance Income	24	63.224.295	254.658.662
Finance Expense (-)	25	(82.163.929)	(203.227.210)
PROFIT BEFORE TAX		**301.136.761**	**170.242.725**
Tax Expense	26	(60.633.313)	(33.840.458)
- Current Corporate Tax Expense		(26.900.601)	(19.377.276)
- Deferred Tax Expense		(33.732.712)	(14.463.182)
PROFIT FOR THE PERIOD		**240.503.448**	**136.402.267**
- Non-Controlling Interests		12.255.282	12.448.889
- Equity Holders of the Parent		228.248.166	123.953.378
EARNINGS PER SHARE	27	0,0652	0,0354
(TRY 1 Nominal value per share)			

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS OF 31 MARCH 2013

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

	Note	(Unaudited) Current Period 1 January- 31 March 2013	(Unaudited- Restated) (*) Previous Period 1 January- 31 March 2012
PROFIT FOR THE PERIOD		**240.503.448**	**136.402.267**
Other Comprehensive Income/(Expense):			
Change in Revaluation Reserve of Tangible Assets		(134.651)	(492.924)
Change in Cash Flow Hedging Reserves		(2.063.523)	(7.539.743)
Change in Foreign Currency Translation Reserves		368.418	214.227
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD (AFTER TAX)	26	**(1.829.756)**	**(7.818.440)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**238.673.692**	**128.583.827**
Distribution of Total Comprehensive Income			
- Non-controlling Interests		12.105.623	11.918.357
- Equity Holders of the Parent		226.568.069	116.665.470

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2013

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

	Note	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium	Revaluation Reserve of Tangible Assets	Cash Flow Hedging Reserves	Actuarial loss/ (gain) funds	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	**Equity Attributable to the Parent**	Non-controlling Interests	**Total Shareholders' Equity**
(Unaudited)														
1 January 2013 (previously reported)		**3.090.000.000**	**342.195.166**	**(103.599.856)**	**106.447.376**	**26.813.595**	**(29.878.279)**	-	**(315.217)**	**1.618.843.079**	**2.154.305.701**	**7.204.811.565**	**211.100.520**	**7.415.912.085**
Effect of changes in accounting policy	**32**	-	-	-	-	-	-	(57.784.354)	-	-	57.784.354	-	-	-
Restated 1 January 2013 (*)		**3.090.000.000**	**342.195.166**	**(103.599.856)**	**106.447.376**	**26.813.595**	**(29.878.279)**	**(57.784.354)**	**(315.217)**	**1.618.843.079**	**2.212.090.055**	**7.204.811.565**	**211.100.520**	**7.415.912.085**
Net profit for the period		-	-	-	-	-	-	-	-	-	228.248.166	**228.248.166**	12.255.282	**240.503.448**
Other comprehensive income/ (loss)		-	-	-	-	(134.651)	(1.913.864)	-	368.418	-	-	**(1.680.097)**	(149.659)	**(1.829.756)**
Total comprehensive income/ (loss)		-	-	-	-	(134.651)	(1.913.864)	-	368.418	-	228.248.166	**226.568.069**	12.105.623	**238.673.692**
Dividends paid (**)		-	-	-	-	-	-	-	-	-	(116.302.736)	**(116.302.736)**	(17.442.482)	**(133.745.218)**
Capital increase	19	410.000.000	(185.581.945)	(12.632.317)	-	-	-	-	-	(205.952.593)	(5.833.145)	-	-	-
Transfers from retained earnings	19	-	-	-	-	-	-	-	-	23.070.910	(23.070.910)	-	-	-
31 March 2013	**19**	**3.500.000.000**	**156.613.221**	**(116.232.173)**	**106.447.376**	**26.678.944**	**(31.792.143)**	**(57.784.354)**	**53.201**	**1.435.961.396**	**2.295.131.430**	**7.315.076.898**	**205.763.661**	**7.520.840.559**
(Unaudited)														
1 January 2012 (previously reported)		**2.150.000.000**	**731.967.735**	**(74.637.969)**	**231.020.042**	**27.228.155**	**(14.783.355)**	-	**(489.005)**	**1.757.470.693**	**2.278.946.766**	**7.086.723.062**	**200.825.010**	**7.287.548.072**
Effect of changes in accounting policy	**32**	-	-	-	-	-	-	(28.958.282)	-	-	28.958.282	-	-	-
Restated 1 January 2012 (*)		**2.150.000.000**	**731.967.735**	**(74.637.969)**	**231.020.042**	**27.228.155**	**(14.783.355)**	**(28.958.282)**	**(489.005)**	**1.757.470.693**	**2.307.905.048**	**7.086.723.062**	**200.825.010**	**7.287.548.072**
Net profit for the period		-	-	-	-	-	-	-	-	-	123.953.378	**123.953.378**	12.448.889	**136.402.267**
Other comprehensive income/ (loss)		-	-	-	-	(492.924)	(7.009.211)	-	214.227	-	-	**(7.287.908)**	(530.532)	**(7.818.440)**
Total comprehensive income/ (loss)		-	-	-	-	(492.924)	(7.009.211)	-	214.227	-	123.953.378	**116.665.470**	11.918.357	**128.583.827**
Dividends paid		-	-	-	-	-	-	-	-	-	(290.756.841)	**(290.756.841)**	(19.094.135)	**(309.850.976)**
Transfers from retained earnings	19	-	-	-	-	-	-	-	-	78.040.899	(78.040.899)	-	-	-
31 March 2012	**19**	**2.150.000.000**	**731.967.735**	**(74.637.969)**	**231.020.042**	**26.735.231**	**(21.792.566)**	**(28.958.282)**	**(274.778)**	**1.835.511.592**	**2.063.060.686**	**6.912.631.691**	**193.649.232**	**7.106.280.923**

(*) Detailed information about restated financial statements are given in note 32.

(**) Annual General Assembly dated 29 March 2013, dividend distribution (gross dividend per share: TRY 0,03429 (2012: TRY 0,0971)) amounting to TRY 120.000.000 (30 March 2012: TRY 300.000.000) from 2012 net profit was approved. As the Company holds 3,08% of its shares with a nominal value of TRY 1 as of 29 March 2013, dividends for treasury shares are netted off under dividends paid. The dividend payment will be complete until 30 May 2013.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2013

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

	Note	(Unaudited) Current Period 1 January- 31 March 2013	(Audited) Previous Period 1 January- 31 March 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax and non-controlling interests		301.136.761	170.242.725
Adjustments to reconcile net profit before tax to net cash provided by operating activities:			
Depreciation and amortization expenses	20/22	104.334.510	89.885.873
Provision for employee termination benefits	17	11.202.327	10.527.938
Provision for seniority incentive premium	17	955.849	1.000.488
Gain on sale of property plant and equipment	23	(168.953)	(23.344)
Loss on write off of property plant and equipment	23	772.500	196.751
Increase/(decrease) in provision for doubtful receivables	8/9	854.750	(354.989)
Increase in the allowance for inventories	10	(2.185.694)	(4.653.614)
Increase in provision for unpaid vacations	18	-	982.809
Increase in provision for pending claims and lawsuits	15	15.264.157	14.885.938
Increase in penalty provision for obligatory employment shortage of disabled people	15	300.797	88.846
Increase in provision for state right on mining activities	15	679.120	992.140
Interest expenses	25	56.725.170	60.183.661
Interest income	24	(31.964.522)	(30.348.581)
Unrealized foreign currency loss/(gain) of financial liabilities		19.909.391	(222.096.010)
Loss/(gain) on fair value changes of derivative financial instruments	24/25	(9.659.810)	16.770.639
Net cash provided by operating activities before changes in working capital		**468.156.353**	**108.281.270**
Changes in working capital	32	144.047.913	113.374.069
Interest paid		(52.810.123)	(26.735.982)
Interest received		30.871.694	28.728.910
Lawsuits paid	15	(2.677.154)	(5.524.126)
Penalty paid for the employment shortage of disabled people	15	-	(694.716)
Taxes paid	26	(14.702.214)	(44.694.209)
Employee termination benefits paid	17	(9.020.379)	(1.117.021)
Net cash provided by operating activities		**563.866.090**	**171.618.195**
CASH FLOWS FROM INVESTING ACTIVITIES			
Changes in financial assets held as available for sale	5	(7.605)	(2.336)
Cash used in the purchase of tangible assets	12	(57.652.621)	(101.947.005)
Cash used in the purchase of intangible assets	13	(873.644)	(4.138.108)
Cash provided by sales of tangible assets	12/13/23	3.959.565	23.798
Net cash used in investing activities		**(54.574.305)**	**(106.063.651)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New borrowings		1.665.172.230	317.612.860
Repayment of borrowings		(2.002.614.571)	(387.653.492)
Dividends paid to non-controlling interests		(17.442.482)	(19.094.135)
Net cash used in by financing activities		**(354.884.823)**	**(89.134.767)**
NET CHANGES IN CASH AND CASH EQUIVALENTS		**154.406.962**	**(23.580.223)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	**1.827.697.701**	**1.100.335.205**
Currency translation difference, net		145.266	(134.763)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**1.982.249.929**	**1.076.620.219**
Accrued interest income	4	3.111.298	3.994.679
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD INCLUDING ACCRUED INTEREST INCOME	4	**1.985.361.227**	**1.080.614.898**

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

NOTE 1 – GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

Name of the Company	Country of Operation	Operation	2013 Share %	2012 Share %
İskenderun Demir ve Çelik A.Ş. ("ISDEMIR")	Turkey	Iron and Steel	92,91	92,91
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90,00	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Iron and Steel	100	100
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Iron and Steel	100	100

Erdemir Gaz San. ve Tic. A.Ş. as disclosed in non-current financial investments is excluded from consolidation, as it has been dormant since its establishment at 21 December 2004 and it does not significantly affect the consolidated financial statements of the Group (Note 5). In the Extraordinary General Meeting of Erdemir Gaz San. ve Tic. A.Ş. dated 7 May 2012, liquidation of the Company has been decided.

In the General Meeting of Erdemir Lojistik A.Ş. dated 8 June 2012, the merger of the Company with Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. has been decided. Merger operations has been completed as of 13 February 2013. This merger had no impact on the financial position of the Group.

Annual General Assembly dated 29 March 2013, it has been decided to remove the Company's headquarter to İstanbul.

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

The number of the personnel employed by the Group as at 31 March 2013 and 31 December 2012 are as follows:

	31 March 2013 Personnel	31 December 2012 Personnel
Monthly paid personnel (A)	3.059	3.180
Hourly paid personnel (B)	9.029	9.096
Candidate worker (C)	656	675
Contractual personnel (D)	18	18
Contractual personnel (SZ)	71	76
Total	12.833	13.045

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 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”). The financial statements are prepared on cost basis, except the derivative financial instruments carried on fair value (Note 5 and Note 7).

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 to1 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 required by the CMB, with the announcements dated 17 April 2008 and 9 January 2009, including all compulsory disclosures.

In accordance with article 5th of the CMB Accounting Standards, companies should apply IFRS as adopted by the European Union (EU). However, again in accordance with the provisional clause 2 of the same standards adoption of the IFRS as adopted by the EU is postponed until the Turkish Accounting Standards Board (“TASB”) (In November 2011 TASB has been dismissed and its responsibilities are transferred to Public Oversight Accounting and Auditing Standards Authority) declares the differences between the IFRS as adopted by the EU and the IFRS as adopted by the International Accounting Standards Board (IASB). Thus, for the year ended 31 March 2013, the Group prepared its consolidated financial statements in accordance with the Turkish Financial Reporting Standards which is in line with IFRS adopted by the IASB.

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

2.1 Basis of Presentation (cont'd)

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. 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".

Functional and Reporting Currency

TRY is accepted as the functional currency of the Company's subsidiaries and affiliates operating in Turkey and reporting currency of the consolidated financial statements.

There were changes in sale operations of Company's and its subsidiaries' İskenderun Demir ve Çelik A.Ş. and Erdemir Çelik Servis Merkezi San. Ve Tic. A.Ş in 2012. These changes are stated below:

- Erdemir Group announced that there won't be TRY sales and settlements of products starting from 31 March 2012 its website and other communication channels. Starting from 31 March 2012, new orders and sales contracts excluding exports to Europe have been started to perform with US Dollar currency. In addition to this change, there were existing orders and sales contracts with TRY currency as of 31 March 2012. Therefore the effects of TRY sales with or without maturity continued during year of 2012.

- Together with the change in sales conditions, TRY amounts in trade receivables in 2012 decreased significantly and more than 95% of trade receivables turned into receivables with USD currency as of 31 December 2012.

Due to reasons stated above, the change of current functional currency of the Company and its subsidiaries İskenderun Demir ve Çelik A.Ş. and Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. from TRY into US Dollars has been considered starting from 2013. Group Management is evaluating the effects of these changes made in 2012 and its possible effects on financial statements as of reporting date with the assumption that the conditions that require the change of functional currency have not occurred in 2012 due to effects of current orders and sales contracts in 2012 with TRY currency.

Functional and reporting currency for the subsidiary abroad

Erdemir Romania S.RL has been established as a foreign legal entity.

The financial statements of the subsidiary operating in Romania have been prepared in accordance with the legislation in force within the country, and are arranged reflecting the necessary adjustments and reclassifications in conformity with IFRS. The assets and liabilities of the foreign subsidiary in terms of EUR have been translated into Turkish Lira using the foreign exchange rate at the balance sheet date. Income and expenses and cash flows have been translated into Turkish Lira using the average foreign exchange rate for the period.

The functional currency of the subsidiary operating in Romania which was Romanian Lei before has been changed into Euro due to change of sales conditions in 2012 effective as of 1 January 2012. The change has no effect in previous year financial statements.

The differences between closing and average foreign exchange rates and due to the deviation arising from differences between the value of the equity accounts of the consolidated partnership and the subsidiary are followed under the foreign currency translation reserves in equity.

Approval of the consolidated financial statements

The consolidated financial statements have been approved and authorized to be published on 13 May 2013 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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

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.

2.4 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Group and its subsidiaries controlled by the Group as at the same date. This control is normally evidenced when Group is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Subsidiaries

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.

Subsidiaries are consolidated from the date on which control is transferred to the Group and ceased to be consolidated from the date on which control is transferred out of the Group.

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 non-controlling interest shares is obtained by the calculation of the fair values of assets and liabilities with respect to the proportion of the non-controlling interest. The operational results of subsidiaries are included or excluded from consolidation according to their effective dates of acquisition and disposal, respectively.

Non-controlling interests in the net assets of the subsidiaries included in consolidation, appears as a separate item in Group's equity. Non-controlling interests consist of non-controlling party's amount that already exists as of the first acquisition date and the amounts take place during the changes in the parent company's equity related to non-controlling interest after the first acquisition date. Losses of the non-controlling interests are distributed to the shares of the non-controlling interests. The equity and net income attributable to non-controlling interests are shown separately in the consolidated balance sheet and income statement, respectively.

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

The Group's consolidated financial statements are presented in comparison with the previous period in order to allow for the determination of the financial position and performance trends. The comparative information is reclassified when necessary in order to be aligned with the current period consolidated financial statements. The detailed information about these restatements are presented in Note 32.

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

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

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

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

The Group calculates depreciation for the fixed assets by taking into account their production amounts and useful lives that are stated in Note 2.9.3 and 2.9.4 (Note 12, Note 13).

2.6.2 Deferred tax

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with IFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and IFRS financial statements. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring, the carry-forward period associated with the deferred tax assets, future reversals of existing taxable temporary differences that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset (Note 26).

2.6.3 Fair values of derivative financial instruments

The Group values its derivative financial instruments by using the foreign exchange and interest rate estimations and based on the valuation estimates of the market values as of the balance sheet date (Note5, Note 7, Note 29).

2.6.4 Provision for doubtful receivables

Allowance for doubtful receivables reflect the future loss that the Group anticipates to incur from the trade receivables as of the balance sheet date which are subject to collection risk considering the current economic conditions. During the impairment test for the receivables, the debtors are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. The provision for doubtful receivables is presented in Note 8 and Note 9.

2.6.5 Provision for inventories

During the assessment of the provision for inventory the following are considered; analyzing the inventories physically and historically, considering the employment and usefulness of the inventories respecting to the technical personnel view. Sales prices listed, average discount rates given for sale and expected cost incurred to sell are used to determine the net realizable value of the inventories. As a result of this, the provision for inventories with the net realizable values below the costs and the slow moving inventories are presented in Note 10.

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

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

2.6.6 Provisions for employee benefits

Assumptions about discount rates, inflation rates, future salary increases and employee turnover rates are made to calculate Group's provision for employee benefits. The details related with the defined benefit plans are stated in Note 17.

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 accounting policies adopted in the preparation of the consolidated financial statements as at 31 March 2013 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2013 summarized below. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2013 are as follows:

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements). New disclosures would provide users of financial statements with information that is useful in

i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and,
ii) analyzing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the balance sheet that have been offset according to IAS 32. Such disclosures are applicable to financial instruments in the balance sheet that have not been offset according to IAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the interim condensed consolidated financial statements of the Group.

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Group.

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

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

IAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing actuarial gain/(loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Group has accounted the actuarial gain/losses in other comprehensive income in accordance with the amendment. As a result of change in actuarial gain/ losses in other comprehensive income difference from previous year is explained in Note 32.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Group.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This amendment did not have an impact on the financial position or performance of the Group.

IFRS 10 Consolidated Financial Statements

IFRS10, IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This amendment will not have an impact on the financial position or performance of the Group.

IFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have an impact on the financial position or performance of the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Apart from the disclosures regarding the significant issues and transactions in the interim period, disclosures according to the new standards are not applicable to interim periods so the Group did not provide this disclosure in the interim period.

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)

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after IFRS 13 is adopted. Some of the disclosures about the financial instruments mentioned above, have to be provided in the interim condensed consolidated financial statements according to IAS 34.16 A (j). The Group has presented these disclosures in Note 14 and 15. This amendment did not have an impact on the interim consolidated financial statements of the Group.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is applicable for the Group however did not have any impact on the financial position or performance of the Group.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. These amendments did not have an impact on the interim consolidated financial statements of the Group.

Standards issued but not yet effective and not early adopted

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

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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)

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

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

<u>Improvements to IFRSs</u>

Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. This project did not have an impact on the financial position or performance of the Group.

IAS 1 Financial Statement Presentation:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

IAS 32 Financial Instruments: Presentation:

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Interim Financial Reporting:

Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

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

2.9 Valuation Principles Applied / Significant Accounting Policies

Valuation principles and accounting policies used in the preparation of the 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 the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.9.3 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 and production amounts of the assets.

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

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

2.9.3 Property, plant and equipment (cont'd)

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

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

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

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

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

2.9.4 Intangible assets

Intangible assets purchased before 1 January 2005 are recognized at their acquisition cost indexed for inflation effects as at 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 and production amounts. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, and any changes in the estimate are accounted for on a prospective basis.

The amortization rates of the intangible assets are stated below:

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

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

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

2.9.5 Impairment of assets

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

2.9.6 Borrowing costs

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

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

2.9.7 Financial instruments

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

Financial assets

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

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

Effective interest method

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

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

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

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

2.9.7 Financial instruments (cont'd)

Financial assets (cont'd)

Available for sale financial assets

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

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

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

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

Receivables

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

Impairment of financial assets

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

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

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

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

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

2.9.7 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

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

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

Cash and cash equivalents

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

Financial liabilities

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

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

Other financial liabilities

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

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

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

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

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

2.9.7 Financial instruments (cont'd)

Derivative financial instruments and hedge accounting

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

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

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

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

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

2.9.8 The effects of foreign exchange rate changes

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

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

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

2.9.9 Earnings per share

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

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

2.9.10 Subsequent events

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

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

2.9.11 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.

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

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

2.9.12 Related parties

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

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

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

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

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

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

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

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

2.9.13 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 derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

2.9.14 Taxation and deferred income taxes

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

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

<u>Current tax</u>

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

<u>Deferred tax</u>

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.

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

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

2.9.14 Taxation and deferred income taxes (cont'd)

Deferred tax (cont'd)

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.

2.9.15 Provisions for employment benefits

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

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

The Group makes certain assumptions about discount rates, inflation rates, future salary increases and employee turnover rates in calculation of provisions for employee benefits. The present value of employee benefits as of 31 December 2012 is calculated by an independent actuary and some changes are done in accounting assumptions used in calculations. The impact of the changes in assumptions is recognized in the statement of income. The details related with the defined benefit plans are stated in Note 17.

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

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

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

2.9.16 Government grants and incentives

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

2.9.17 Statement of cash flows

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

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

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

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

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

2.9.18 Share capital and dividends

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

2.9.19 Treasury shares

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

NOTE 3 – SEGMENTAL REPORTING

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

NOTE 4 – CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as of 31 March 2013 and 31 December 2012 is as follows:

	31 March 2013	31 December 2012
Cash	35.761	27.100
Banks – demand deposits	39.748.739	33.291.123
Banks – time deposits	1.945.576.727	1.796.397.948
	1.985.361.227	1.829.716.171
Time deposit interest accruals (-)	(3.111.298)	(2.018.470)
Cash and cash equivalents excluding interest accruals	1.982.249.929	1.827.697.701

The breakdown of demand deposits is presented below:

	31 March 2013	31 December 2012
US Dollars	27.149.786	10.926.074
TRY	8.515.061	17.110.339
EURO	2.876.823	4.622.001
Romanian Lei	1.140.231	592.051
GB Pound	21.210	28.118
Japanese Yen	45.628	12.540
	39.748.739	33.291.123

The breakdown of time deposits is presented below:

	31 March 2013	31 December 2012
US Dollars	1.794.530.147	1.697.696.627
TRY	117.462.651	85.519.056
EURO	33.487.433	13.085.895
Romanian Lei	96.496	96.370
	1.945.576.727	1.796.397.948

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

NOTE 5 – FINANCIAL INVESTMENTS

Current financial investments:

	31 March 2013	31 December 2012
Derivative financial assets at fair value through income statement (*)	7.739.215	543.101
Total	7.739.215	543.101

Non-current financial investments:

	31 March 2013	31 December 2012
Financial investments	92.199	84.594
Derivative financial assets at fair value through other comprehensive income statement (*)	8.140.298	9.579.245
Total	8.232.497	9.663.839

(*) As explained in Note 29 (f) and Note 29 (g), the derivative financial liabilities comprise of forward agreements, option agreements, cross currency and interest rate swap agreements.

As of 31 March 2013 and 31 December 2012 the Group's subsidiaries, their percentage shares and amounts of the ownership interest are as follows:

Company	Rate %	31 March 2013	Rate %	31 December 2012
Erdemir Gaz San. ve Tic. A.Ş. (*)	100	92.199	100	84.594

(*) The financial statements of Erdemir Gaz San. ve Tic. A.Ş., which has a total asset of TRY 5.022 and has been dormant since its establishment at 21 December 2004, are not consolidated as their effects on the consolidated financial statements are immaterial and disclosed at cost. There are no off balance sheet liabilities and contingencies given between the Group companies and Erdemir Gaz in favor of each other. In the Extraordinary General Meeting of Erdemir Gaz San. ve Tic. A.Ş. dated 7 May 2012, liquidation of the Company has been decided. Liquidation process is continuing.

NOTE 6 – FINANCIAL LIABILITIES

Breakdown of financial liabilities is as follows:

	31 March 2013	31 December 2012
Short term financial liabilities	583.504.472	867.824.521
Current portion of long term financial liabilities	1.133.973.564	1.154.609.147
Issued bonds (*)	247.421	-
Total short term financial liabilities	1.717.725.457	2.022.433.668
Long term financial liabilities	2.187.972.564	2.396.318.269
Issued bonds (*)	199.515.433	-
Total long term financial liabilities	2.387.487.997	2.396.318.269
	4.105.213.454	4.418.751.937

(*) As of 13 March 2013, completed sales of the Group is the total nominal value of TRY 200.000.000 floating rate bond issue which is the proportion of 6-months coupon payments, principal payment at the maturity date as of 11 March 2015 and 150 basis points added to the benchmark interest payments that is determined as of coupon payment dates.

As of 31 March 2013, the breakdown of the Group's loans with their original currency and their weighted average interest rates, is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 March 2013
No interest	TRY	-	8.863.269	-	8.863.269
Fixed	TRY	8,63	173.099.786	424.305.556	597.405.342
Fixed	US Dollars	2,28	731.495.013	23.348.673	754.843.686
Fixed	EURO	5,50	9.222	3.478.350	3.487.572
Floating	TRY	Trlibor+1,50	247.421	199.515.433	199.762.854
Floating	US Dollars	Libor+2,53	689.588.386	1.329.540.505	2.019.128.891
Floating	EURO	Euribor+0,33	91.052.088	314.021.587	405.073.675
Floating	Jap. Yen	JPY Libor+0,22	23.370.272	93.277.893	116.648.165
			1.717.725.457	2.387.487.997	4.105.213.454

As of 31 December 2012, the breakdown of the Group's loans with their original currency and their weighted average interest rates, is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 December 2012
No interest	TRY	-	25.735.899	-	25.735.899
Fixed	TRY	9,41	269.311.833	682.341.271	951.653.104
Fixed	US Dollars	2,91	1.046.948.497	23.011.745	1.069.960.242
Fixed	EURO	5,50	58.841	3.527.550	3.586.391
Floating	US Dollars	Libor+2,54	566.416.226	1.262.194.976	1.828.611.202
Floating	EURO	Euribor+0,33	88.815.893	324.706.901	413.522.794
Floating	Jap. Yen	JPY Libor+0,22	25.146.479	100.535.826	125.682.305
			2.022.433.668	2.396.318.269	4.418.751.937

NOTE 6 – FINANCIAL LIABILITIES (cont'd)

As of 31 March 2013, according to their type of original currency and interest rates, the breakdown of floating-interest loans fixed by using financial hedge agreements, is as follows:

Type of Currency	Fixed rate of interest (%)	Short Term Portion	Long Term Portion	31 March 2013
US Dollars	2,38	24.418.430	37.001.644	61.420.074
US Dollars	4,18	21.348.239	9.220.824	30.569.063
US Dollars	3,29	12.421.394	30.874.115	43.295.509
US Dollars	3,28	26.872.292	-	26.872.292
US Dollars	1,09	24.606.661	37.194.897	61.801.558
US Dollars	4,47	86.066.893	287.747.727	373.814.620
US Dollars	4,46	13.065.882	49.985.891	63.051.773
US Dollars	1,68	2.539.057	6.281.246	8.820.303
US Dollars	2,01	7.555.021	7.595.133	15.150.154
US Dollars	4,15	34.182.922	114.382.623	148.565.545
EURO	2,18	5.663.357	11.227.557	16.890.914
EURO	1,82	13.021	51.320.648	51.333.669
EURO	1,75	2.640.645	-	2.640.645
EURO	1,79	1.138.500	1.726.432	2.864.932
EURO	1,80	2.659.747	10.575.558	13.235.305
EURO	4,43	2.195.603	8.432.364	10.627.967
EURO	2,29	5.830.652	14.455.183	20.285.835
EURO	1,66	1.439.294	3.609.676	5.048.970
US Dollars (*)	7,22	16.789.274	73.739.860	90.529.134
EURO (**)	10,65	30.034.294	119.823.114	149.857.408
US Dollars (***)	2,49	247.421	199.515.433	199.762.854
		321.728.599	1.074.709.925	1.396.438.524

(*)The loan amount USD 80.193.601, TRY equivalent TRY 116.822.029, will be paid till the maturity date with the floating rates by using 7,22% fixed rate and 1,4568 exchange rate. The maturity of the cross currency swap contract is 2 April 2018.

(**) The loan amount EUR 111.305.000, TRY equivalent TRY 231.790.880, will be paid till the maturity date with the floating rates by using 10,65% fixed rate and 2,0825 exchange rate. The maturity of the cross currency swap contract is 15 December 2017.

(***) The bond issuance amount TRY 200.000.000, USD equivalent USD 110.314.396 will be paid till the maturity date with the floating rates by using 2,49% fixed rate and 1,813 exchange rate. The maturity of the cross currency swap contract is 11 March 2015.

NOTE 6 – FINANCIAL LIABILITIES (cont'd)

As of 31 December 2012, according to their type of original currency and interest rates, the breakdown of floating-interest loans fixed by using financial hedge agreements, is as follows:

Type of Currency	Fixed rate of interest (%)	Short Term Portion	Long Term Portion	31 December 2012
US Dollars	2,38	24.017.496	36.024.212	60.041.708
US Dollars	4,18	21.046.789	9.087.765	30.134.554
US Dollars	3,29	12.068.556	30.168.228	42.236.784
US Dollars	3,28	12.816.541	-	12.816.541
US Dollars	1,09	24.085.817	36.263.478	60.349.295
US Dollars	4,47	81.354.770	283.595.455	364.950.225
US Dollars	4,46	12.377.019	49.264.582	61.641.601
US Dollars	1,68	2.473.425	6.178.302	8.651.727
US Dollars	2,01	7.559.453	11.310.572	18.870.025
US Dollars	4,15	32.257.320	112.667.298	144.924.618
EURO	2,18	5.683.008	11.364.653	17.047.661
EURO	1,82	715.194	-	715.194
EURO	1,75	2.666.601	-	2.666.601
EURO	1,79	1.152.192	1.726.058	2.878.250
EURO	1,80	2.679.559	10.684.866	13.364.425
EURO	4,43	2.147.539	8.551.636	10.699.175
EURO	2,29	5.857.509	14.633.848	20.491.357
EURO	1,66	1.454.643	3.639.434	5.094.077
US Dollars (*)	7,22	16.275.452	72.343.463	88.618.915
EURO (**)	10,65	30.276.793	121.035.489	151.312.282
		298.965.676	818.539.339	1.117.505.015

(*)The loan amount USD 80.193.601, TRY equivalent TRY 116.822.029, will be paid till the maturity date with the floating rates by using 7,22% fixed rate and 1,4568 exchange rate. The maturity of the cross currency swap contract is 2 April 2018.

(**) The loan amount EUR 111.305.000, TRY equivalent TRY 231.790.880, will be paid till the maturity date with the floating rates by using 10,65% fixed rate and 2,0825 exchange rate. The maturity of the cross currency swap contract is 15 December 2017.

NOTE 6 – FINANCIAL LIABILITIES (cont'd)

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

	31 March 2013	31 December 2012
Within 1 year	1.717.725.457	2.022.433.668
Between 1-2 years	921.669.774	759.838.591
Between 2-3 years	596.744.614	688.636.253
Between 3-4 years	507.638.139	589.040.223
Between 4-5 years	278.652.808	274.057.020
Five years or more	82.782.662	84.746.182
	4.105.213.454	4.418.751.937

NOTE 7 - OTHER FINANCIAL LIABILITIES

	31 March 2013	31 December 2012
Other current financial liabilities		
Derivative financial liabilities at fair value through other comprehensive income statement (*)	124.564	278.881
Derivative financial liabilities at fair value through income statement (*)	1.241.657	3.901.647
	1.366.221	4.180.528
Other non-current financial liabilities		
Derivative financial liabilities at fair value through other comprehensive income statement (*)	909.787	-
Derivative financial liabilities at fair value through other comprehensive income statement (*)	16.390.868	14.576.726
	17.300.655	14.576.726

(*) As explained in Note 29 (f) and Note 29 (g), the derivative financial liabilities comprise of forward agreements, option agreements, interest rate swap agreements and cross currency and interest rate swap agreements.

NOTE 8 – TRADE RECEIVABLES AND PAYABLES

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

	31 March 2013	31 December 2012
Short term trade receivables		
Trade receivables	1.094.517.586	1.069.683.038
Due from related parties (Note 28)	20.120.826	17.941.389
Notes receivables	1.389.134	1.296.567
Discount on receivables (-)	(662.392)	(349.432)
Provision for doubtful trade receivables (-)	(40.893.167)	(41.271.202)
	1.074.471.987	1.047.300.360

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

	1 January – 31 March 2013	1 January – 31 March 2012
Opening balance	41.271.202	41.420.102
Provision for the period	137.962	13.249
Provision released (-)	(139.640)	(613.164)
Translation loss/(gain)	(376.357)	(1.285.969)
Closing balance	40.893.167	39.534.218

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

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

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

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

Other explanatory notes related to the credit risk of the Group are disclosed in Note 29.

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:

Short term trade payables	31 March 2013	31 December 2012
Trade payables	415.885.421	417.099.017
Due to related parties (Note 28)	10.143.668	11.727.235
Discount on trade payables (-)	(926.010)	(770.502)
	425.103.079	428.055.750

NOTE 9 – OTHER RECEIVABLES AND PAYABLES

Other current receivables

	31 March 2013	31 December 2012
Deposits and guarantees given	305.165	296.045
	305.165	296.045

Other non-current receivables

	31 March 2013	31 December 2012
Receivables from Privatization Authority	54.709.105	54.061.043
Deposits and guarantees given	238.949	238.949
Provision for other doubtful receivables (-)	(54.709.105)	(54.061.043)
	238.949	238.949

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

	1 January-31 March 2013	1 January-31 March 2012
Opening balance	54.061.043	52.458.346
Provision for the period	856.428	244.926
Other doubtful receivables collected (-)	(208.366)	-
Closing balance	54.709.105	52.703.272

Other current payables

	31 March 2013	31 December 2012
Social security deductions payable	41.792.004	21.941.319
Taxes and funds payable	17.458.898	20.111.086
Deposits and guarantees received	2.798.639	3.137.566
Dividend payables to shareholders (*)	119.091.579	2.827.812
	181.141.120	48.017.783

(*) Annual General Assembly dated 29 March 2013, dividend distribution amounting to TRY 120.000.000 from 2012 net profit was approved. The dividend distribution was completed on 30 May 2013. TRY 116.302.736 of dividend payables as of 31 March 2013 is related to 2012 dividend distribution, while TRY 2.788.843 (31 December 2012: TRY 2.371.153) is uncollected dividends related to previous years by shareholders.

NOTE 10 – INVENTORIES

	31 March 2013	31 December 2012
Raw materials	487.618.507	770.111.781
Work in progress	385.140.704	442.315.116
Finished goods	753.677.182	739.686.707
Spare parts	407.498.087	411.694.494
Goods in transit	642.670.440	378.626.074
Other inventories	161.814.503	166.079.744
Allowance for impairment on inventories (-)	(58.209.015)	(60.394.709)
	2.780.210.408	2.848.119.207

The movement of the allowance for impairment on inventories:

	1 January – 31 March 2013	1 January – 31 March 2012
Opening balance	60.394.709	53.525.003
Provision for the period (Note 20)	2.659.847	2.353.283
Provision released (-) (Note 20)	(4.845.541)	(7.006.897)
Closing balance	58.209.015	48.871.389

The Group has provided an allowance for the impairment on the inventories of finished goods, work in progress and raw materials in the cases when their net realizable values are lower than their costs or when they are classified as slow moving inventories. The provision released has been recognized under cost of sales (Note 20).

NOTE 11 – INVESTMENT PROPERTIES

	1 January – 31 March 2013	1 January – 31 March 2012
Cost		
As of 1 January	46.577.264	46.577.264
As of 31 December	46.577.264	46.577.264
Book value	46.577.264	46.577.264

According to the recent valuation reports, the fair value of the Group's investment properties is TRY 211.240.000 (31 December 2012: TRY 211.240.000). The fair values of the investment properties have been determined in reference to the valuations of independent valuation firms authorized by the CMB. The valuations are undertaken predominantly by using the precedent values of similar properties as references.

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

For the year ended 31 March 2013, the Group recognized rent income amounting to TRY 23.705 (31 March 2012: TRY 23.447) under other operating income.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other property, plant and equipment	Construction in progress (CIP)	Total
Cost									
Opening balance as of 1 January 2013	99.675.795	1.526.980.784	2.401.825.025	10.124.707.287	675.208.102	326.950.629	17.737.193	395.173.972	15.568.258.787
Translation difference	(104.989)	-	(168.102)	(356.841)	(48.004)	-	(38.263)	(28.915)	(745.114)
Additions (*)	-	31.718	19.287	5.838.596	516.407	1.742.004	382.215	49.201.814	57.732.041
Disposals	-	-	-	(3.766.217)	(1.280.485)	(2.455.799)	(4.672)	(3.929.070)	(11.436.243)
Transfers from CIP (**)	-	4.372.535	1.944.951	4.200.103	214.065	43.303	-	(10.899.532)	(124.575)
Closing balance as of 31 March 2013	99.570.806	1.531.385.037	2.403.621.161	10.130.622.928	674.610.085	326.280.137	18.076.473	429.518.269	15.613.684.896
Accumulated Depreciation									
Opening balance as of 1 January 2013	-	(1.040.694.865)	(1.594.363.043)	(5.381.245.708)	(370.660.440)	(169.164.155)	(14.232.992)	-	(8.570.361.203)
Translation difference	-	-	48.955	226.002	12.878	-	16.248	-	304.083
Charge for the period	-	(8.036.343)	(12.568.066)	(59.750.661)	(5.699.729)	(3.198.562)	(269.263)	-	(89.522.624)
Disposals	-	-	-	3.348.490	1.265.299	2.323.823	4.672	-	6.942.284
Closing balance as of 31 March 2013	-	(1.048.731.208)	(1.606.882.154)	(5.437.421.877)	(375.081.992)	(170.038.894)	(14.481.335)	-	(8.652.637.460)
Net book value as of 31 December 2012	99.675.795	486.285.919	807.461.982	4.743.461.579	304.547.662	157.786.474	3.504.201	395.173.972	6.997.897.584
Net book value as of 31 December 2013	99.570.806	482.653.829	796.739.007	4.693.201.051	299.528.093	156.241.243	3.595.138	429.518.269	6.961.047.436

(*) The amount of capitalized financial expense is TRY 79.420 for the current period (The capitalized financial expenses for the year ended 31 March 2012 is TRY 407.111).
(**) TRY 124.575 is transferred to intangible assets (Note 13).

As of 31 March 2013, the Group has no collaterals or pledges upon its tangible assets.

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

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other property, plant and equipment	Construction in progress (CIP)	Total
Cost									
Opening balance as of 1 January 2012	99.970.596	1.502.021.260	2.371.470.716	9.939.412.661	669.521.997	322.062.397	15.692.249	303.035.174	15.223.187.050
Translation difference	(350.534)	-	(546.820)	(1.070.001)	(158.773)	-	(83.935)	(41.061)	(2.251.124)
Additions	-	401.076	3.676	8.064.579	633.991	1.092.561	548.481	91.609.752	102.354.116
Disposals	-	-	-	(1.621.279)	(759.655)	(96.583)	(59.695)	-	(2.537.212)
Transfer from CIP (*)	-	10.443.806	2.040.897	30.006.756	1.054.670	90.552	-	(43.982.824)	(346.143)
Closing balance as of 31 March 2012	99.620.062	1.512.866.142	2.372.968.469	9.974.792.716	670.292.230	323.148.927	16.097.100	350.621.041	15.320.406.687
Accumulated Depreciation									
Opening balance as of 1 January 2012	-	(1.016.431.739)	(1.545.595.586)	(5.225.691.075)	(353.940.724)	(156.076.545)	(13.806.800)	-	(8.311.542.469)
Translation difference	-	-	147.757	731.684	27.375	-	54.051	-	960.867
Charge for the period	-	(7.248.976)	(12.224.407)	(52.797.364)	(5.266.801)	(3.648.180)	(134.985)	-	(81.320.713)
Disposals	-	-	-	1.434.555	759.201	86.556	59.695	-	2.340.007
Closing balance as of 31 March 2012	-	(1.023.680.715)	(1.557.672.236)	(5.276.322.200)	(358.420.949)	(159.638.169)	(13.828.039)	-	(8.389.562.308)
Net book value as of 31 December 2011	99.970.596	485.589.521	825.875.130	4.713.721.586	315.581.273	165.985.852	1.885.449	303.035.174	6.911.644.581
Net book value as of 31 March 2012	99.620.062	489.185.427	815.296.233	4.698.470.516	311.871.281	163.510.758	2.269.061	350.621.041	6.930.844.379

(**) TRY 346.143 is transferred to intangible assets (Note 13).

As of 31 March 2012, the Group has no collaterals or pledges upon its tangible assets.

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

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

	31 March 2013	31 March 2012
Associated with production	85.783.153	77.628.129
General administrative expenses	1.389.731	1.372.570
Marketing, sales and distribution expenses	2.349.740	2.320.014
	89.522.624	81.320.713

NOTE 13 – INTANGIBLE ASSETS

	Rights	Exploration costs and other assets with specific useful life	Other intangible assets	Total
Cost				
Opening balance as of 1 January 2013	190.818.555	88.394.098	5.386.285	284.598.938
Translation difference	(4.458)	-	(16.598)	(21.056)
Additions	802.227	-	71.417	873.644
Disposals	-	-	(69.153)	(69.153)
Transfers from CIP	124.575	-	-	124.575
Closing balance as of 31 March 2013	191.740.899	88.394.098	5.371.951	285.506.948
Accumulated amortization				
Opening balance as of 1 January 2013	(77.871.489)	(49.648.107)	(4.168.613)	(131.688.209)
Translation difference	4.374	-	16.349	20.723
Charge for the period	(3.193.359)	(1.495.302)	(120.889)	(4.809.550)
Closing balance as of 31 March 2013	(81.060.474)	(51.143.409)	(4.273.153)	(136.477.036)
Net book value as of 31 December 2012	112.947.066	38.745.991	1.217.672	152.910.729
Net book value as of 31 March 2013	110.680.425	37.250.689	1.098.798	149.029.912

As of 31 March 2013, the Group has no collaterals or pledges upon its intangible assets.

NOTE 13 – INTANGIBLE ASSETS (cont'd)

	Rights	Exploration costs and other assets with specific useful life	Other intangible assets	Total
Cost				
Opening balance as of 1 January 2012	181.438.363	88.324.945	4.912.952	274.676.260
Translation difference	(14.555)	-	(53.901)	(68.456)
Additions	4.068.573	-	69.535	4.138.108
Transfers from CIP	346.143	-	-	346.143
Closing balance as of 31 March 2012	185.838.524	88.324.945	4.928.586	279.092.055
Accumulated amortization				
Opening balance as of 1 January 2012	(61.991.877)	(44.794.501)	(3.737.191)	(110.523.569)
Translation difference	12.757	-	42.763	55.520
Charge for the period	(4.133.194)	(1.566.519)	(194.879)	(5.894.592)
Closing balance as of 31 March 2012	(66.112.314)	(46.361.020)	(3.889.307)	(116.362.641)
Net book value as of 31 December 2011	119.446.486	43.530.444	1.175.761	164.152.691
Net book value as of 31 March 2012	119.726.210	41.963.925	1.039.279	162.729.414

As of 31 March 2012, the Group has no collaterals or pledges upon its intangible assets.

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

	31 March 2013	31 March 2012
Associated with production	4.556.773	5.554.032
General administrative expenses	215.008	330.755
Marketing, sales and distribution expenses	37.769	9.805
	4.809.550	5.894.592

NOTE 14 – GOVERNMENT GRANTS AND INCENTIVES

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

	1 January- 31 March 2013	1 January- 31 March 2012
Social security grants	264.051	123.485
	264.051	123.485

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

There is an investment incentive right of the Group amounting to TRY 205.907.529 with indefinite useful life, deductable in the next periods within the concept of the law numbered 5479, article 2 which repealed the 19th article of Income Tax Law (ITL) as of 1 January 2006 (31 March 2012: TRY 46.316.010).

NOTE 15 – PROVISIONS

	31 March 2013	31 December 2012
Provision for lawsuits	117.058.989	104.471.986
Penalty provision for employment shortage of disabled personnel	5.246.266	4.945.469
Provision for state right on mining activities (*)	4.322.988	3.643.868
	126.628.243	113.061.323

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

NOTE 15 – PROVISIONS (cont'd)

The movement of the provisions is as follows:

	1 January 2013	Provision for the period	Payments	Provision released (-)	31 March 2013
Provision for lawsuits	104.471.986	15.952.314	(2.677.154)	(688.157)	117.058.989
Penalty provision for employment shortage of disabled personnel	4.945.469	657.688	-	(356.891)	5.246.266
Provision for state right on mining activities	3.643.868	679.120	-	-	4.322.988
	113.061.323	17.289.122	(2.677.154)	(1.045.048)	126.628.243

	1 January 2012	Provision for the period	Payments	Provision released (-)	31 March 2012
Provision for lawsuits	68.484.650	22.595.242	(5.524.126)	(7.709.304)	77.846.462
Penalty provision for employment shortage of disabled personnel	5.235.076	641.552	(694.716)	(552.706)	4.629.206
Provision for state right on mining activities	3.704.424	992.140	-	-	4.696.564
	77.424.150	24.228.934	(6.218.842)	(8.262.010)	87.172.232

NOTE 15 – PROVISIONS (cont'd)

As of 31 March 2013 and 31 December 2012, lawsuits filed by and against the Group are as follows:

	31 March 2013	31 December 2012
Lawsuits filed by the Group		
TRY	209.939.917	206.805.171
US Dollars	91.741.390	90.417.539
	301.681.307	297.222.710
Provision for lawsuits filed by the Group		
TRY	3.670.471	3.670.471
	3.670.471	3.670.471

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

	31 March 2013	31 December 2012
Lawsuits filed against the Group		
TRY	58.181.613	54.325.739
US Dollars	134.215.004	132.313.443
	192.396.617	186.639.182
Provision for lawsuits filed against the Group		
TRY	103.106.053	90.914.952
US Dollars	13.952.936	13.557.034
	117.058.989	104.471.986

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

CMB asked the Company to prepare its consolidated financial statements of 31 December 2005 all over again according to the same accounting standards set used during the period, to publish those statements, and to submit them to the General Assembly Approval as soon as possible, by stating on its decision no. 21/526 dated 5 May 2006 that the Company's changing the accounting standards set used during the term (Serial XI, No 25) at the end of the same term (UFRS) caused decrease amount of TRY 152.329.914 on the period income.

NOTE 15 – PROVISIONS (cont'd)

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

CMB, prepared the Company's consolidated financial statements as of 31 December 2005, which had been prepared according to the IFRS, by adding the negative goodwill of TRY 152.329.914, that had previously been added to the accumulated earnings, to the profit of 2005 on its own motion and account, and published them on Istanbul Stock Exchange Bulletin on 15 August 2006; with the rationale that the Company had not fulfilled its due demand on grounds that "Article 726 and Temporary Provision 1 of CMB's Communiqué Serial XI, No. 25 authorize the use of IFRS on consolidated financial statements of 2005, although CMB had given the Company a 'permission' No. SPK.0.17/83-3483 of 7 March 2006, and the lawsuits regarding this issue are still pending". The Company challenged CMB's aforementioned decision by a separate lawsuit on 10 October 2006. 11th Administrative Court of Ankara rejected this case on 25 June 2007. The Company appealed this rejection 11 October 2007; 13th Chamber of the Council of State, accepted the appeal request and abolished the rejection judgment. CMB appealed the Chamber's decision on 6 September 2010. 13th Chamber of the Council of State accepted CMB's appeal and reverted its previous abolishment decision, and ratified 11th Administrative Court of Ankara's judgement by the majority of the votes on 30 May 2012 with its decision no. E. 2010/4405; K. 2012/1352. This decision was notified to the Company's lawyers on 20 July 2012.

In the meeting no. 29/1110 dated 7 December 2008, CMB imposed administrative fine upon management of the Company as the Company did not obey the decision of CMB dated 2 December 2006 asking the Company to restate its consolidated financial statements of 31 December 2005. The Company appealed against the administrative fine. Ankara 1. Criminal Court of Peace accepted the appeal request with its decision no. 2006/1480 dated 7 July 2009. CMB appealed this decision. However, this time Ankara 3. High Criminal Court rejected CMB's appeal request with its decision no. 2009/320 dated 10 August 2009 and the rejection decision is final and definite.

Consequently, the decisions given by two different courts conflicted with each other according to the Company.

In 1 August 2012, the Company applied to 11th Administrative Court of Ankara to remove the decision conflict of these courts by adopting Ankara 1. Criminal Court of Peace's decision no. 2006/1480 dated 7 July 2009 instead of decisions no E.2006/2548, K.2007/1071 dated 25 June 2007 and no. E.2006/1396, K.2007/494 dated 29 March 2007. No improvement has been seen about the decision as of balance sheet date.

Meanwhile, Company's Shareholders' General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which were prepared according to IFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit before the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673.249 allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals' 11th Chamber reversed this rejection judgment on 30 November 2010; this time the Company appealed the Chamber's decision on 18 February 2011. However, the Chamber rejected the Company's appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. Therefore the case is still pending (E. 2011/551).

NOTE 15 – PROVISIONS (cont’d)

Had the Company started to prepare its consolidated financial statements in accordance with IFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with IFRS based on “IFRS 1: First-time adoption of International Financial Reporting Standards” and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated income statement in accordance with “IFRS 3: Business Combinations”. Therefore, the net profit for the periods ended 31 December 2012 and 31 December 2011 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 for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above and waits for the result of its claim about removal of decision conflict and resolution of the pending lawsuit opened by Privatization Administration.

Enerjia Metal Maden Sanayi ve Ticaret A.Ş. initiated a debt collection proceeding that might end with a bankruptcy judgment against the Company based on the Export Protocol No. 69187 of 02.07.2009 and “Additional Terms to the Erdemir-Enerjia Export Protocol No. 68197” drafted by and between Enerjia and the Company. However the process stopped upon the Company’s objection to Enerjia’s request, and that led Enerjia to file a lawsuit against the Company before the 7th Commercial Court of Ankara on 27.03.2010 claiming that the objection should be overruled and 68.312.520 USD should be paid to itself (E. 2010/259). The Court dismissed the case, in favor of the Company, on 23 June 2011. Enerjia appealed this rejection. Supreme Court 23th Civil Chamber has reversed the judgments on 06.04.2012 by its decision numbered 2011/2915 E., 2012/2675 K. and has remanded the case for further enquiry to the 7 the Civil Court of First Instance of Ankara. The trial goes on at the 7 the Civil Court of First Instance of Ankara on the file numbered 2013/17 E. It has been decided to abide the judgment and to split the actions on the first hearing date, 11.04.2013. The decisions of the court about the Enerjia’s plea as to jurisdiction and Enerjia’s motion for expert examination relating to electronic message will be given on the next hearing date, 13.06.2013.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 March 2013	31 December 2012
Letters of guarantees received	995.799.380	1.038.595.060
	995.799.380	1.038.595.060

NOTE 16 – COMMITMENTS AND CONTINGENCIES (cont'd)

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

	31 March 2013	31 December 2012
A. Total CPM given for the Company's own legal entity	83.986.460	121.524.013
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	2.434.934.089	2.634.472.886
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	-	-
	2.518.920.549	2.755.996.899

As of 31 March 2013, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2012: 0%). Total CPM given in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 2.434.934.089 has been given as collateral for financial liabilities explained in Note 6.

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

	31 March 2013	31 December 2012
US Dollars	1.501.454.526	1.339.482.191
TRY	583.954.179	965.475.620
EURO	369.173.343	382.171.926
Japanese Yen	62.694.020	67.522.169
Romanian Lei	1.644.481	1.344.993
	2.518.920.549	2.755.996.899

NOTE 17 – PROVISIONS FOR EMPLOYMENT BENEFITS

	31 March 2013	31 December 2012
Provisions for employee termination benefits	267.264.762	265.082.814
Provisions for seniority incentive premium	19.852.244	18.896.395
	287.117.006	283.979.209

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

NOTE 17 – PROVISIONS FOR EMPLOYMENT BENEFITS (cont'd)

As of 31 March 2013, the amount payable consists of one month's salary limited to a maximum of TRY 3.129,25 (31 December 2012: TRY 3.033, 98).

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. The obligation as of 31 March 2013 has been calculated by an independent actuary. The method used in calculation is "Projected Unit Credit Method". The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	31 March 2013	31 December 2012
Discount rate	7.62%	7.62%
Inflation rate	4.3%	4.3%
Salary increase	real 1.5%	real 1.5%
Maximum liability increase	4.3%	4.3%

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 March 2013, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. In the actuarial calculation as of 31 March 2013, the anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

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

	1 January- 31 March 2013	1 January- 31 March 2012
Opening balance	265.082.814	199.372.291
Service cost	6.470.961	5.918.332
Interest cost	4.731.366	4.609.606
Termination benefits paid	(9.020.379)	(1.117.021)
Closing balance	267.264.762	208.783.208

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

NOTE 17 – PROVISIONS FOR EMPLOYMENT BENEFITS (cont'd)

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

	1 January- 31 March 2013	1 January- 31 March 2012
Opening balance	18.896.395	18.750.643
Service cost	612.429	567.351
Interest cost	343.420	433.137
Closing balance	19.852.244	19.751.131

NOTE 18 – OTHER ASSETS AND LIABILITIES

<u>Other current assets</u>

	31 March 2013	31 December 2012
Other VAT Receivable	85.521.748	85.590.505
Prepaid expenses	22.246.906	12.632.518
Advances given	1.624.462	5.772.142
VAT carried forward	11.848.775	8.068.989
Prepaid taxes and funds	13.614.531	13.679.448
Due from personnel	70.308	62.734
Job advances given	270.892	139.037
Other current assets	3.037.197	2.309.825
	138.234.819	128.255.198

<u>Other non-current assets</u>

	31 March 2013	31 December 2012
Prepaid expenses	45.351.033	45.370.919
Advances given for fixed assets	28.589.174	20.457.489
	73.940.207	65.828.408

<u>Other current liabilities</u>

	31 March 2013	31 December 2012
Advances received	146.858.384	93.234.464
Due to personnel	78.865.979	61.083.831
VAT payable	69.652.829	27.619.537
Expense accruals	2.079.629	813.316
Deferred income	4.402.930	2.290.265
Other current liabilities	4.303.083	4.904.575
	306.162.834	189.945.988

NOTE 18 – OTHER ASSETS AND LIABILITIES (cont'd)

Other non-current liabilities

	31 March 2013	31 December 2012
Provision for unpaid vacations	60.716.436	62.269.715
Other non-current liabilities	358.579	416.621
	61.075.015	62.686.336

NOTE 19 – EQUITY

As of 31 March 2013 and 31 December 2012, the capital structure is as follows:

Shareholders	(%)	31 March 2013	(%)	31 December 2012
Ataer Holding A.Ş.	49,29	1.724.982.584	49,29	1.522.913.196
Quoted in Stock Exchange	47,63	1.667.180.563	47,63	1.471.882.268
Erdemir's own shares	3,08	107.836.853	3,08	95.204.536
Historical capital	100,00	3.500.000.000	100,00	3.090.000.000
Effect of inflation		156.613.221		342.195.166
Restated capital		3.656.613.221		3.432.195.166
Treasury shares		(116.232.173)		(103.599.856)
		3.540.381.048		3.328.595.310

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

With the decision of Ereğli Iron and Steel Inc.'s Board Meeting as of 19 February 2013 and approval no: 9189 of CMB as of 19 February 2013; it is decided that TRY 3.090.000.000 of issued capital will be increased to TRY 3.500.000.000 by increasing TRY 410.000.000 (TRY 185.581.944,96 from capital restatements positive differences, TRY 18.465.461,72 from special funds, TRY 205.952.593,32 inflation difference from investment funds), by 13,2686% of current issued capital to be covered from retained earnings and inflation adjustments to capital. The procedures for the increase in capital have been completed with the registration and publication of the Capital Market Board document dated 26 March 2013 and numbered 10/357 in the Turkish Trade Registry Gazette dated 5 April 2013 and numbered 8294.

The issued capital of the Company in 2013 consists of 350.000.000.000 lots of shares (2012: 309.000.000.000 lots). The nominal value of each share is 1 Kr (Turkish cent) (2012: 1 Kr). This capital is split between A and B group shares. Group A shares consist of 1 share with a share value of 1 Kr and Group B shares consist of 3.499.999.999, 99 shares representing TRY 349.999.999.999 of the issued capital.

The Board of Directors consists of 9 members, 3 of which are independent. The number and qualifications of independent members are ascertained in compliance with the CMB's Communique Serial IV; No:56 on Principles Regarding Determination and Application of Corporate Governance Principles.

NOTE 19 – EQUITY (cont'd)

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.

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 March 2013, the Company holds its own shares with a nominal value of TRY 107.836.851 (31 December 2012: TRY 95.204.536). The Company's own shares have been reclassified with its inflation adjusted value in the consolidated balance sheet as a deduction under equity.

Other equity items	31 March 2013	31 December 2012
Share premium	106.447.376	106.447.376
Revaluation reserves	26.678.944	26.813.595
-Revaluation reserves of property, plant & equipment	*26.678.944*	*26.813.595*
Cash flow hedging reserves	(31.792.143)	(29.878.279)
Foreign currency translation reserves	53.201	(315.217)
Actuarial gain/ loss fund	(57.784.354)	(57.784.354)
Restricted reserves assorted from profit	1.435.961.396	1.618.843.079
-Legal reserves	*455.949.412*	*432.878.502*
-Statutory reserves	*980.011.984*	*1.185.964.577*
Retained earnings	2.066.883.264	1.760.073.286
-Extraordinary reserves	*780.894.088*	*484.013.314*
-Accumulated profit	*1.285.989.176*	*1.276.059.972*
	3.546.447.684	3.424.199.486

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 "Share premium" should be presented by using their registered amounts in the statutory records. The restatement differences (e.g. inflation restatement differences) arising from the application of this Communiqué should be associated with the:

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

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

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

NOTE 19 – EQUITY (cont'd)

In accordance with the Capital Market Board decision dated 27 January 2010, concerning with distribution of dividends for publicly traded joint stock companies, it was decided that no minimum dividend distribution requirement will be applied for publicly traded joint stock companies.

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

Other sources which might be used in dividend distribution, except the profit for the period, in statutory books of the Company are equal to TRY 1.458.370.708 as of 31 March 2013 (31 December 2012: TRY 1.849.665.654).

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

According to the first paragraph of Article 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 be appropriated to second legal reserves. If it is decided to distribute the profit as bonus share, through the method of adding the profit to the capital, second legal reserves is not appropriated.

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

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

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

Foreign 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.

NOTE 20 – SALES AND COST OF SALES

	1 January – 31 March 2013	1 January- 31 March 2012
Sales Revenue		
Domestic sales	1.958.903.126	2.108.801.291
Export sales	401.278.105	271.077.692
Other revenues (*)	73.122.076	63.465.454
Sales returns (-)	(921.641)	(473.043)
Sales discounts (-)	(3.439.281)	(7.532.461)
	2.428.942.385	2.435.338.933
Cost of Sales (-)	(2.034.652.919)	(2.239.559.851)
Gross profit	394.289.466	195.779.082

(*) The total amount of by product exports in other revenues is TRY 43.565.997 (31 March 2012: TRY 23.460.506).

The breakdown of cost of sales for the periods 1 January – 31 March 2013 and 1 January – 31 March 2012 is as follows:

	1 January – 31 March 2013	1 January- 31 March 2012
Raw material usage	(1.458.362.194)	(1.722.644.434)
Personnel expenses	(227.778.788)	(228.110.278)
Energy expenses	(151.742.166)	(127.985.484)
Depreciation and amortization expenses	(100.342.262)	(85.852.729)
Factory overheads	(39.375.006)	(31.335.650)
Inventory write-downs within the period (Note 10)	(2.659.847)	(2.353.283)
Reversal of inventory write-downs (Note 10)	4.845.541	7.006.897
Other cost of goods sold	(21.218.170)	(26.523.805)
Other	(38.020.027)	(21.761.085)
	(2.034.652.919)	(2.239.559.851)

NOTE 21 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

The breakdown of operating expenses for the periods 1 January – 31 March 2013 and 1 January – 31 March 2012 is as follows:

	1 January – 31 March 2013	1 January- 31 March 2012
Marketing, sales and distribution expenses (-)	(25.456.651)	(27.871.727)
General administrative expenses (-)	(42.734.009)	(44.640.331)
Research and development expenses (-)	(701.478)	(178.504)
	(68.892.138)	(72.690.562)

NOTE 22 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

The breakdown of marketing, sales and distribution expenses according to their nature for the periods 1 January – 31 March 2013 and 1 January – 31 March 2012 is as follows:

	1 January – 31 March 2013	1 January- 31 March 2012
Personnel expense (-)	(13.927.349)	(15.833.060)
Depreciation and amortization(-)	(2.387.509)	(2.329.819)
Other (-)	(9.141.793)	(9.708.848)
	(25.456.651)	(27.871.727)

The breakdown of general administrative expenses for the periods 1 January – 31 March 2013 and 1 January – 31 March 2012 is as follows:

	1 January – 31 March 2013	1 January- 31 March 2012
Personnel expense (-)	(26.747.006)	(27.667.900)
Depreciation and amortization (-)	(1.604.739)	(1.703.325)
Other (-)	(14.382.264)	(15.269.106)
	(42.734.009)	(44.640.331)

NOTE 23 – OTHER OPERATING INCOME/(EXPENSE)

	1 January – 31 March 2013	1 January- 31 March 2012
Other operating income		
Maintenance and repair income	1.994.113	1.612.878
Service income	1.795.130	1.625.935
Royalty income	1.608.252	536.056
Provisions released	1.184.688	8.262.010
Insurance indemnity income	608.077	141.950
Gain on sale of tangible assets	573.011	23.344
Indemnity and penalty detention income	361.668	739.395
Income from customer deposits	168.953	1.322.129
Other income and gains	2.617.327	4.570.880
	10.911.219	18.834.577

	1 January – 31 March 2013	1 January- 31 March 2012
Other operating expenses (-)		
Provisions expenses	(6.445.998)	(13.271.628)
Port facility pre-licence expenses	(1.636.662)	(1.604.299)
Capital Markets Board registration expenses	(820.000)	-
Istanbul Stock Exchange registration expenses	(772.500)	(537.500)
Loss on disposal of tangible assets	(543.176)	(196.751)
Lawsuit compensation expenses	(506.943)	(2.965.432)
Service expenses	(437.358)	(696.813)
Rent expenses	(147.556)	(735.012)
Penalty expenses	(73.694)	(1.585.222)
Other expenses and losses	(4.848.265)	(1.519.167)
	(16.232.152)	(23.111.824)

NOTE 24 – FINANCE INCOME

	1 January – 31 March 2013	1 January- 31 March 2012
Interest income on bank deposits	20.008.533	15.201.298
Foreign exchange gains from bank deposits (net)	14.056.688	-
Interest income from sales with maturity	11.955.989	15.147.283
Fair value differences of derivative financial instruments (net)	9.659.810	-
Foreign exchange gains from trade receivables and payables (net)	6.262.290	-
Fair value differences of derivative financial instruments	-	222.145.156
Foreign exchange gains from bank deposits (net)	-	2.068.231
Other financial income	1.280.985	96.694
	63.224.295	254.658.662

NOTE 25 – FINANCE EXPENSES

	1 January – 31 March 2013	1 January- 31 March 2012
Interest expenses on financial liabilities	(56.725.170)	(60.183.661)
Foreign exchange loss from financial liabilities (net)	(19.829.666)	-
Interest cost of employee benefits	(5.074.786)	(5.042.743)
Discount expenses (net)	(136.266)	-
Foreign exchange loss from bank deposits (net)		(66.229.508)
Foreign exchange loss from trade receivables and payables (net)	-	(48.802.046)
Fair value differences of derivative financial instruments	-	(16.770.639)
Foreign exchange loss from forward contracts	-	(3.471.342)
Other financial expenses	(398.041)	(2.727.271)
	(82.163.929)	(203.227.210)

During the period, interest expenses in total TRY 79.420, have been capitalized as part of the Group's property, plant and equipment (1 January – 31 March 2012: the foreign currency translation losses of TRY 277.072, the interest expenses of TRY 130.039, in total TRY 407.111 has been capitalized).

NOTE 26 –TAX ASSETS AND LIABILITIES

	31 March 2013	31 December 2012
Corporate tax payable:		
Current corporate tax provision	26.900.601	53.282.231
Prepaid taxes and funds (-)	(2.493.153)	(41.073.170)
	24.407.448	12.209.061

	1 January – 31 March 2013	1 January- 31 Deecember 2012
Taxation:		
Current corporate tax expense	26.900.601	19.377.276
Deferred tax expense	33.732.712	14.463.182
	60.633.313	33.840.458

Corporate tax

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

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

The effective corporate tax rate in Turkey is 20% and 16% in Romania as of 31 March 2013 (31 December 2012: in Turkey 20%, in Romania 16%). The total amount of the corporate tax paid by the Group in 2013 is TRY 14.702.214 (31 March 2012: TRY 44.694.209).

NOTE 26 –TAX ASSETS AND LIABILITIES (cont'd)

Corporate tax (cont'd)

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax of 2013 has been calculated over the corporate earnings using the rate 20%, during the temporary taxation period. (2012: 20%).

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

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

Income withholding tax

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

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

Investment allowance application

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

Regarding the cancellation decision taken by the Constitutional Court, an amendment was made in the 69th article in Income Tax Regulation using the regulation numbered 6009 and dated 23 July 2010. Consequently, in compliance with the cancellation decision of the Constitutional Court, the year limitation has been abolished and investment allowance has been limited to 25% of the profit. As limitation of investment allowance to 25% of the profit by regulation numbered 6009 is found to be contrary to law by the Constitutional Court, the Constitutional Court cancelled the regulation and stayed an execution. Corporate tax ratio of 30% in the previous regulation for the ones who benefit from investment allowance has been decreased to the effective corporate tax with the amendment made (2012: 20%).

NOTE 26 –TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax

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

Tax rate used in the calculation of deferred tax assets and liabilities (excluding land) is 20% for the subsidiaries in Turkey and, 16% for the subsidiary in Romania (31 December 2012: in Turkey 20%, in Romania 16%). Deferred tax related with the temporary differences arising from land parcels is calculated with the tax rate of 5% (December 2012: 5%).

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

	31 March 2013	31 December 2012
Deferred tax assets:		
Carry forward tax losses (*)	36.431.854	55.833.424
Provision for employee benefits	57.453.339	56.791.670
Tangible and intangible fixed assets	9.311.463	9.074.080
Inventories	23.449.476	25.537.251
Provision for unpaid vacations	12.193.257	12.464.456
Investment incentive	41.181.506	40.976.623
Provision for lawsuits	23.411.798	20.894.397
Fair values of the derivative financial instruments	3.811.414	2.210.218
Provision for other doubtful receivables	10.941.821	10.812.209
Prepaid expenses	1.321.905	1.410.058
Other	12.727.066	9.141.128
	232.234.899	245.145.514
Deferred tax liabilities:		
Tangible and intangible fixed assets	(383.910.434)	(365.267.266)
Amortized cost adjustment on loans	(12.346.459)	(12.343.086)
Fair values of the derivative financial instruments	(1.642.713)	(108.620)
Other	(3.368.745)	(3.396.671)
	(401.268.351)	(381.115.643)
	(169.033.452)	(135.970.129)

(*)The Group has deferred tax assets for carry forward tax losses deductible from future profits. Partially or totally recoverable amount of the deferred tax assets is estimated under current conditions.

NOTE 26 –TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

Presentation of deferred tax assets/(liabilities):	31 March 2013	31 December 2012
Deferred tax assets	15.769.541	14.073.770
Deferred tax (liabilities)	(184.802.993)	(150.043.899)
	(169.033.452)	(135.970.129)

Maturities of carry forward tax losses are as follows:

	Carry forward tax losses		Deferred tax assets	
	31 March 2013	31 December 2012	31 Mart 2013	31 Aralık 2012
1 year	-	-	-	-
2 year	588.095.759	-	127.987.286	-
3 year	-	686.953.099	-	220.719.369
4 year	54.862.124	-	54.862.124	-
5 years or more	-	58.140.284	-	58.833.647
	642.957.883	745.093.383	182.849.410	279.553.016

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

Deferred tax asset/(liability) movements:	1 January – 31 March2013	1 January – 31 March2012
Opening balance	(135.970.129)	(2.498.629)
Deferred tax expense	(33.732.712)	(14.463.182)
The amount in comprehensive income/(expense)	515.881	1.884.935
Translation difference	153.508	(126.710)
Closing balance	(169.033.452)	(15.203.586)

NOTE 26 –TAX ASSETS AND LIABILITIES (cont'd)

Reconciliation of tax provision:	1 January – 31 March2013	1 January – 31 March2012
Profit before tax	301.136.761	170.242.725
Effective tax rate	20%	20%
Calculated tax acc. to effective tax rate	60.227.352	34.048.545
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	866.287	700.168
- Non-taxable income	(189.650)	(1.741.498)
- Investment incentives	(204.883)	-
- Effect of the different tax rates due to foreign subsidiaries	163.614	75.891
- Other	(229.407)	757.352
Tax expense in income statement	60.633.313	33.840.458

NOTE 26 –TAX ASSETS AND LIABILITIES (cont'd)

As of 1 January – 31 March 2013 and 2012, the details of the tax gains/(losses) of the other comprehensive income/(expense) are as follows:

	1 January – 31 March 2013		
Other comprehensive income/(loss) in the current period	Amount before tax	Tax income/ (expense)	Amount after tax
Change in revaluation reserves of fixed assets	(134.651)	-	(134.651)
Change in cash flow hedging reserves	(2.579.404)	515.881	(2.063.523)
Change in foreign currency translation reserves	368.418	-	368.418
	(2.345.637)	515.881	(1.829.756)

	1 January – 31 March 2012		
Other comprehensive income/(loss) in the current period	Amount before tax	Tax income/ (expense)	Amount after tax
Change in revaluation reserves of fixed assets	(492.924)	-	(492.924)
Change in cash flow hedging reserves	(9.424.678)	1.884.935	(7.539.743)
Change in foreign currency translation reserves	214.227	-	214.227
	(9.703.375)	1.884.935	(7.818.440)

NOTE 27 – EARNINGS/ (LOSS) PER SHARE

	1 January – 31 March 2013	1 January- 31 March 2012
Number of shares outstanding(*)	350.000.000.000	350.000.000.000
Net profit attributable to equity holders – TRY	228.248.166	123.953.378
Profit per share with 1 TRY nominal value TRY %	0,0652 / %6,52	0,0354 / %3,54

(*) In accordance with the decision of the Board of Directors dated 19 February 2013 and the Capital Market Board document dated 26 March 2013 and numbered 1061, the registered capital was increased non-cash from TRY 3.090.000.000 to TRY 3.500.000.000.

NOTE 28 –RELATED PARTY DISCLOSURES

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

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

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

	31 March 2013	31 December 2012
Due from related parties (short term)		
Oyak Renault Otomobil Fab. A.Ş.[2]	13.144.922	12.152.741
Bolu Çimento Sanayi A.Ş.[1]	2.630.608	2.764.405
Adana Çimento Sanayi T.A.Ş. [1]	3.598.589	2.898.838
Other	746.707	125.405
	20.120.826	17.941.389

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

[1] Subsidiaries of the parent company
[2] Investment in associates of the parent company

Due to related parties (short term)	31 March 2013	31 December 2012
Omsan Denizcilik A.Ş.[1]	3.704.347	2.239.702
Oyak Pazarlama Hizmet ve Turizm A.Ş.[1]	1.136.161	2.164.485
Omsan Lojistik A.Ş.[1]	1.727.266	2.960.289
Omsan Logistica SRL[1]	521.815	404.639
Oyak Savunma ve Güvenlik Sistemleri A.Ş.[1]	547.494	464.866
Oyak Teknoloji Bilişim ve Kart Hizmetleri [1]	463.894	990.089
Other	2.042.691	2.503.165
	10.143.668	11.727.235

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

[1] Subsidiaries of the parent company
[2] Investment in associates of the parent company

NOTE 28 –RELATED PARTY DISCLOSURES (cont'd)

	1 January – 31 March 2013	1 January – 31 March 2012
Major sales to related parties		
Oyak Renault Otomobil Fab. A.Ş.[3]	25.111.332	14.040.756
Adana Çimento Sanayi T.A.Ş.[2]	3.357.027	2.167.894
Bolu Çimento Sanayi A.Ş.[2]	2.215.275	1.569.426
Mardin Çimento Sanayi ve Ticaret A.Ş.[2]	77.250	102.308
Oyka Kağıt Ambalaj Sanayi ve Ticaret A.Ş.[2]	27.999	-
Other	-	1.542.613
	30.788.883	19.422.997

[1] Investment in associate
[2] Subsidiaries of the parent company
[3] Investment in associates of the parent company

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

	1 January – 31 March 2013	1 January – 31 March 2012
Major purchases from related parties		
Omsan Denizcilik A.Ş.[1]	9.823.842	15.052.155
Omsan Lojistik A.Ş.[1]	4.555.839	2.186.195
Oyak Pazarlama Hizmet ve Turizm A.Ş.[1]	3.650.726	3.187.336
Omsan Logistica SRL[1]	1.879.145	-
Oyak Savunma ve Güvenlik Sistemleri A.Ş.[1]	515.889	852.038
Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş.[1]	1.803.820	2.036.179
Oyak Telekomünikasyon A.Ş.[1]	129.157	128.520
Oyak Genel Müdürlüğü	2.540	140.400
Other	133.013	156.037
	22.493.971	23.738.860

[1] Subsidiaries of the parent company

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

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

The period end balances are non-secured, interest free and their collections will be done in cash. As of 31 March 2013, the Group provides no provision for the receivables from related parties (31 March 2012: none).

Salaries, bonuses and other benefits of the key management

For the three months period ended 31 March 2013, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 2.454.800 (31 March 2012: TRY 6.406.400).

NOTE 29 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional information about financial instruments

(a) Capital risk management

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

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

The capital structure of the Group consists of debt which includes the financial liabilities disclosed in Note 6, cash and cash equivalents and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings as disclosed in Note 19.

The Group's Board of Directors analyze the capital structure in regular 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 March 2013 and 31 December 2012 the net debt/equity ratio is as follows:

	Note	31 March 2013	31 December 2012
Total financial liabilities	6	4.105.213.454	4.418.751.937
Less: Cash and cash equivalents	4	1.985.361.227	1.829.716.171
Net debt		2.119.852.227	2.589.035.766
Total adjusted equity (*)		7.552.632.702	7.445.790.364
Total resources		9.672.484.929	10.034.826.130
Net debt/Total adjusted equity ratio		28%	35%
Distribution of net debt/ total adjusted equity		22/78	26/74

(*) Total adjusted equity is calculated by subtracting cash flow hedging reserves and adding non-controlling 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, 2.9.7 Financial Instruments".

NOTE 29 – 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 annual payment schedules are followed through the weekly reports and annual cash management is followed by the monthly reports.

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

(d) Market risk

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

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

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

NOTE 29 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit risk management

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

Credit risk of financial instruments	Receivables					
	Trade receivables		Other receivables			
31 March 2013	Related Party	Third Party	Related Party	Third Party	Bank Deposits	Derivative financial instruments
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	20.120.826	1.054.351.161	-	544.114	1.985.325.466	15.879.513
- Secured part of the maximum credit risk exposure via collateral etc.	-	1.014.233.217	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	20.120.826	1.053.361.688	-	544.114	1.985.325.466	15.879.513
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	989.473	-	-	-	-
- secured part via collateral etc.	-	989.473	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	40.893.167	-	54.709.105	-	-
- Impairment (-)	-	(40.893.167)	-	(54.709.105)	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

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

NOTE 29 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit risk management (cont'd)

Credit risk of financial instruments	**Receivables**					
	Trade receivables		**Other receivables**			
31 December 2012	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Bank Deposits**	**Derivative financial instruments**
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	17.941.389	1.029.358.971	-	534.994	1.829.689.071	10.122.346
- Secured part of the maximum credit risk exposure via collateral etc.	-	932.727.754	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	17.941.389	1.027.855.706	-	534.994	1.829.689.071	10.122.346
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	1.503.265	-	-	-	-
- secured part via collateral etc.	-	1.503.265	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	41.271.202	-	54.061.043	-	-
- Impairment (-)	-	(41.271.202)	-	(54.061.043)	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

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

NOTE 29 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit risk management (cont'd)

The aging of the overdue but not impaired assets is as follows:

31 March 2013	Trade receivables	Other receivables	Bank deposits	Derivative financial instruments	Other	Total
Overdue 1-30 days	989.473	-	-	-	-	989.473
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-12 months	-	-	-	-	-	-
Overdue 1-5 years	-	-	-	-	-	-
Overdue 5 years or more	-	-	-	-	-	-
Total overdue receivables	989.473	-	-	-	-	989.473
Secured part via collateral etc.	989.473	-	-	-	-	989.473

NOTE 29 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit risk management (cont'd)

The aging of the overdue but not impaired assets is as follows:

	Receivables					
31 December 2012	**Trade receivables**	**Other receivables**	**Bank deposits**	**Derivative financial instruments**	**Other**	**Total**
Overdue 1-30 days	1.503.265	-	-	-	-	1.503.265
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-12 months	-	-	-	-	-	-
Overdue 1-5 years	-	-	-	-	-	-
Overdue 5 years or more	-	-	-	-	-	-
Total overdue receivables	1.503.265	-	-	-	-	1.503.265
Secured part via collateral etc.	1.503.265	-	-	-	-	1.503.265

NOTE 29 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(f) Foreign currency risk management

As of 31 March 2013, the foreign currency position of the Group in terms of original currency is as follows:

	31 March 2013				
	TRY (Functional currency)	US Dollars (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	GB Pound (Original currency)
1. Trade Receivables	959.672.922	510.385.962	15.734.508	2.167.080	3.469
2a. Monetary financial assets	1.858.111.027	1.007.176.388	15.681.683	2.379.060	7.729
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	23.111.697	5.795.614	5.446.190	-	-
4. Current assets (1+2+3)	**2.840.895.646**	**1.523.357.964**	**36.862.381**	**4.546.140**	**11.198**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	7.739.215	-	-	13.307.263	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	22.174.024	3.814.000	2.695.259	470.454.426	1.006
8. Non-current assets (5+6+7)	**29.913.239**	**3.814.000**	**2.695.259**	**483.761.689**	**1.006**
9. Total assets (4+8)	**2.870.808.885**	**1.527.171.964**	**39.557.640**	**488.307.829**	**12.204**
10. Trade payables	229.997.761	122.041.259	3.811.461	22.073.100	-
11. Financial liabilities	1.535.514.981	785.693.260	39.269.183	1.218.534.466	-
12a. Other monetary financial liabilities	30.812.569	16.357.838	59.344	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	**1.796.325.311**	**924.092.357**	**43.139.988**	**1.240.607.566**	**-**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.763.667.010	747.989.815	136.918.339	4.863.543.216	-
16a. Other monetary financial liabilities	18.858	10.426	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**1.763.685.868**	**748.000.241**	**136.918.339**	**4.863.543.216**	**-**
18. Total liabilities (13+17)	**3.560.011.179**	**1.672.092.598**	**180.058.327**	**6.104.150.782**	**-**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**250.574.907**	**49.349.908**	**69.565.625**	**-**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	250.574.907	49.349.908	69.565.625	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-	-
20. Net foreign currency asset/liability position (9-18+19)	**(438.627.387)**	**(95.570.726)**	**(70.935.062)**	**(5.615.842.953)**	**12.204**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(734.488.015)**	**(154.530.248)**	**(148.642.136)**	**(6.086.297.379)**	**11.198**
22. Fair value of derivative financial instruments used in foreign currency hedge	5.649.175	3.725.350	(469.561)	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	250.574.907	49.349.908	69.565.625	-	-
25. Exports	444.844.102	226.568.626	17.639.996	-	-
26. Imports	908.675.648	509.515.951	673.725	-	-

NOTE 29 – 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 2012, the foreign currency position of the Group in terms of original currency is as follows:

	31 December 2012				
	TRY (Functional currency)	US Dollars (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	GB Pound (Original currency)
1. Trade Receivables	994.070.979	526.968.213	23.228.264	2.983.830	3.448
2a. Monetary financial assets	1.726.371.256	958.500.338	7.529.827	607.078	9.794
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	7.484.291	3.532.085	504.860	-	250
4. Current assets (1+2+3)	**2.727.926.526**	**1.489.000.636**	**31.262.951**	**3.590.908**	**13.492**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	9.217.972	848.904	1.934.351	152.774.110	-
8. Non-current assets (5+6+7)	**9.217.972**	**848.904**	**1.934.351**	**152.774.110**	**-**
9. Total assets (4+8)	**2.737.144.498**	**1.489.849.540**	**33.197.302**	**156.365.018**	**13.492**
10. Trade payables	271.364.821	144.248.347	5.795.399	28.939.870	313
11. Financial liabilities	1.744.230.516	914.512.120	37.791.696	1.217.393.385	-
12a. Other monetary financial liabilities	30.764.972	12.497.322	3.608.983	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	**2.046.360.309**	**1.071.257.789**	**47.196.078**	**1.246.333.255**	**313**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	1.697.132.418	711.523.695	139.573.266	4.867.148.907	-
16a. Other monetary financial liabilities	80.746	45.297	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**1.697.213.164**	**711.568.992**	**139.573.266**	**4.867.148.907**	**-**
18. Total liabilities (13+17)	**3.743.573.473**	**1.782.826.781**	**186.769.344**	**6.113.482.162**	**313**
sheet derivative financial instruments (19a-19b)	**251.568.627**	**49.349.908**	**69.565.625**	**-**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	251.568.627	49.349.908	69.565.625	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-	-
20. Net foreign currency asset/liability position (9-18+19)	**(754.860.348)**	**(243.627.333)**	**(84.006.417)**	**(5.957.117.144)**	**13.179**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1.023.131.238)**	**(297.358.230)**	**(156.011.253)**	**(6.109.891.254)**	**12.929**
22. Fair value of derivative financial instruments used in foreign currency hedge	9.579.245	3.472.025	1.441.516	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	251.568.627	49.349.908	69.565.625	-	-
25. Exports	1.375.841.447	711.766.056	43.459.248	-	-
26. Imports	5.064.710.894	2.822.247.480	2.775.999	-	-

NOTE 29 – 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

In the calculation of 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 financial instruments. Based on this method; the effects of changes in currency rates 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.

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 March 2013	31 December 2012
Foreign Currency Position Parametric VaR	24.436.023	7.097.877

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.

NOTE 29 – 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 US Dollars, EURO and Japanese Yen. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

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.

As of 31 March 2013 asset and liability balances are translated by using the following exchange rates: TRY 1,8087 = US $ 1,TRY 2,3189 = EUR 1 and TRY 0,0192= JPY 1 (31 December 2012: TRY 1,7826 = US $ 1,TRY 2,3517 = EUR 1 and TRY 0,0207= JPY 1)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 March 2013	Appreciation of foreign currency against	Depreciation of foreign currency against
1- US Dollars net asset/liability	(26.211.795)	26.211.795
2- Hedged portion from US Dollars risk (-)	8.925.918	(8.925.918)
3- Effect of capitalization (-)	-	-
4- US Dollars net effect (1+2+3)	(17.285.877)	17.285.877
5- EURO net asset/liability	(32.580.704)	32.580.704
6- Hedged portion from EURO risk (-)	16.131.573	(16.131.573)
7- Effect of capitalization (-)	-	-
8- EURO net effect (5+6+7)	(16.449.131)	16.449.131
9- Jap. Yen net asset/liability	(10.770.625)	10.770.625
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	(10.770.625)	10.770.625
13- Other currencies net asset/liability	3.349	(3.349)
14- Hedged portion from other currency risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Other currencies net effect (13+14+15)	3.349	(3.349)
TOTAL (4+8+12+16)	**(44.502.284)**	**44.502.284**

NOTE 29– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2012	Appreciation of foreign currency against	Depreciation of foreign currency against
1- US Dollars net asset/liability	(52.226.123)	52.226.123
2- Hedged portion from US Dollars risk (-)	8.797.115	(8.797.115)
3- Effect of capitalization (-)	-	-
4- US Dollars net effect (1+2+3)	(43.429.008)	43.429.008
5- EURO net asset/liability	(36.115.537)	36.115.537
6- Hedged portion from EURO risk (-)	16.359.748	(16.359.748)
7- Effect of capitalization (-)	68.848	(68.848)
8- EURO net effect (5+6+7)	(19.686.941)	19.686.941
9- Jap. Yen net asset/liability	(12.305.021)	12.305.021
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Jap. Yen net effect (9+10+11)	(12.305.021)	12.305.021
13- Other currencies net asset/liability	3.783	(3.783)
14- Hedged portion from other currency risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Other currencies net effect (13+14+15)	3.783	(3.783)
TOTAL (4+8+12+16)	**(75.417.187)**	**75.417.187**

NOTE 29 – 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)

Cross currency and interest rate swap agreements:

As of 31 March 2013 and 31 December 2012 the details of the cross currency and interest rate swap agreements are provided in the table below:

31 March 2013	**Average agreement exchange rate**	**Sales with original currency**	**Purchases with original currency**	**Original currency (TRY equivalent)**	**Agreement value (TRY equivalent)**	**Fair value**
Cross currency and interest rate swap agreements:						
TRY sale/ US Dollars purchase	1,4568	71.890.479	49.349.908	71.890.479	65.152.439	6.738.040
Between 1-5 years						
TRY sale/ EURO purchase	2,0825	144.869.300	69.565.625	144.869.300	145.958.165	(1.088.865)
Between 1-5 years						
US Dollars sale/ TRY purchase (*)	1,8113	110.314.396	200.000.000	199.525.648	199.961.084	(435.436)
Between 1-5 years						
						5.213.739

31 December 2012	**Average agreement exchange rate**	**Sales with original currency**	**Purchases with original currency**	**Original currency (TRY equivalent)**	**Agreement value (TRY equivalent)**	**Fair value**
Cross currency and interest rate swap agreements:						
TRY sale/ US Dollars purchase	1,4568	71.890.479	49.349.908	71.890.479	65.701.247	6.189.232
Between 1-5 years						
TRY sale/ EURO purchase	2,0825	144.869.300	69.565.625	144.869.300	141.479.287	3.390.013
Between 1-5 years						
						9.579.245

29 – 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

As of 31 March 2013 and 31 December 2012 the details of the forward agreements of the Group are provided in the table below:

31 March 2013	Average agreement exchange rate	Sales with original currency	Purchases with original currency	Original currency (TRY equivalent)	Agreement value (TRY equivalent)	Fair value
Forward agreements:						
EURO sale/ US Dollars purchase	1,3364	55.994.750	74.658.324	129.846.226	126.037.566	3.808.660
TRY sale/ US Dollars purchase	1,8185	37.235.197	20.482.000	37.235.197	37.099.051	136.146
US Dollars sale/ TRY purchase	1,3101	17.684.800	13.500.000	31.986.498	32.620.257	(633.759)
Less than 3 months						
EURO sale/ US Dollars purchase	1,3380	28.612.779	38.073.579	66.350.173	63.916.008	2.434.165
US Dollars sale/ EURO purchase	1,3186	9.228.150	7.000.000	16.690.955	17.077.571	(386.616)
3-6 months						
Jap. Yen sale / US Dollars purchase	1,0829	2.156.795.000	23.500.000	41.365.171	40.437.538	927.633
US Dollars sale / Jap. Yen purchase	1,0583	16.805.257	1.588.075.000	30.395.668	30.184.339	211.329
6-12 months						
						6.497.558

29 – 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

31 December 2012	**Average agreement exchange rate**	**Sales with original currency**	**Purchases with original currency**	**Original currency (TRY equivalent)**	**Agreement value (TRY equivalent)**	**Fair value**
Forward agreements:						
EURO sale/ US Dollars purchase	1,2834	58.914.894	75.890.490	138.550.156	141.811.503	(3.261.347)
TRY sale/ US Dollars purchase	1,7959	10.263.684	5.716.000	10.263.684	10.282.838	(19.154)
Less than 3 months						
EURO sale/ US Dollars purchase	1,3155	57.461.445	75.845.576	135.132.080	135.197.248	(65.168)
3-6 months						
						(3.345.669)

NOTE 29 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(g) Interest rate risk management

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

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

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

Interest rate sensitivity

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

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

Interest position table

	31 March 2013	31 December 2012
Floating interest rate financial instruments		
Financial liabilities	1.344.175.061	1.250.311.286

In addition to these, as of 31 March 2013, the amount of the Group's financial loans is TRY 1.396.438.524 of which the floating interest rates have been fixed by the hedge purposed agreements (31 December 2012: TRY 1.117.505.015) (Note 6).

For the year round, if the US Dollars, EURO and Jap. Yen denominated interest rates increase/decrease by 100 base points in TRY, 50 base points in US Dollars and EURO and 25 base points in Jap.Yen respectively ceteris paribus, the profit before taxation and non-controlling interest after considering the effect of capitalization and hedging would be lower/higher TRY 3.769.800 (31 December 2012: TRY 5.966.944).

NOTE 29 – 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 March 2013

Unrealized agreements with fixed payments and floating interest receipts	Average fixed interest rate of the agreements	Nominal amount(*)	Fair Value
Less than 1 year	1,04%	162.249.759	(124.564)
Between 1-5 years	1,44%	868.512.264	(14.374.096)
		1.030.762.023	(14.498.660)

31 December 2012

Unrealized agreements with fixed payments and floating interest receipts	Average fixed interest rate of the agreements	Nominal amount(*)	Fair Value
Less than 1 year	1,43%	173.429.383	(278.881)
Between 1-5 years	1,39%	771.415.364	(12.088.506)
More than 5 years	1,68%	86.587.562	(2.488.220)
		1.031.432.309	(14.855.607)

(*) 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 nominal amount of TRY 1.030.762.023 (31 December 2012: TRY 1.031.432.309) 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 non-controlling interest deducted as TRY (11.189.213) (31 December 2012: TRY (11.134.225)).

NOTE 29 – 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)

Cross currency and interest rate swap agreements

31 March 2013

Unrealized agreements with fixed payments and floating interest receipts	Average fixed interest rate of the agreements	Nominal amount	Fair Value
TRY sale / US Dollars purchase (*)	7,22%	71.890.479	6.738.040
Between 1-5 years			
TRY sale / EURO purchase (*)	10,65%	144.869.300	(1.088.865)
Between 1-5 years			
USD Dollars sale/ TRY purchase	2,64%	110.314.396	(435.436)
Between 1-5 years			
		327.074.175	5.213.739

31 December 2012

Unrealized agreements with fixed payments and floating interest receipts	Average fixed interest rate of the agreements	Nominal amount	Fair Value
TRY sale / US Dollars purchase (*)	7,22%	71.890.479	6.189.232
Over 5 years			
TRY sale / EURO purchase (*)	10,65%	144.869.300	3.390.013
Over 5 years			
		216.759.779	9.579.245

(*) In order to hedge against the interest and foreign exchange rate risk of the Euro and US Dollars borrowings, the Group trades floating interest rates with fixed rates and Euro and US Dollars amounts with TRY amounts by making cross currency swap agreements. The fair value of such agreements which are categorized as cash flow hedges and found to be effective, with nominal amount of TRY 216.759.779 (31 December 2012: TRY 216.759.779) is recognized under equity net off its deferred tax effect, unrealized foreign exchange gain/losses and non-controlling interests as TRY (20.926. 584) (31 December 2012: TRY (18.744.054)).

NOTE 29 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(h) Liquidity risk management

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

Liquidity risk tables

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

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

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

NOTE 29 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(h) Liquidity risk management (cont'd)

31 March 2013

Contractual maturity analysis	Book value	Total cash outflow per agreement (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings from banks	4.105.213.454	4.278.362.474	856.158.109	831.985.228	2.507.685.485	82.533.652
Trade payables	425.103.079	426.029.089	242.417.987	183.611.102	-	-
Other financial liabilities (*)	225.030.038	225.030.038	225.030.038	-	-	-
Total liabilities	**4.755.346.571**	**4.929.421.601**	**1.323.606.134**	**1.015.596.330**	**2.507.685.485**	**82.533.652**
Derivative financial liabilities						
Derivative cash inflows	15.879.513	691.401.526	246.597.451	202.535.920	242.268.155	-
Derivative cash outflows	(18.666.876)	(698.590.290)	(246.056.783)	(202.997.620)	(249.535.887)	-
	(2.787.363)	**(7.188.764)**	**540.668**	**(461.700)**	**(7.267.732)**	**-**

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

NOTE 29 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

Additional information about financial instruments (cont’d)

(h) Liquidity risk management (cont’d)

31 December 2012

Contractual maturity analysis	Book value	Total cash outflow per agreement (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings from banks	4.418.751.937	4.760.991.207	701.816.165	1.397.201.826	2.573.211.738	88.761.478
Trade payables	428.055.750	428.826.252	223.312.709	205.513.543	-	-
Other financial liabilities (*)	160.002.546	160.002.546	159.220.946	781.600	-	-
Total liabilities	**5.006.810.233**	**5.349.820.005**	**1.084.349.820**	**1.603.496.969**	**2.573.211.738**	**88.761.478**
Derivative financial liabilities						
Derivative cash inflows	10.122.346	609.978.843	135.462.979	231.767.669	242.748.195	-
Derivative cash outflows	(18.757.254)	(627.915.169)	(139.749.280)	(238.826.656)	(249.339.233)	-
	(8.634.908)	**(17.936.326)**	**(4.286.301)**	**(7.058.987)**	**(6.591.038)**	**-**

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

NOTE 30 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Additional information about financial instruments

Categories of the financial instruments and their fair values

31 March 2013	Cash and cash equivalent	Loans and receivables	Available for sale financial assets	Held for trading financial instruments	Financial liabilities at amortized cost	Derivative financial instruments through other comprehensive income/loss	Derivative financial instruments through profit/loss	Carrying value	Note
Financial Assets									
Cash and cash equivalents	1.985.361.227	-	-	-	-	-	-	1.985.361.227	4
Trade receivables	-	1.074.471.987	-	-	-	-	-	1.074.471.987	8
Financial investments	-	-	92.199	-	-	-	-	92.199	5
Other financial assets	-	544.114	-	-	-	-	-	544.114	9
Derivative financial instruments	-	-	-	-	-	8.140.298	7.739.215	15.879.513	5
Financial Liabilities									
Financial liabilities	-	-	-	-	4.105.213.454	-	-	4.105.213.454	6
Trade payables	-	-	-	-	425.103.079	-	-	425.103.079	8
Other liabilities	-	-	-	-	225.030.038	-	-	225.030.038	9/18
Derivative financial instruments	-	-	-	-	-	17.425.219	1.241.657	18.666.876	7
31 December 2012									
Financial Assets									
Cash and cash equivalents	1.829.716.171	-	-	-	-	-	-	1.829.716.171	4
Trade receivables	-	1.047.300.360	-	-	-	-	-	1.047.300.360	8
Financial investments	-	-	84.594	-	-	-	-	84.594	5
Other financial assets	-	534.994	-	-	-	-	-	534.994	9
Derivative financial instruments	-	-	-	-	-	9.579.245	543.101	10.122.346	5
Financial Liabilities									
Financial liabilities	-	-	-	-	4.418.751.937	-	-	4.418.751.937	6
Trade payables	-	-	-	-	428.055.750	-	-	428.055.750	8
Other liabilities	-	-	-	-	160.002.546	-	-	160.002.546	9/18
Derivative financial instruments	-	-	-	-	-	14.855.607	3.901.647	18.757.254	7

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

NOTE 30 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Additional information about financial instruments (cont'd)

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

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	31 March 2013	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Financial assets held for trading	-	-	-	-
Derivative financial assets	7.739.215	-	7.739.215	-
Derivative financial liabilities	(2.151.444)	-	(2.151.444)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	8.140.298	-	8.140.298	-
Derivative financial liabilities	(16.515.432)	-	(16.515.432)	-
Total	(2.787.363)	-	(2.787.363)	-

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	31 December 2012	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Financial assets held for trading	-	-	-	-
Derivative financial assets	543.101	-	543.101	-
Derivative financial liabilities	(3.901.647)	-	(3.901.647)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	9.579.245	-	9.579.245	-
Derivative financial liabilities	(14.855.607)	-	(14.855.607)	-
Total	(8.634.908)	-	(8.634.908)	-

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

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

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

NOTE 31 – SUBSEQUENT EVENTS

None.

NOTE 32 – 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 March 2013	1 January- 31 March 2012
Current trade receivables	(26.793.592)	82.763.111
Inventories	60.092.157	129.688.609
Other short term receivables / current assets	(17.184.855)	8.461.142
Other long term receivables / non current assets	(7.529.280)	2.299.595
Current trade payables	(2.952.671)	(65.846.546)
Other short term payables / liabilities	137.303.546	(44.671.710)
Other long term payables / liabilities	1.112.608	679.868
	144.047.913	113.374.069

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

Based on the Group management's preliminary assessment, the amendment is effective for annual periods beginning on or after 1 January 2013, the Group is reviewed the employee termination benefit for the period after 1 January 2007 and adjust amounts and the related cumulative actuarial gain/loss into the provisions for employment benefits on in the consolidated balance sheet at 31 December 2011. Because it is not possible to assess the actuarial gain/loss for the periods before 1 January 2007, the Company could not assess the classification of cumulative actuarial gain/ loss balance for the periods before 1 January 2007.

The Group reclassify the actuarial gain/ loss amount after the deffered tax effect into the actuarial gain/loss fund in income statement for the year 2012.

The effects of reclassifications on consolidated financial statements, for the period 31 December 2012 and 31 December 2011, of accounted actuarial gain/loss from provisions of employee benefits under comprehensive income statement and reclassified of provision of unused vacation from short-term liabilities into the long-term liabilities are set out below:

Account	(Previously reported) 1 January- 31 December 2011	(Restated) 1 January- 31 December 2011	Difference	(Previously reported) 1 January- 31 December 2012	(Restated) 1 January- 31 December 2012	Difference
Other current liabilities	262.510.652	207.454.925	(55.055.727)	252.215.703	189.945.988	(62.269.715)
Other non-current liabilities	939.544	55.995.271	55.055.727	416.621	62.686.336	62.269.715
Retained Earnings/Losses	1.273.384.263	1.287.337.399	13.953.136	1.730.124.661	1.760.073.286	29.948.625
Net Profit for the Period	1.005.562.503	1.020.567.649	15.005.146	424.181.040	452.016.769	27.835.729
Actuarial losses/ gains funds	-	(28.958.252)	(28.958.252)	-	(57.784.354)	(57.784.354)

NOTE 32 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION (cont'd)

Reclassifications of income statement are as follows:

Account	(Previously reported) 1 January- 31 March 2012	(Restated) 1 January- 31 March 2012	Difference 1 January- 31 March 2012
Cost of sales (-) (1)	(2.244.368.215)	(2.239.559.851)	4.808.364
Marketing, sales and distribution expenses (-) (1)	(27.897.180)	(27.871.727)	25.453
General administrative expenses (-) (1)	(44.849.257)	(44.640.331)	208.926
Financial expense (-) (1)	(198.184.467)	(203.227.210)	(5.042.743)
Total			-

(1) Employee termination benefit and interest cost of incentive are reclassified under "Operating Expenses (-)" as TRY 4.808.364 reported in "Cost of Sales (-)" , TRY 25.453 reported in "Marketing, sales and distribution expenses (-)" , TRY 208.926 reported in "General administrative expenses (-)" in consolidated income statement as of 31 March 2012.

Convenience translation to English:

The effect of differences between the Financial Reporting Standards published by the Capital Market Board in Turkey and accounting principles generally accepted in countries in which the consolidated financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the consolidated financial statements. The differences with IFRS mainly related to the application of inflation accounting which was ceased one year later in IFRS, and the presentation of the basic consolidated financial statements and the notes to them. Accordingly, the consolidated financial statements are not intended to present the consolidated financial position and consolidated financial performance of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries in accordance with the accounting principles generally accepted in such countries and IFRS.