2014 ANNUAL REPORT

WE GAVE LIFE TO STEEL...

ErdemirGroup

CONTENTS

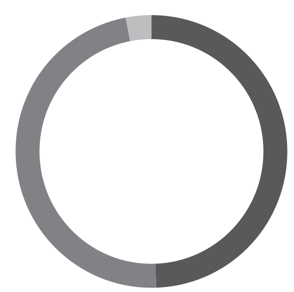
INTRODUCTION

Cover: ERDEMİR 2013 "Steel and Life Sculpture Competition"
TUĞBA HALICI's "Mavinin İncisi" work
Akdeniz University Fine Arts Faculty

ERDEMİR GROUP IN SUMMARY

WITH ITS 7 SUBSIDIARIES, THE ERDEMİR GROUP OPERATES IN THE FIELDS OF FLAT AND LONG STEEL, STEEL SERVICE CENTER SERVICES, MINING, ENGINEERING, AND PROJECT MANAGEMENT.

Shareholding Structure



Ataer Holding A.Ş. 49.29%
Free Float 47.63%
ERDEMİR's Portfolio 3.08%

ERDEMİR GROUP'S PLACE IN TURKEY AND THE WORLD

A DEEPLY ROOTED HISTORY AND SENSE OF RESPONSIBILITY FOR THE FUTURE SETS THE ERDEMİR GROUP APART WITH ITS STRENGTH AND COMPETENCY

ERDEMİR GROUP

- IS TURKEY'S ONLY INTEGRATED PRODUCER OF FLAT STEEL AND THE SECTOR'S INVIOLABLE LEADER AND THE MOST ADMIRED COMPANY.
- ACCOUNTED FOR 25% OF TURKEY'S TOTAL UN-PROCESSED STEEL PRODUCTION IN 2014.
- RANKED 8TH IN EUROPE AND 3RD IN THE EU-28 IN TERMS OF ITS UN-PROCESSED STEEL PRODUCTION IN 2013.
- RANKED AS THE WORLD'S 10TH BEST STEEL COMPANY ACCORDING TO A STUDY CONDUCTED BY WORLD STEEL DYNAMICS BASED ON CRITERIA SUCH AS CAPACITY, VALUE ADDED PRODUCT RANGE, PRODUCTION COSTS, FINANCIAL STRUCTURE AND COMPETITION.
- ERDEMİR WAS RANKED 8TH, İSDEMİR 9TH, ERMADEN 216TH AND ERSEM 244TH IN THE ISO 500 RANKING PREPARED ACCORDING TO 2013 DATA.

Developments in Ereğli shares

Ereğli shares traded at a price of TL 2.58 per share at the opening on the first transaction day of 2014, and ended the year at a price of TL 4.46, marking an increase of 73%.

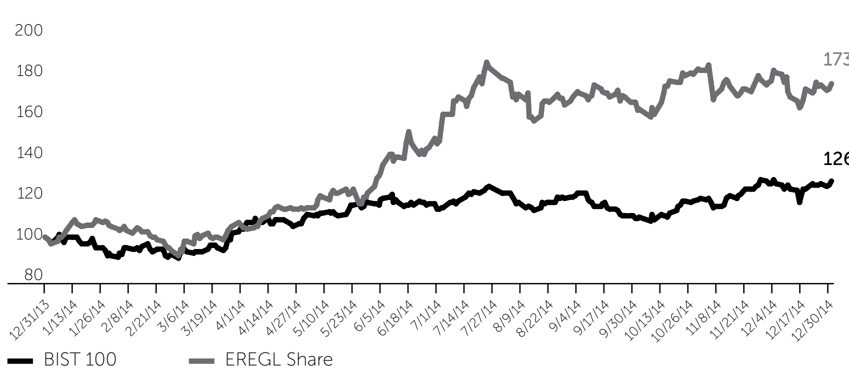
When compared with the BIST 100 index and based on 31.12.2013=100, the BIST 100 index had posted an increase of 26% during the 2014 full year. Meanwhile, Ereğli shares yielded a return of 73%. The extent to which Ereğli shares outperformed the index resulted in an increase in shareholder satisfaction and commitment.

Impacted positively by the net dividend payment on May 26, 2014. Ereğli stock became one of the year's best performers on the Borsa Istanbul, on which it has been listed since the establishment of this exchange in 1986, as well as in the BIST 30 index, which Ereğli is a component of.

EREĞLİ SHARES, WHICH HAVE BEEN LISTED ON THE BIST 100 SINCE THE ESTABLISHMENT OF THE STOCK EXCHANGE IN 1986, POSTED ONE OF THE HIGHEST RETURNS IN 2014 WITH AN ROI OF 73%.

73%

Erdemir Share



Stock Tickers

Borsa İstanbul: EREGL
Bloomberg: EREGL TI
Reuters: EREGL.IS

Key Financial Indicators

		2010	2011	2012	2013	2014
Net Sales Revenue	(TL million)	6,633	8,921	9,570	9,781	11,484
	(USD million)	4,427	5,339	5,340	5,142	5,252
Net Operating Profit	(TL million)	1,183	1,957	756	1,538	2,094
	(USD million)	789	1,171	422	808	958
EBITDA	(TL million)	1,443	2,073	1,083	1,878	2,484
	(USD million)	963	1,241	604	987	1,136
Net Profit	(TL million)	780	1,021	452	920	1,601
	(USD million)	521	611	252	484	732
Current Assests	(TL million)	6,325	6,025	5,854	6,008	7,372
	(USD million)	4,091	3,190	3,284	2,815	3,179
Fixed Assets	(TL million)	7,216	7,366	7,287	8,026	8,562
	(USD million)	4,668	3,900	4,088	3,761	3,692
Total Assets	(TL million)	13,541	13,391	13,141	14,034	15,934
	(USD million)	8,759	7,089	7,372	6,576	6,871
Short Term/Current Liabilities	(TL million)	3,716	2,415	2,818	2,475	3,105
	(USD million)	2,404	1,279	1,581	1,160	1,339
Long Term Liabilities	(TL million)	3,134	3,688	2,908	2,852	2,518
	(USD million)	2,027	1,952	1,631	1,336	1,086
Shareholders' Equity	(TL million)	6,511	7,087	7,205	8,467	10,003
	(USD million)	4,212	3,752	4,042	3,967	4,314
Market Capitalization (Annual Average)	(TL million)	7,418	8,040	7,120	7,818	12,682
	(USD million)	4,950	4,812	3,972	4,110	5,799

(*) The functional currency unit of Erdemir as well as its subsidiaries İsdemir and Ersem was switched to the USD dollar as of July 1, 2013.

(**) Pursuant to the sample financial statements and guidelines that took effect as of interim periods ending after March 31, 2013 for capital markets institutions that fall within the scope of the Capital Markets Board's "Communiqué on the Principles of Financial Reporting in Capital Markets" Series: II No: 14.1, in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards published by the Public Oversight, Accounting and Auditing Standards Agency, reclassifications and restatements were made in the past consolidated financial statements due to the recognition of actuarial loss/income resulting from provisions for employee benefits in comprehensive income statements.

BRINGING US UNITY, STRENGTH, PROSPERITY, TRUST, TECHNOLOGY, INNOVATION, HOPE, LIFE, AND RESPONSIBILITY

THE TRAILBLAZING ENGINE OF INDUSTRY IN TURKEY FOR HALF A CENTURY, ERDEMİR GROUP STILL GIVES LIFE TO STEEL WITH THE SAME EXCITEMENT AND PASSION AS THE DAY IT WAS FOUNDED.

ERDEMİR GROUP EXPORTS TO FORTY COUNTRIES AND PROVIDES JOBS FOR 13 THOUSAND PEOPLE. ITS GLOBAL VISION AND ROCK-SOLID FINANCIAL STRUCTURE MAKE IT TURKEY'S PROUD STANDARD-BEARER IN THE INTERNATIONAL ARENA.

ERDEMİR GROUP CONTINUES TO ADVANCE SURE-FOOTEDLY AS A WORLD-CLASS COMPANY AND GLOBAL PLAYER THAT SATISFIES CUSTOMERS' NEEDS WHILE BEING MAXIMALLY RESPECTFUL OF SOCIETY AND THE ENVIRONMENT AN INDEFATIGABLE SUPPORTER OF TURKISH INDUSTRY.

ERDEMİR GROUP CREATES ADDED VALUE FOR DIVERSE SECTORS RANGING FROM AUTOMOTIVES TO MACHINERY MANUFACTURING AND FROM HOUSEHOLD APPLIANCES TO THE CONSTRUCTION INDUSTRY. WITH PERSONNEL WHO MAKE BOTH THEIR AWARENESS OF BEING AN ERDEMİR EMPLOYEE AND THE ERDEMİR TEAM SPIRIT CENTRAL TO WHATEVER THEY DO AND KNOWING ALSO THAT THEIR STRENGTH LIES IN THEIR UNITY, THE MEMBERS OF ERDEMİR GROUP STRIVE AND PRODUCE FOR THE FUTURE OF TURKEY, FOR THE COMMON FUTURE OF EVERYONE.

ERDEMİR GROUP BELIEVES THE "THE FUTURE OF STEEL IS THE FUTURE OF TURKEY".

CORPORATE PROFILE

ERDEMİR GROUP IS TURKEY'S ONLY INTEGRATED FLAT STEEL PRODUCER AND THE SECTOR'S INVIOLABLE LEADER AND MOST ADMIRED COMPANY.

Erdemir Group is one of the building blocks of Turkish industry and a tremendous source of pride.

Erdemir Group will celebrate its 50th year of operation in 2015. Erdemir produces flat and long steel at its production facilities that have grown continuously since Erdemir's establishment, and exports its products to 40 countries as well as serving its customers in the domestic market.

Erdemir's production competencies, that have been growing continuously for half a century, its established brand, its production quality and its robust financial structure allows it to present its contribution to Turkey's economy in a tangible manner.

Erdemir Group's capital structure, which is open to the public, allows the Group's financial performance to be shared with a broad shareholder base. On the other hand, social responsibility projects carried out in different areas are the clearest manifestation of Erdemir Group's principle of offering a proportion of the value added to society.

STARTING ITS OPERATIONS IN 1965, ERDEMİR GROUP EXPORTS ITS PRODUCTS TO 40 COUNTRIES AS WELL AS SERVING ITS CUSTOMERS IN THE DOMESTIC MARKET.

40

ERDEMİR GROUP EXPORTS ITS FLAT STEEL PRODUCTS TO 38 COUNTRIES AND LONG STEEL PRODUCTS TO 9 COUNTRIES.

38+9

Erdemir Group accounts for half of Turkey's iron ore production.
Ermaden is the subsidiary of the Erdemir Group, which is Turkey's first and only iron ore pelleting plant. It produces half of the iron ore produced in Turkey and single-handedly meets 20% of Turkey's iron ore demand.

Erdemir and İsdemir possess the biggest ports in their regions.
Erdemir Group serves third parties as well as the Group's own requirements from the Erdemir and İsdemir ports, both of which have a handling capacity of 16 million tons/year.

Accounting for 40% of the employment in the Turkish steel sector
Erdemir Group is one of Turkey's leading employers. As of the end of 2014, Erdemir Group employed 12,872 people and accounted for 40% of the employment in the Turkish steel sector.

A presence in Singapore
Erdemir Group exported 678 thousand tons of flat steel products in 2014, comprising of 11% of total sales, and 227 thousand tons of long steel products. It exported its flat steel products to 38 countries and long steel products to 9 countries. Erdemir Group has developed its international organization in line with its target of "becoming a world class company". The Group established a company in Singapore with the purpose of carrying out sales and marketing activities.

A favorite for corporate investors
Erdemir Shares (EREGL), which are one of the blue-chip stocks on the Borsa İstanbul, and which are included in the BIST 30 Index, have been trading since the establishment of the Borsa İstanbul (then the İstanbul Stock Exchange) in 1986. Erdemir shares have high free float ratio of 47.63% rate. The majority of the publicly-traded shares are held by institutional investors

MESSAGE FROM THE CHAIRMAN OF THE BOARD

DERIVING STRENGTH FROM BOTH OUR RESPONSIBILITY FOR THE FUTURE AND OUR WELL ESTABLISHED HERITAGE.

ALİ PANDIR
CHAIRMAN OF THE BOARD

Erdemir Group continued to demonstrate a strong performance and maintain its position as one of the world's most profitable steel companies during 2014, a year marked by volatility in the world economy and global steel sector.

Backed by 50 years of experience, Erdemir Group is unwavering in its determination to meet its targets and looks to the future with confidence. In this process, sustainable growth, innovation and efficiency are the main cornerstones of the Erdemir Group's corporate strategy.

Erdemir Group's strength and ability draws not just from our well established heritage, but also the responsibility we take for the future. Working to this principle, the Group continues to take decisive steps forward towards its vision for 2020.

Dear stakeholders,

At a time when global economic activity has languished...
The year 2014 was marked by relatively weak global economic activity amid a slowdown in economic growth in emerging markets, including China, and recession in the Euro Area. Meanwhile, the Fed's announcement that it would gradually wind down the quantitative easing program implemented since 2008 and may raise interest rates gave rise to uncertainty in financial markets and volatility in capital inflows.

The recovery in the US economy became one of the most important developments of 2014; the ongoing negativity in the Euro Area, on the other hand, compelled the European Central Bank to announce an asset purchase program at the beginning of 2015.

BACKED BY 50 YEARS OF EXPERIENCE, ERDEMIR GROUP IS UNWAVERING IN ITS DETERMINATION AMONG SUSTAINABLE GROWTH, INNOVATION AND EFFICIENCY STRATEGY.

50 YEARS

Please read the adjacent QR code via smartphone to reach Chairman of the Board message and other contents of web site.

AFTER THE ACQUISITION BY OYAK, ERDEMİR GROUP ADDED 101 NEW CUSTOMERS TO ITS PORTFOLIO DURING 2014 AND INCREASED ITS SALES BY 2% TO US$ 5.3 BILLION.

5.3

An estimated 3.3% growth for the Turkish economy in 2014.
Despite the volatility in international markets during 2014, the Turkish economy again stood out with its resilience. The raft of proactive macroprudential policies and measures taken went a significant way towards protecting Turkey's economy from the instability in international markets, and the Turkish economy benefited from export-driven growth throughout 2014. A jump in food prices resulting from the drought conditions pushed inflation to above the target levels, while the spectacular decline in oil prices brought relief to the economy. The 50% plunge in oil prices has led to a significant narrowing in the current account deficit of our country, which is a net importer of energy.

A global increase of 0.8% in un-processed steel production in 2014.
There was a slowdown in the growth of steel production in China, which single-handedly meets 50% of global steel production, and Chinese manufacturers increasingly turned their attention to exports. On the other hand, South Korea notched up an 8.3% increase in its production of un-processed steel, leaving Russia behind to take 5th place among the world's biggest 15 steel producers.

34 million tons of un-processed steel produced in Turkey
The contraction in Turkey's un-processed steel sector that was seen in 2013 continued, albeit more slowly, in 2014.

Turkey was the 8th largest steel producer in the world, while the industry's capacity utilization ratio edged down from 62% in 2013 to 61% in 2014. In contrast, iron ore based production of un-processed steel from integrated plants increased by 3.5% when compared to the previous year, to reach 10.3 million tons. Having demonstrated rapid growth for 4 consecutive years after the 2008 global financial crisis, total consumption of processed products in Turkey decreased by 1.8% to 30.7 million tons in 2014. Our industry offers vigorous growth dynamics, with increasing rates of urbanization and big-ticket projects in Turkey set to remain the main drivers of steel consumption going forward. Turkey's steel inventories are relatively low when compared to the levels seen in developed countries, indicating the potential growth of our country's steel industry.

Another robust and sustainable performance from the Erdemir Group in 2014
The Erdemir Group, a subsidiary of OYAK, was able to once again maintain a prominent place in the sector by virtue of its remarkable performance and achievements in the global steel industry during the year. Erdemir Group added 101 new customers to its portfolio during 2014 and increased its sales by 2% to US$ 5.3 billion.

WE AIM "TO BE A WORLD CLASS COMPANY" AND CARRY ERDEMİR GROUP TO THE SUMMIT OF THE GLOBAL LEAGUE BY 2020.

Our Group, which exports its products from regions as far reaching as Senegal and Peru, recorded a successful export performance despite the protectionist measures put in place in many parts of the world, with exports totaling US$ 627 million. Our Group invested a total of US$ 162 million during 2014.

Our Group recorded an operating profit of US$ 958 million, marking a 51% YoY increase in its net profit to US$ 732 million. EBITDA exceeded US$ 1.1 billion, with an EBITDA margin of 21.6% in an increase over the previous year.

Our Group's consolidated balance sheet reached a volume of US$ 6.9 billion, exceeding the US$ 4.4 billion in shareholders' equity. Accordingly, we once again maintained the robust, strong and sustainable structure that has become an abiding characteristic of the Erdemir Group.

Erdemir's market value reached TL 12.7 billion with Erdemir shares among the highest yielding on the BIST 30 index in 2014. In a year in which the BIST 100 index generated a return 26%, Erdemir shares provided its investors with a return of 73%. Erdemir held onto its well-established position as one of the best performing stocks on the BIST 30. Our efforts to develop shareholder value in a sustainable manner produced successful results, with a US$ 385 million cash dividend distributed in 2014.

Our vision for 2020: To be a World class company

After the acquisition by OYAK, we quickly started work on taking a big leap and transformation to a new and global level.

DESPITE THE PROTECTIONIST MEASURES PUT IN PLACE IN MANY PARTS OF THE WORLD, WITH EXPORTS TOTALING US$ 627 MILLION IN 2014.

627

UNDER THE SUPPORT OF OUR SHAREHOLDER, OYAK, AND THE GUIDANCE OF OUR BOARD, ACTING AS ONE, ERDEMİR GROUP WILL REACH ITS VISION FOR 2020 AND MAINTAIN ITS CROWN AS THE PRIDE OF TURKEY AND THE STAR OF OUR INDUSTRY.

2020

We aim to carry Erdemir Group to the summit of the global league by 2020. In this context, by 2020 our Group aims to become one of the world's top three companies in financial and operational terms, human resources, company culture and total value offered to its shareholders.

In order to achieve our vision, we have entered a phase of change throughout the Group. We are striving to achieve breakthroughs in a number of different fields, such as our way of doing business, our human resources, our operational excellence, our marketing capabilities, R&D and the value we add to Turkey and the community.

Advancing to our vision for 2020, we believe we are on course to become a company that moves quickly and reaches decisions rapidly in terms of sustaining our success and economic sustainability. In order to better manage the impact of cyclical developments and changes in the global steel industry, we have managed to streamline our entire processes to ensure the most efficient use of our resources. The most important step achieved to this end was the transition to a new organizational structure that offers the advantage of managing the 7 companies in our Group as a single entity. This new structure began to contribute to our productivity, our effectiveness, customer satisfaction, already strong, and ultimately our profitability and this process will continue to gain pace going forward.

On the other hand, as a part of our goal of becoming a more effective player in the global market, we have taken significant strides forward to restructure our operations abroad in 2014 and opened marketing and sales offices in Singapore and Canada. We aim to establish a presence in all major centers where the pulse of the global steel trade is taken and to ensure the widespread inclusion of Erdemir steel in day-to-day life.

Another important development in 2014 was the commissioning of our 5-year strategic plan. This plan places innovation at the heart of our research and development activities, attaching priority to the culture of doing business. Within the scope of this plan, which is of tremendous strategic importance in achieving our vision for 2020, Erdemir opened the first R&D center in Turkey's steel industry in 2014, with the target of bringing about a much more dynamic structure for the production of innovative products and to become an "Advanced Steel Research Center". In summary, the R&D Center will play a key role in the production of much higher value-added products while bolstering the productivity surge going forward.

OUR FOCUS IS ON FURTHER REINFORCING OUR IDENTITY AS A COMPANY WHERE PEOPLE ARE PROUD TO WORK AND BOOST THE SATISFACTION OF OUR HUMAN RESOURCES, WHICH ARE OUR MOST IMPORTANT ASSET.

Another founding pillar of our goals for the future is our human resources. Our Group, which is one of Turkey's most important employers providing jobs to 12,872 people as of the end of 2014, remains committed developing the opportunities offered to its human resources. In this context, we closely follow best practices in the global steel industry and continuously develop our infrastructure and the most appropriate human resources policy for our Group structure. Our focus is on further reinforcing our identity as a company where people are proud to work and boost the satisfaction of our human resources, which are our most important asset.

We thank our stakeholders for their contributions.
We are proud of our team's performance in 2014. In addition to their teamwork success, each Erdemir employee has steadfastly fulfilled the requirements of being a member of this organization.

Under the support of our shareholder, OYAK, and the guidance of our Board, acting as one, Erdemir Group will reach its vision for 2020 and maintain its crown as the pride of Turkey and the star of our industry.

I would like to take this opportunity to extend my sincerest thanks to our customers, our national and international business partners, our investors and also our employees for their valuable contributions and confidence in the Erdemir brand.

Yours Sincerely,

Ali Pandır
Chairman of the Board

OUR GROUP, WHICH IS ONE OF TURKEY'S MOST IMPORTANT EMPLOYERS PROVIDING JOBS TO 12,872 PEOPLE AS OF THE END OF 2014, REMAINS COMMITTED DEVELOPING THE OPPORTUNITIES OFFERED TO ITS HUMAN RESOURCES.

12,872

BOARD OF DIRECTORS

ALİ PANDIR
CHAIRMAN OF THE BOARD OF DIRECTORS
(REPRESENTATIVE OF OYTAŞ İÇ VE DIŞ TİCARET A.Ş.)

NİHAT KARADAĞ
VICE CHAIRMAN OF THE BOARD OF DIRECTORS
(REPRESENTATIVE OF OYAK GİRİŞİM DANIŞMANLIĞI A.Ş.)

DİNÇ KIZILDEMİR
MEMBER OF THE BOARD OF DIRECTORS
(REPRESENTATIVE OF OMSAN LOJİSTİK A.Ş.)

ALİ KABAN
MEMBER OF THE BOARD OF DIRECTORS
(REPRESENTATIVE OF PRIVATIZATION ADMINISTRATION OF TURKEY)

ERTUĞRUL AYDIN
MEMBER OF THE BOARD OF DIRECTORS
(REPRESENTATIVE OF OYKA KAĞIT AMBALAJ SAN. VE TİC. A.Ş.)

FATMA CANLI
MEMBER OF THE BOARD OF DIRECTORS
(REPRESENTATIVE OF OYAK PAZARLAMA HİZMET VE TURİZM A.Ş.)

NAZMİ DEMİR
INDEPENDENT MEMBER OF THE BOARD OF DIRECTORS

ATİLLA TAMER ALPTEKİN
INDEPENDENT MEMBER OF THE BOARD OF DIRECTORS

EMİN HAKAN EMİNSOY
INDEPENDENT MEMBER OF THE BOARD OF DIRECTORS

SENIOR MANAGEMENT

OĞUZ N. ÖZGEN
CHIEF PRODUCTION OFFICER

SEDAT ORHAN
GENERAL MANAGER OF ERDEMİR

ŞEVKİNAZ ALEMDAR
CHIEF PURCHASING OFFICER

ÖZGÜR ÖZEL
CHIEF STRATEGY OFFICER

BÜLENT BEYDÜZ
CHIEF FINANCIAL AFFAIRS OFFICER

BAŞAK TURGUT
CHIEF MARKETING AND SALES OFFICER

BANU KALAY ERTON
CHIEF CORPORATE AFFAIRS OFFICER

ALİ PANDIR
CHAIRMAN OF THE BOARD OF DIRECTORS

RECEP ÖZHAN
GENERAL MANAGER OF İSDEMİR

TUNÇ NOYAN
CHIEF INFORMATION TECHNOLOGY OFFICER

OYA ŞEHİRLİOĞLU
CHIEF LEGAL OFFICER

ERDEMİR GROUP IN BRIEF

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir)
Erdemir commenced operation in 1965 and is Turkey's largest producer of integrated flat steel. Erdemir manufactures hot rolled, cold rolled, tin, chrome and zinc coated flat steel at international quality standards. Erdemir provides basic inputs to the automotive, white goods, energy, construction, piping, shipbuilding, home appliances, general machinery manufacturing, pressure vessel equipment, heavy industry, food and packaging industries and leads the country's industrial development. Erdemir has been involved in some of the largest investment projects ever undertaken in the Turkish Republic. It has increased its un-processed steel capacity from the 500 thousand tons at its foundation to around 4 million tons today and expanded its final product capacity to over 5 million tons as a result of its continuous investments to increase its product range and capacity.

İskenderun Demir ve Çelik A.Ş. (İsdemir)
İsdemir is the third facility to be founded in Turkey and the country's largest integrated steel plant in terms of its long steel product manufacturing capacity. It is Turkey's only integrated steel plant to manufacture both long and flat steel products from its 3.5 million ton capacity Hot Rolling Mill that entered service in 2008. İsdemir has played an important role in raising Turkey's flat steel product manufacturing capacity, which is of vital importance in the development of Turkey's steel industry. İsdemir also has manufacturing capacity for billet and wire-rod. It currently manufactures approximately 5.3 million tons of liquid steel, 3.5 million tons of flat steel products, 0.6 million tons of wire-rod, and 2.5 million tons of billet.

Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (Ersem)
The Company was established in October 2001 and commenced operations in Gebze in 2002 with a 150 thousand ton capacity cold slitting line and 100 thousand ton capacity cut-to-length line. Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. (Ersem) operates as a steel service center at the highest standards, serving the automotive and white goods industries as well as general machinery and manufacturing, heating industry, electric and electronic industries and a range of companies operating in various industries. Ersem meets the immediate demands of its customers rapidly, dispatching the products at the desired grades and dimensions on time and to the desired locations. It manages its inventories and meets specialized needs, such as production at low tolerances and dispatches in small batches. Ersem has hot cut-to-length lines in İsdemir with an annual capacity of 750 thousand tons. It also has a 100 thousand ton capacity multiple length cutting line, a 100 thousand ton capacity oblique cutting line, a 150 thousand ton capacity hot slitting line and a 150 thousand ton capacity cold slitting line, as well as a 150 thousand ton capacity hot scissor line at Erdemir. In addition, Ersem continues to provide warehousing and dispatch services in the Manisa Organized Industrial Zone.

ERDEMİR GROUP CONTINUES ITS OPERATIONS WITH ITS 7 SUBSIDIARIES AND ADDS VALUE TO TURKEY'S SUSTAINABLE DEVELOPMENT.

Erdemir Madencilik San. ve Tic. A.Ş. (Ermaden)
Divhan A.Ş., which was established in the Divriği township in the Sivas province, was acquired by Ereğli Demir ve Çelik Fabrikaları T.A.Ş. through a tender held on April 15, 2004. Its company title was changed to Erdemir Madencilik Sanayi ve Ticaret A.Ş. (Ermaden). Ermaden owns 9 iron ore field and one manganese field. The company accounts for 50% of Turkey's iron ore production and meets 20% of the country's demand for iron ore. Ermaden is the only pellet plant of Turkey to meet the raw material demands of the iron and steel industry. It also manufactures by products to be used for sinter in iron-steel plants and hematite lump ore, in addition to the production of pellet. It aims to produce 3 million tons of pellet through its Hasançelebi Iron Ore Enriching Plant investment, in addition to its existing 1.5 million tons of pellet capacity and 750 thousand tons of lump ore production capacity.

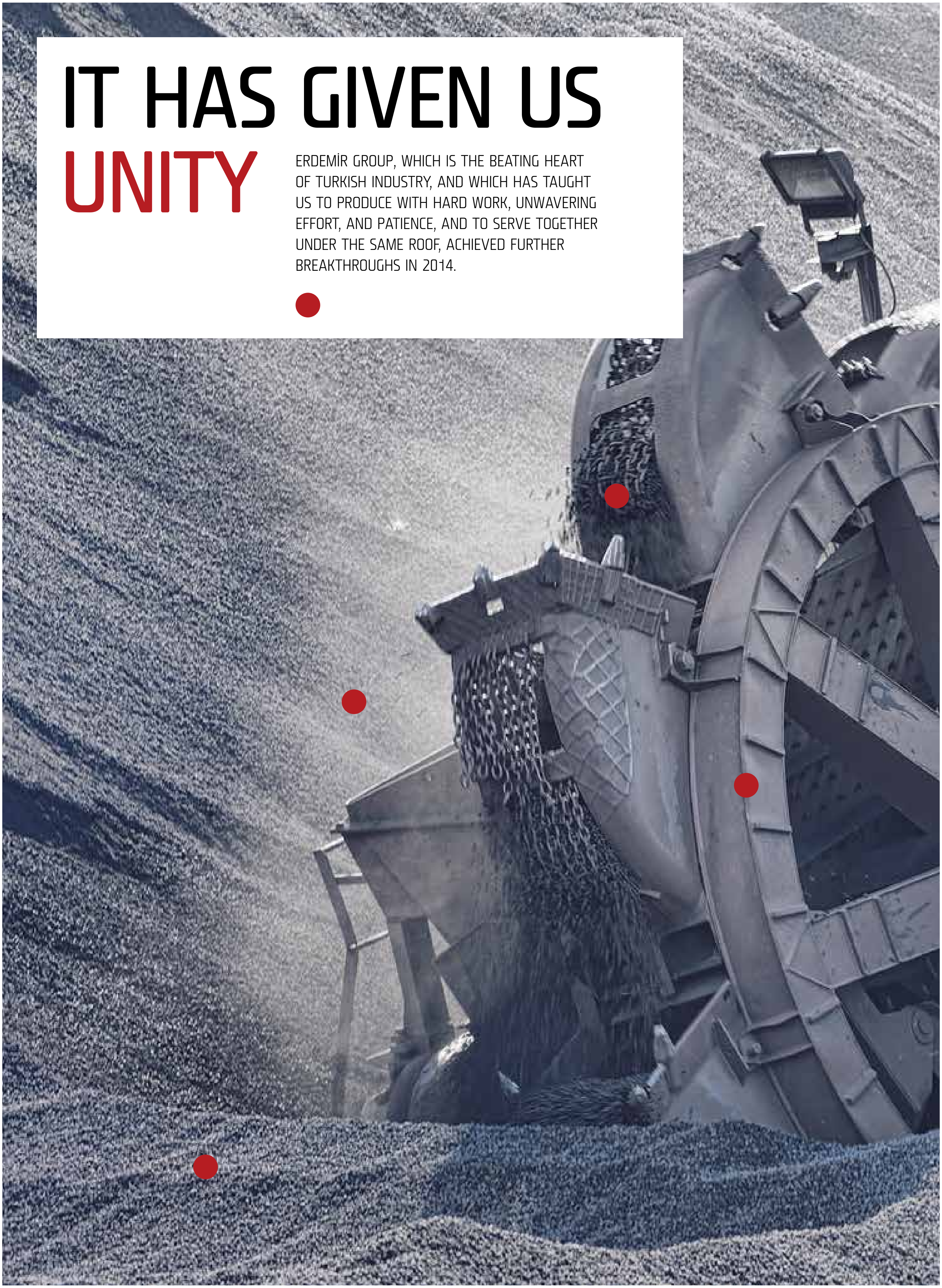
Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. (Erenco)
Erenco, established in 2001, provides a wide range of engineering and project management services from the planning to the application of Erdemir Group companies' investments that are necessary for them to achieve their targets for profitability, product range, and production of quality products.

Erdemir Romania S.R.L.
Erdemir Romania joined the Erdemir Group in 2002 produces electric motors, power transformers, generators and siliceous flat steel, which is one of the main inputs for the transformer industry. The plant, which is located in Targoviste, Romania, commands an important position in Europe in terms of electrical steels production. Of the Company's production, 15% is used in the Romanian market and 85% is exported to European countries.

Erdemir Asia Pacific Pte. Ltd.
Erdemir Group established "Erdemir Asia Pacific Private Limited (EAPPL)" through a 100% owned Erdemir participation in Singapore to carry out Erdemir Group's commercial operations in the Far East. The company was established with US$ 250 thousand of capital and commenced operations on October 1, 2014.

IT HAS GIVEN US UNITY

ERDEMİR GROUP, WHICH IS THE BEATING HEART OF TURKISH INDUSTRY, AND WHICH HAS TAUGHT US TO PRODUCE WITH HARD WORK, UNWAVERING EFFORT, AND PATIENCE, AND TO SERVE TOGETHER UNDER THE SAME ROOF, ACHIEVED FURTHER BREAKTHROUGHS IN 2014.



DEVELOPMENTS IN 2014

A NUMBER OF IMPORTANT DEVELOPMENTS REGARDING THE FUTURE OF ERDEMİR GROUP TOOK PLACE IN 2014.

ERDEMİR GROUP ROSE TO 10TH RANKING IN THE LIST OF WORLD'S BEST STEEL PRODUCERS IN 2014.

10th

• Erdemir set up the first steel R&D center in Turkey to be approved by the Ministry of Science, Industry and Technology.

Attaching priority to research and development activities, Erdemir notched up another first in its sector by opening Turkey's first steel R&D center to be approved by the Ministry. The Erdemir R&D Center, the sector's first center to be granted Ministry approval, will serve as a center of advanced steel research studies in the long term. One of the key suppliers in Turkish industry, Erdemir will offer innovative solutions at its R&D center in line with steel user sector's increasing demands and expectations. It will also produce high value added new products at reasonable costs and reduce raw material costs. Two laboratories, the Raw material R&D Simulation laboratory and the Product Development R&D Simulation laboratory, are planned to be set up within the framework of the Simulation Center which will be commissioned in 2015. Erdemir Group aims to achieve a dynamic structure regarding the development of innovative products through the research and development activities to be carried out the steel simulation center, as one of only a small number of such centers in Europe. Erdemir Group will focus on producing high value added products without changing its capacity utilization rate.

• Ranked as one of the 10 world class steel companies

Erdemir Group advanced five levels to 10th rank as of June 2014 in the "World-Class Steelmakers" ranking, in which World Steel Dynamics (WSD) selects the world's best steel producers. Erdemir entered the list for the first time in 2012, as the first and only Turkish company to achieve this ranking. The evaluation is based on 23 parameters and 36 companies, including the Erdemir Group.

- **The most admired company in its sector.**

Erdemir was selected as "the Most Admired Company" in its sector among the Survey of Turkey's 14th Most Admired Companies conducted by the Capital Magazine.

- **Star Exporter Award from IMMEA**

The İstanbul Mining and Metal Exporters Association (IMMEA), which realizes approximately 30% of Turkey's total exports, handed out the Star Exporter awards. Erdemir Group came second in the flat product category in the "2013 Star Exporter Awards".

- **The 3rd largest producer of un-processed steel in the EU-28**

Erdemir Group ascended to 3rd ranking in terms of un-processed steel production among the EU-28 producers according to 2013 un-processed steel production figures published by the World Steel Association.

- **25th Period Collective Bargaining agreement signed in Erdemir.**

The 25th Period Collective Bargaining negotiations between the Turkey Metal Industrialists Labor Union (MILU), which represents Erdemir, and the Turkey Metal Labor Union started on December 2, 2013, and an agreement was reached on March 24, 2014.

- **İsdemir granted ISO TS 16949 Quality Management System Certificate**

İsdemir was handed the ISO TS 16949 Quality Management System Certificate, which is deemed to be the most prestigious certificate in the automotive sector. The certificate is prepared in accordance with the special requirements of the sector and prominent international automotive producers require their suppliers to hold the certificate. Erdemir has been operating in accordance with the requirements of ISO TS 16949 since 2007.

- **A record taxpayer in 2013**

Erdemir ranked first in terms of its corporation payments in Zonguldak and 18th in the country with TL 157.9 million of corporation tax paid at the company level pertaining to the 2013 tax period, according to Tax Office figures. Ermaden ranked 71st with TL 33.5 million of tax payments.

- **Erdemir wins Productivity Award**

The Productivity Project Award was first organized in 2014 by the Ministry of Science, Industry and Technology with the aim of boosting Turkey's competitiveness and enabling the country's economy to achieve a productivity based sustainable structure. Erdemir was deemed worthy of the second award in the "Large-Scale Company Process Improvement" category. Erdemir won the award with the "Design of Experiments (DoE)" technique and "Optimization of Formability Parameters in 6513 Grade Steels" subject in the Productivity Project Awards that aim to support productivity increase within the companies, and help spread an awareness of productivity and best practice examples.

ERDEMİR WAS THE LEADING TAXPAYER IN ZONGULDAK AND 18TH IN TURKEY, PAYING TL 157.9 MILLION IN CORPORATION TAX IN 2013.

ERDEMİR WAS SELECTED AS "THE MOST ADMIRED COMPANY" IN ITS SECTOR ACCORDING TO THE 14TH SURVEY OF TURKEY'S MOST ADMIRED COMPANIES CONDUCTED BY THE CAPITAL MAGAZINE.

ERDEMİR ASIA PACIFIC, ESTABLISHED BY ERDEMİR GROUP IN SINGAPORE, COMMENCED OPERATIONS ON OCTOBER 1, 2014.

ERDEMİR ASIA PACIFIC

- **Six awards for Erdemir Group's 2013 activity report from the USA**

Erdemir Group's 2013 Activity Report, that includes works of art from the Steel and Life Sculpture Competition, won 6 awards in the USA. The Erdemir Group Activity Report was deemed worthy of the "Golden Prize" in its sector in the "Annual Vision Awards Activity Reports Competition" that has been held every year since 2001 by the League of American Communication Professionals (LACP), which is one of the world's most prestigious public relations platforms. The report won the "Honor Award" in the "Letter to Shareholders" category. It also ranked in the top 20 among Turkish companies and in the top 80 activity reports within the EMEA region. The report won two awards in the International ARC Awards Competition, where annual activity reports are evaluated by the US based MerComm. Erdemir Group competed in the steel category in ARC Competition, where it won the "Golden Prize". The message delivered by the Chairman of the Erdemir Group, Ali Pandır, won the "Bronze Award" in the "Letter to Shareholders" category in the same competition.

- **Erdemir Group posted a very prominent performance in the ISO 500 with its 4 companies, and over TL 11 billion in revenues.**

One of Turkey's largest industrials in terms of total assets, Erdemir Group, with its 4 companies, was ranked 8th in Turkey's list of 500 Top Industrial Companies (ISO 500) as compiled by the İstanbul Chamber of Industry. Erdemir ranked 8th with TL 5.3 billion of sales revenues and İsdemir was ranked 9th with TL 5.2 billion in sales revenue within the ranking based on sales revenues from companies' own products. Ermaden was placed 216th, with TL 410 million in sales revenue and Ersem placed 244th with TL 368 million in sales revenue.

- **Our Singapore subsidiary has commenced operations.**

Erdemir Asia Pacific, established by Erdemir Group in Singapore to carry out its procurement, marketing and sales activities in the Asia-Pacific region, commenced operations on October 1, 2014.

- **Award to Erdemir by the İstanbul Chamber of Industry**

Erdemir was ranked third in the Large Scale Company Energy Productivity Project category in the 14th Environment and Energy Awards hosted by the İstanbul Chamber of Industry. Erdemir submitted 3 energy productivity projects for the Environment and Energy Awards, which are organized every year by the İstanbul Chamber of Commerce to promote environmental best practices and encourage Turkish industry to take steps in this field. The following projects enabled Erdemir to be awarded in the competition; Circular Sinter Cooler Waste Heat Boiler that saves energy; transformation to Main Fan Drive Control Motor System in Sinter Factory; change of Main Fan Wing Design in Sinter Factory; and Combustion System to be annexed to Cogeneration Plants Waste Heat Boiler.

- **İsdemir reaches global standards in port management.**

İsdemir has raised the load handling capacity in its port operations to 12 million tons in the last 2 years. It has also reduced its costs to less than US$ 1. These achievements enabled İsdemir to be recognized as an enterprise reaching global standards in port management.

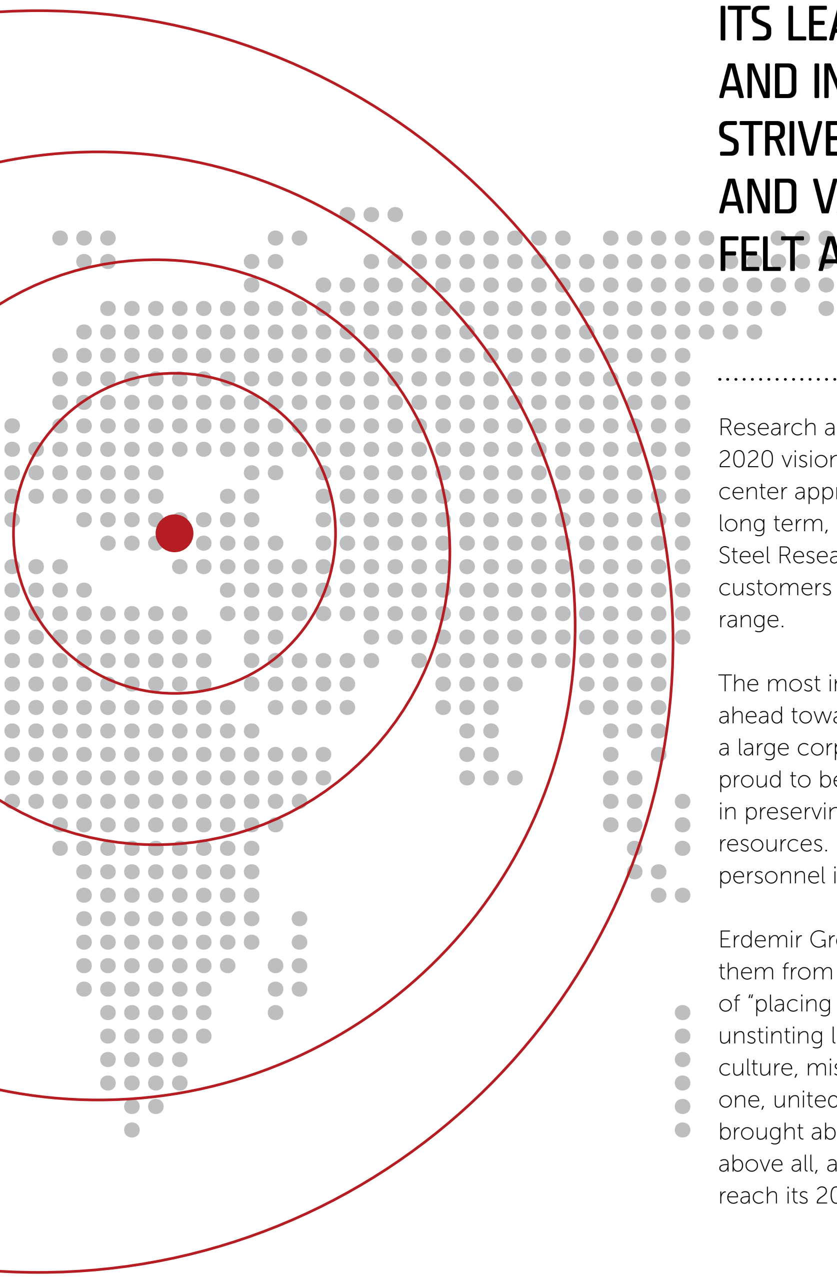
ERDEMİR GROUP'S VISION FOR 2020

ERDEMİR GROUP HAS FOCUSED ON ITS VISION FOR 2020.

Erdemir Group's Strategic Approach
Erdemir Group's Vision for 2020 is "to be a World class company". Erdemir Group understands that being a world class company means ranking among the highest globally in terms of sales volumes, production quality, profitability and being one of the best in the sector in terms of the business methods it employs and to be taken as a model. According to Erdemir Group, a world class company;

- Has a global viewpoint,
- Shapes its customers' requirements,
- Respects society, people and the environment,
- Is a highly prestigious and admired company,
- Has a high brand value,
- Has happy and loyal employees,
- Attracts talents and develops them,
- Is lean, flexible and agile,
- Implements its own production system to ensure operational excellence,
- Places innovation as an indispensable part of its culture,
- Possesses a strong financial structure.

Erdemir Group, which has served the Turkish economy since its foundation, has become one of the important pillars of the country's economic development. It has continuously renewed itself through technological and environmental investments under the responsibility of being Turkey's leading steel producer. It increased its capacity during this development process and grew able to compete with the world's leading producers. The Group develops and executes strategies that look after all of its stakeholders to increase the value it creates for its customers in order to protect and develop its competitive power, to raise its level of quality, to widen its product range and to reduce costs.



ERDEMİR GROUP IS AWARE THAT THE MOST IMPORTANT CONDITION OF PRESERVING ITS LEADING POSITION IS TO FOCUS ON AND INVEST IN ITS HUMAN RESOURCES. IT STRIVES TO ENSURE THAT THE IMPORTANCE AND VALUE IT ASSIGNS TO ITS PERSONNEL IS FELT AT EVERY LEVEL.

Research and development activities are one of the priorities in reaching the 2020 vision; hence, Erdemir Group started to operate Turkey's first steel R&D center approved by the Ministry of Science, Industry and Technology. In the long term, Erdemir Group's R&D Center will serve as a Center of Advanced Steel Research Studies. The Group aims to better meet the demands of its customers by expanding the range of value added products in its product range.

The most important driving force behind the Erdemir Group as it strides ahead towards its 2020 vision is its human resources. Erdemir Group is a large corporate family of 12,872 people, a family that each member is proud to be a part of. Erdemir Group knows that the most important factor in preserving its position as a leader is to focus on and invest in human resources. It strives to ensure that the importance and value it attaches to its personnel is felt at every level.

Erdemir Group's personnel are always made aware of the value placed on them from the very first day they join the family, due to Erdemir's approach of "placing priority on people". In return, this feeling creates a sense of unstinting loyalty. Erdemir Group's personnel have adopted the corporate culture, mission, vision and values and march towards the same target as one, united. They believe in open communication, teamwork and synergy brought about by diversity. They make a difference and are innovative and, above all, are happy people. The Group has been taking necessary steps to reach its 2020 vision with its content and focused personnel.

IT HAS GIVEN US STRENGTH

SINGLE-HANDEDLY PRODUCING 25% OF TURKEY'S TOTAL UN-PROCESSED STEEL IN 2014, ERDEMİR GROUP IS ONE OF WORLD'S MOST PROFITABLE IRON & STEEL COMPANIES

ECONOMIC AND SECTORAL ENVIRONMENT

CONTINUED DECOUPLING IN THE GLOBAL ECONOMY IN 2014

THE ECONOMY OF CHINA, THE SECOND BIGGEST IN THE WORLD, IT ESTIMATED TO HAVE GROWN BY 7.7% IN 2013 and 7.4% IN 2014.

7.4%

Data announced worldwide indicate that global economic activity tended to be weak in 2014.
The slowdown in the rate of economic growth in developing economies, and China in particular, has been one of the main reasons behind the weakness in global economic activity in 2014. Another reason was the continued contraction in the Eurozone economy for most of the year. In the US, the Federal Reserve Bank embarked on a process of tapering, bringing the Quantitative easing program which it had implemented since 2008 to an end, and the Fed's announcement that it would raise interest rates brought uncertainty to the financial markets and volatility in capital flows.

Data releases in the USA, especially in the second half of 2014, stimulated hopes of an economic recovery. The upward revision of third quarter growth figures, the stable recovery in employment, and the positive trend in manufacturing industrial production all indicate that manufacturing activity gained momentum in the USA during the year.

The economic risks that emerged in different parts of the world have been the main reason behind the weak growth.
A string of problems in Eurozone economies continued in 2014 too. Even though Europe's economies have emerged from recession, they could not meet their growth expectations throughout the year. In addition, the region was beset by economic woes caused by budget cuts, debt, the threat of deflation, and the high rate of unemployment.

Data for the Chinese economy in 2014 confirmed the slowdown in the world's second largest economy. Growth in China's economy slowed from 7.7% in 2013 to 7.4% in 2014. Excess supply in the country's property market and a rise in the rate of total and problematic credits pushed the Central Bank of China to take extra measures. The monetary tightening policies took a toll on domestic trade.

Economies in the Black Sea region recorded a serious slowdown in 2014, failing to meet the growth forecasts. Tensions between Russia and Ukraine, the sanctions implemented on Russia by EU and USA and rapid plunge in commodity prices - especially oil - shook the region's economies. Terror incidents in Syria and Iraq and political uncertainty raised the regional risks and dealt a severe blow to the region's foreign trade.

TURKISH ECONOMY

Turkey's economy is estimated to have grown at a rate of 3.3% in 2014.
Turkish economy exhibited a solidly positive performance during the global crisis. However, growth slowed in 2014 due to the global troubles, and the economy is estimated to have grown by 3.3% for the 2014 full year.

Domestic and foreign demand was relatively balanced as a result of economic policies implemented to bring down the current account deficit. This resulted in a fall in the foreign trade deficit and, as targeted, a narrowing down in the current account deficit in 2014.

The exports to imports coverage ratio rose by 5 percentage points in 2014 when compared to the previous year, to reach 65.1%. The current deficit to GDP ratio is estimated to have declined to 5.6% by the end of 2014, having decreased by 2.3 percentage points when compared to the previous year. With the overshadowing impact of regional political tensions and exchange rate volatility in 2014, Turkey's total exports only rose by US$ 6 billion in 2014 to reach US$ 157.7 billion. One detail to stand out was the 4.1% increase in industrial exports.

TURKEY'S TOTAL EXPORTS REACHED US$ 157.7 BILLION IN 2014, AN INCREASE OF US$ 6 BILLION WHEN COMPARED TO THE PREVIOUS YEAR.

TURKEY'S EXPORT - IMPORT COVERAGE RATIO REACHED 65.1% IN 2014.

65.1%

WORLD UN-PROCESSED STEEL PRODUCTION AMOUNTED TO 1.66 BILLION TONS IN 2014.

1.66

Turkish economy to maintain its sustainable growth performance.
Fitch Ratings stated its assessment that the general outlook for 2015 was stable with regard to country credibility, adding that while developed economies enjoyed stability, there are varying pressures on the credit ratings of developing countries. Fitch stated that the fall in oil prices would ease pressure on the current account deficit, and the ratings agency raised its forecast for Turkey's economic growth for 2015 to 3.3%.

In light of all of these developments, the Turkish economy is expected to grow by between 3% and 4% in 2015. Throughout the Medium Term Plan period, structural reforms will be implemented to complement the economic policies, which are necessary to bring economic growth to its trend rate. The precautionary measures and incentives to be implemented, especially within the scope of Economic Transformation Program announced at the end of 2014, are aimed at reducing Turkey's dependence on imports. Moreover, as a result of these measures to be taken within the scope of the Economic Transformation Program, technological development is targeted through energy production based on national resources, transformation from transportation to logistics and public procurement.

According to the disclosed program, GDP is targeted to reach US$ 1.3 trillion by the end of 2018, with the current account deficit narrowing to 5.2% of GDP and the rate of unemployment brought down to 7.2%.

WORLD STEEL INDUSTRY

0.8% increase in global steel production
World un-processed steel production reached 1.66 billion tons in 2014, 0.8% increased when compared to 2013.

The rate of growth in un-processed steel production in China, which accounts for half of the world's steel production, slowed dramatically in 2014. After having increased by 7.5% in 2013, Chinese un-processed steel production increased by a mere 0.9% in 2014, its lowest rate in the last 20 years, with production amounting to 823 million tons.

Un-processed steel production in the EU-28 countries amounted to 169 million tons, an increase of 1.7% YoY on the back of the economic recovery. CIS countries, on the other hand, felt the impact of economic contraction resulting from economic challenges and the crisis in Ukraine, suffering a decline of 2.1% in un-processed steel production to 106 million tons. Ukrainian un-processed steel production decreased by 17.1% amid the turmoil in the country resulting from the tensions with Russia.

South Korea rose to 5th rank among world steel producers, overtaking Russia.
South Korea increased its un-processed steel production by 8.3% YoY to 72 million tons in 2014, posting the strongest YoY increase in production in the world.

The world's recorded steel consumption is expected to increase by 0.6% YoY in 2015 to reach 1.54 billion tons, with China expected to account for 46% of consumption.

Steel consumption increased in Europe due to the recovery in economic growth in 2014, but decreased in Ukraine - a member of the CIS - due to the tensions with Russia. In Russia itself, a combination of declining steel consumption, falling oil prices and a worsening economic outlook due to the sanctions imposed on the country led to a decline in steel consumption.

Softening economic growth behind increase in exports from Chinese producers
Having posted double digit economic growth for many years, the rate of growth in the Chinese economy slowed to 7.4% in 2014. China is thought to be entering a stage of slower growth. Steel consumption in China decreased by 3% YoY to 711 million tons, a result of the slower economic growth in the country. Excess supply forced Chinese producers to turn to exports. The country's steel exports increased by more than half to 94 million tons in 2014. To prevent this increase in exports, the Chinese government drew up readjustments on export duties for steel, which will enter effect from 2015.

More protectionist measures worldwide in 2014
With a worldwide capacity utilization rate of 76.7% in 2014, protectionist measures in the steel sector were stepped up. The number of investigations carried out within the steel sector increased considerably, according to data prepared by the World Trade Organization.

A raft of protectionist measures was introduced in the USA, the world's second biggest steel market after China with consumption of approximately 100 million tons, during 2014. In order to protect their local steel sectors, many countries in the world initiated anti-dumping, subsidy and/or safeguard investigations where there were very high levels of imports. Some of the investigations were fair; however, the majority resulted from political pressure put on governments by local steel producers, claiming that they were being harmed by imports.

Turkey was also affected by the abuse of this system which was established to protect national economies from dumping practices. Turkey was subjected to investigations into many of its steel products. This negatively affected Turkey's steel exports and played a part in the decline in Turkey's steel exports.

WITH A WORLDWIDE CAPACITY UTILIZATION RATE OF 76.7%, PROTECTIONIST MEASURES WERE STEPPED UP IN THE GLOBAL STEEL SECTOR.

76.7%

THE VOLATILITY SEEN IN FINISHED PRODUCT PRICES IN THE LAST QUARTER OF 2014 IS EXPECTED TO GIVE WAY TO A MORE STABLE PRICE TREND IN 2015.

EXPECTATIONS FOR 2015

The world's recorded steel consumption increased by 0.6% YoY to 1.55 billion tons in 2015.
China will remain the producer to be followed most closely in the steel sector in 2015. Every development in the Chinese steel sector will continue to affect world raw material and processed product prices.

The slowdown in the global economy and in world trade has raised the importance of local markets. Further protectionist measures of the kind put in place in 2014 can be expected in 2015.

There was a 15-fold increase in exports of hot products from Russia to the USA in 2014, even though the Ukraine crisis brought the bilateral memorandum that had been in place for 15 years between the USA and Russia to an end. Russia is expected to direct its exports firstly to Turkey and its nearby region starting from 2015. The fall in the value of the Rouble against the US dollar has emerged as a factor that will support exports of Russian steel.

It is thought that Iron ore, prices of which halved in parallel with the fall in oil prices in 2014, will follow a fragile and weak trend in 2015 amid mounting pressures and shrinking demand. On the other hand, iron ore prices are not expected to exhibit much of a change from their 2014 closing price levels.

The volatility in prices of processed products seen in the last quarter of 2014 is expected to stabilize in 2015.

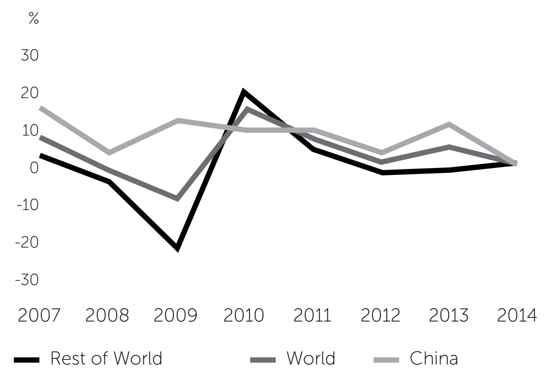
The general consensus is that global steel consumption will post a muted rate of growth in 2015. In line with this, steel consumption in Turkey is forecasted to increase by 3% YoY to reach 31.7 million tons.

The indicators from 2014 demonstrate that Turkey is in a position to adapt to the volatilities in world economic conditions given the flexible structure of Turkey's private sector. The indicators also demonstrate that Turkey has improved its performance, and that this is forecasted to continue in 2015 as well. This will also reflect on the development of the Turkish steel sector.

Global Steel Industry – Major Indicators

Country	2014		2013		2014/2013
(thousand tons)	Production	Rank	Production	Rank	%
China	822,698	1	822,000	1.	0.1
Japan	110,666	2	110,595	2.	0.1
USA	88,174	3	86,878	3.	1.5
India	83,208	4	81,299	4.	2.3
South Korea	71,543	5	66,061	6.	8.3
Russia	71,416	6	68,856	5.	3.7
Germany	42,943	7	42,645	7.	0.7
TURKEY	**34,035**	**8**	**34,654**	**8.**	**-1.8**
Brazil	33,912	9	34,163	9.	-0.7
Ukraine	27,171	10	32,771	10.	-17.1
Italy	23,735	11	24,080	11.	-1.4
Taiwan, China	23,121	12	22,282	12.	3.8
Mexico	18,995	13	18,242	13.	4.1
Iran	16,331	14	15,422	15.	5.9
France	16,143	15	15,685	14.	2.9
World	**1,661,770**		**1,648,749**		**0.8**

Un-processed steel production annual growth trend



Source: worldsteel

TURKEY'S STEEL CONSUMPTION IS FORECASTED TO REACH 31.7 MILLION TONS IN 2015 - A 3% INCREASE COMPARED TO 2014.

31.7

LONG STEEL ACCOUNTED FOR 72% OF TURKEY'S TOTAL STEEL PRODUCTION IN 2014 WITH FLAT STEEL ACCOUNTING FOR THE REMAINING 28%. TURKEY MAINTAINED ITS 8TH RANKING AMONG WORLD STEEL PRODUCERS IN TERMS OF PRODUCTION.

8th

OVERVIEW OF THE TURKISH STEEL SECTOR

A total of 34 million tons of un-processed steel was produced in Turkey in 2014.

Turkey being a world leader between 2011 and 2012 in terms of its growth in un-processed steel production. A total of 34 million tons of un-processed steel was produced in Turkey in 2014, marking a fall of 1.8% YoY following the 3.4% YoY fall in 2013. Turkey maintained its 8th place among world steel producers, with 72% of the total steel produced in Turkey being long steel and 28% being flat steel.

The capacity utilization rate in steel production decreased from 62% in 2013 to 61% in 2014 among steel producers. The capacity utilization rate for flat steel production remained unchanged from its 2013 level at 53%, on the back of growing domestic capacity. Turkey's flat steel production capacity stood at 16 million tons at the beginning of the year, but increased to 18.5 million tons by the end of the year following the investments which came on stream since the third quarter. In the same period, the country's long steel product production capacity utilization rate stood at 61%, marking a decrease of 5 percentage points, YoY.

Production of billet in Turkey retreated by 6.4% YoY to 24.61 million tons in 2014; in contrast, production of slab - an intermediate product for flat steel products that provides an input to many industries such as white goods and automotive - jumped by 12.7% YoY to 9.42 million tons.

TURKEY IS THE WORLD'S LARGEST NET EXPORTER OF LONG STEEL PRODUCTS AFTER CHINA.

Remarkable increase in production at integrated facilities
As scrap prices did not retreat as much as iron ore prices, the competitive power of the electric arc furnace facilities that produce steel from scrap weakened in 2014. Therefore, production in Turkey's electric arc furnace facilities displayed a weakening trend. In contrast, the production of integrated facilities whose production is based on iron ore increased.

Raw steel production in integrated facilities in Turkey, where production is based on iron ore, reached 10.28 million tons in 2014, an increase of 3.5% YoY. In contrast, production from electric arc furnace facilities declined by 3.9% YoY to 23.75 million tons.

Turkey is the world's biggest net exporter of long steel products after China, but a net importer of flat steel products almost half of Turkey's consumption of flat steel products is imported.

Turkey's processed product imports decreased by 4.7% YoY, with a decline of 5.4% YoY in imports of flat steel and a 0.9% YoY decline in imports of long steel.

1.1% YoY decline in Turkey's processed steel products exports
Turkey's processed steel products exports decreased by 1.1% YoY due to the effects of increasing protectionist measures and long investigation periods. Flat steel exports increased by 6.3% YoY, while exports of long steel fell by 2.6% YoY.

IN 2014, TURKEY'S TOTAL FINISHED STEEL CONSUMPTION STOOD AT 30.7 MILLION TONS, A DECREASE OF 1.8%.

30.7

TURKEY'S STEEL STOCKS ARE RELATIVELY LOW WHEN COMPARED TO DEVELOPED COUNTRIES, DEMONSTRATING THE GROWTH POTENTIAL OF TURKEY'S STEEL SECTOR.

After having increased for four consecutive years following the 2008 global financial crisis, Turkey's total processed steel product consumption declined by 1.8% YoY in 2014 to 30.7 million tons. Turkey's processed flat steel consumption declined by 0.2% YoY to 14.6 million tons while its consumption of long steel contracted by 3.2% YoY to 16.2 million tons. Turkey's total steel consumption was split between long steel (53%) and flat steel (47%).

Growth trend in the sector to continue

The iron and steel industry is a driving force in national economies, and Turkey is one of the leading countries in terms of both production and consumption of steel, ranking as the world's 8th largest steel consumer. The growth trend in the Turkish steel sector will also continue in the coming years on the back of growing industrialization and investment in housing and infrastructure.

Turkey's efforts to meet growing energy demand through local resources have also created potential for steel consumption, in addition to the big-ticket investments such as the Trans-Anatolian Gas Pipeline (TANAP), İstanbul's 3rd bridge and the 3rd airport. In this context, the continuing construction of wind farms, hydroelectric power plants, and nuclear power plants is contributing to steel consumption in Turkey.

As well as rising steel consumption, it is also important that steel stocks per person grow for a country's level of development to increase. The low level of steel stocks in Turkey when compared to steel stocks in developed countries such as the USA, Japan and Germany demonstrates that Turkey's steel sector still has considerable growth potential.

IT HAS GIVEN US PROSPERITY

ERDEMİR GROUP CARRIES OUT ITS OPERATIONS BY COMBINING OYAK GROUP'S POWER AND KNOWLEDGE ACCUMULATION WITH ITS OWN COMPETENCIES.

2014 IN SUMMARY

AN OVERVIEW OF 2014 FOR THE ERDEMİR GROUP: **STRATEGIES, GAINS, AND TARGETS**

ERDEMİR GROUP INCREASED ITS NET PROFIT BY 51% IN 2014.

51%

2014: Moving confidently towards global leadership
Erdemir Group notched up more successes in the financial and operational fields in 2014.

Turkey's largest steel producer, Erdemir Group produced one quarter of all the un-processed steel produced in Turkey in 2014. The Group increased its sales by 5% YoY and achieved a 51% YoY increase in its net profit. Erdemir was also one of the best performing stocks within the BIST 30 index in 2014. Erdemir Group maintained its leading position in the domestic market, increasing its domestic flat steel sales and expanding its customer base with the addition of 101 new customers to its portfolio. It also exported its products to a very wide geographical area, stretching as far afield from Senegal to Peru.

Erdemir Group, which closely follows all developments in Turkey and the world, undertook important efforts in 2014 to ensure its successes would be sustainable and to create added value for its stakeholders. The Group determined its 2020 vision as "to be a world class company". It made all its processes leaner in order to be able to act rapidly and take decisions quickly, to better manage the effects of the cyclical nature of the steel industry and to deploy its resources in the most productive manner. It created a structure in which 7 companies are managed as one. Erdemir Group aims to be a global player in parallel with being a world class company, and to this end it opened foreign offices in 2014.

To reach its 2020 vision, Erdemir Group prepared a 5 year strategic plan that prioritizes research and development activities and places innovation at the heart of its business culture. In line with the strategic plan, the Group that established Turkey's steel sector's first R&D center will focus on producing high value-added products and increasing productivity in the coming period.

Erdemir Group will renew its facilities within its existing capacity and increase its energy efficiency and product range. It will maintain its investments in environmental protection and increase its exports.

8.5 million tons of un-processed steel production in 2014.
Erdemir Group is constantly enhancing its operational performance thorough its modern technology, personnel who act with an awareness of quality and prudence at every stage of production, and its effective management of resources, cost, and cash management.

Erdemir Group who carries out production, operation, maintenance, and modernization activities within its all facilities completed 2014 with production records. Manufacturing 25% of all un-processed steel produced in Turkey, Erdemir Group again continued its operations in line with the principle of optimal costs, maximum productivity, and quality of production in 2014.

Production by year (thousand tons)

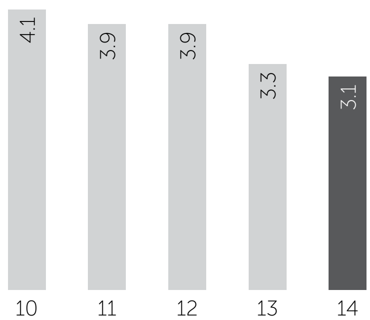
	2010	2011	2012	2013	2014
Hot Metal	**6,551**	**6,812**	**7,172**	**7,603**	**7,695**
Ereğli	3,196	3,039	2,934	3,412	3,413
İskenderun	3,355	3,773	4,238	4,191	4,282
Liquid Steel	**7,311**	**7,656**	**8,042**	**8,447**	**8,693**
Ereğli	3,634	3,480	3,328	3,865	3,846
İskenderun	3,677	4,176	4,714	4,582	4,847
Un-processed Steel	**7,116**	**7,473**	**7,867**	**8,268**	**8,493**
Ereğli (Slab)	3,539	3,372	3,236	3,761	3,732
İskenderun (Slab)	2,135	3,288	3,093	3,103	3,631
İskenderun (Billet)	1,442	813	1,538	1,403	1,130
Flat Processed Product	**5,373**	**6,119**	**5,983**	**6,427**	**6,954**
Ereğli Tin Plate	238	227	237	257	255
Ereğli Galvanized	263	321	305	303	305
Ereğli Cold Rolled	999	1,104	1,056	1,284	1,186
Ereğli Hot Rolled	1,840	1,872	1,785	1,812	2,020
Ereğli Plate	66	247	248	253	348
İskenderun Hot Rolled	1,967	2,348	2,352	2,518	2,840
Long Processed Product	**1,420**	**794**	**1,519**	**1,356**	**1,153**
Billet	715	344	945	775	589
Wire Rod	445	446	574	581	564
Other	260	4	-	-	-
Electrical Steel	**62**	**64**	**61**	**51**	**42**
Iron Ore	**2,705**	**2,862**	**2,832**	**2,646**	**2,666**
Pellet	1,493	1,495	1,543	1,480	1,550
Other	1,212	1,367	1,288	1,166	1,116

A FOCUS ON CREATING ECONOMIC VALUE WITH ITS STRONG FINANCIAL STRUCTURE

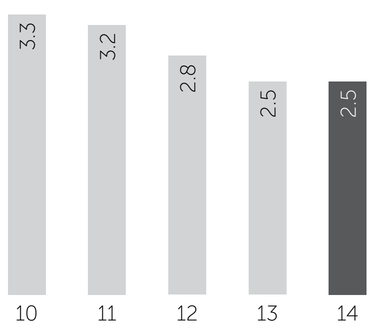
SINGLE-HANDEDLY PRODUCING 25% OF TURKEY UN-PROCESSED STEEL, THE ERDEMİR GROUP CONTINUES ITS OPERATIONS WITH THE HIGHEST LEVELS OF PRODUCTIVITY AND QUALITY

25%

Erdemir Processed-Product Workforce Productivity
(Man hours/Ton)



İsdemir Processed-Product Workforce Productivity
(Man hours/Ton)



Erdemir recorded a capacity utilization rate of 91.2% in 2014 while İsdemir operated at an 81.6% capacity utilization rate. Overall, Erdemir Group operated at a capacity utilization rate of 86.3%.
Operational efficiency ratio that exhibits the level of production effectiveness and productivity within companies and enables monitoring of operational performance, stood at 86.8% for Erdemir in 2014. A total of 3.1 person hours/ton was spent to produce each ton of processed products for Erdemir; for İsdemir, this rate was 2.5 person hours/ton of processed products.

Flat steel production

Erdemir produced 2.4 million tons of hot rolled steel and 1.7 million tons of cold rolled steel in 2014, while İsdemir produced 2.9 million tons hot rolled steel; in total, Erdemir's production amounted to 7 million tons of flat processed products. Erdemir Romania produced 42 thousand tons of Electrical steel.

Long steel production

A total of 1.2 million tons of long processed products were produced at the Erdemir Group in 2014, comprised of 589 thousand tons of billet and 564 thousand tons of wire-rods.

Iron ore production

The Group produced 1.6 million tons of pellet in 2014 and 1.1 million tons of other products (lump ore, fine ore, by products and pellet cake). Total production amounted to 2.7 million tons during the 2014 full year.

ENHANCING ITS CUSTOMER FOCUSED SERVICE APPROACH TO ENSURE SUSTAINABLE COMMERCIAL SUCCESS

THE GROUP'S PORTS CARRIED OUT LOADING AND UNLOADING SERVICES FOR 22.4 MILLION TONS OF GOODS IN 2014.

22.4

Steel Service Center

Sales from the Erdemir Group steel service centers reached 707 thousand tons in 2014, including 336 thousand tons of un-processed and 371 thousand tons of processed products. Of the processed products, 106 thousand tons were dispatched from the Gebze Steel Service Center, 11 thousand tons from the İskenderun Steel Service Center and 254 thousand tons from the Ereğli Steel Service Center.

Engineering and Project Management Services

Erenco, that manages the Erdemir Group's investments, continued to work on 7 projects in the Ereğli facilities in 2014, successfully completing the Ereğli Steel Service Center project and bringing the 7th Air Separation Plant project into commercial operation. Erenco successfully managed 8 continuing projects, completed 2 important projects, and carried out the commissioning of 2 environmental investments.

Developments in Erdemir Group ports in 2014

Erdemir port handled a total of 9.8 million tons of goods in 2014, of which 597 thousand tons were handled as a third party service, and the revenue generated from these operations amounted to US$ 6.6 million. The İsdemir port handled a total of 12.6 million tons of goods, of which 1.5 million tons of goods were handled as a third party service, generating a total of US$ 10.9 million in revenue from these operations.

New horizons in customer focused service approach

Erdemir Group prioritizes customer satisfaction in all of its operations in line with its vision of being one of the top three entities in the global steel sector. Placing importance on customer satisfaction in line with its sustainable development target, Erdemir Group is one of the world's best steel producers.

IN 2014, ERDEMİR GROUP EXPORTED A TOTAL OF 905 THOUSAND TONS OF FINISHED PRODUCTS, 678 THOUSAND TONS OF WHICH CONSISTED OF FLAT STEEL AND 227 THOUSAND TONS BEING LONG STEEL.

905

Erdemir Group understands its customers' requirements and expectations with its customer focused sales policies which effectively and promptly respond to developments in global and domestic markets with its extensive product range. It continues to provide the inputs required by Turkish industry.

Erdemir Group's sales and marketing organization is lean and sector based. This enables Erdemir Group to provide the most appropriate and fastest solutions in accordance with its customers' requirements.

Erdemir Group's sales and profitability performance was the best achieved by the group for a considerable time.

In 2014, a year in which the Turkish economy is estimated to have grown by 3.3%, the share of industry and construction in economic growth increased. On the other hand, according to figures published by the Turkey Steel Producers Association, steel consumption decreased by 1.8% YoY in 2014, largely as a result of a slowdown in public and private sector spending. The consumption of flat steel products, which represent Erdemir Group's main product group, decreased by 0.2%.

In 2014, Erdemir Group maintained the pace of sales volume growth achieved in recent years thanks to its superior product quality, customer relations, and high level sales-distribution services, despite the observed shrinkage in consumption, mounting competition, and uncertainties in Turkey's surrounding region.

Erdemir Group continues to invest to meet the growing requirements of final users. Its sales from the Steel Service Center increased from 564 thousand tons in 2013 to 707 thousand tons in 2014.

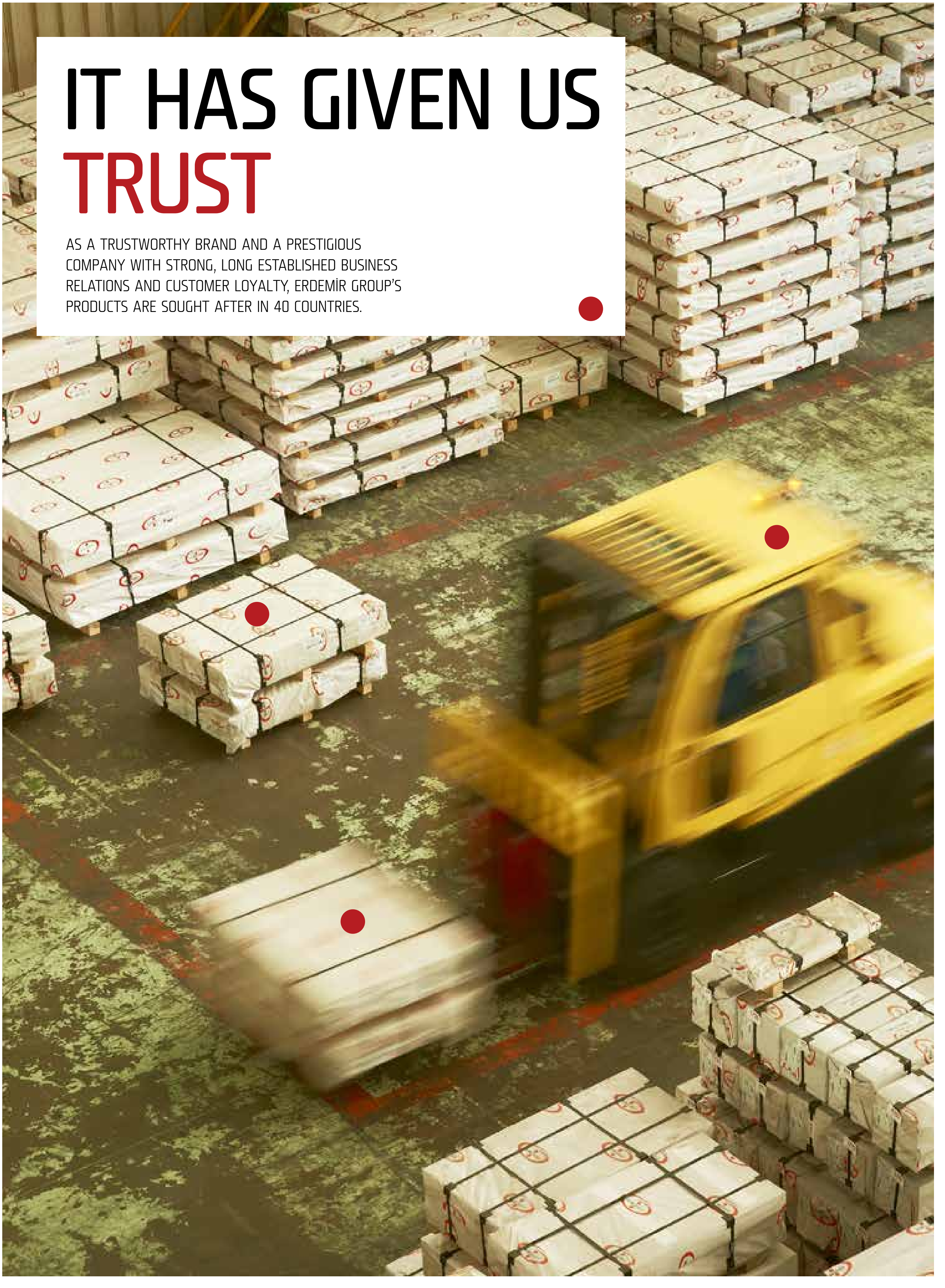
Products sought after in 40 countries

Erdemir Group, whose first priorities are to meet the demands of Turkish industry, reduce external dependency and contribute to the narrowing of Turkey's current deficit, is an active participant in foreign markets and one of Turkey's biggest exporters.

Erdemir Group exported a total of 905 thousand tons of processed products, 678 thousand tons of which consisted of flat steel and 227 thousand tons of which was long steel in 2014. Erdemir Group's export revenues amounted to US$ 627 million, an increase of 8%. Erdemir Group exported flat steel to 38 countries and long steel to 9 countries, with exports accounting for 11% of its total sales.

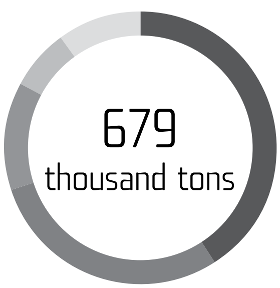
IT HAS GIVEN US TRUST

AS A TRUSTWORTHY BRAND AND A PRESTIGIOUS COMPANY WITH STRONG, LONG ESTABLISHED BUSINESS RELATIONS AND CUSTOMER LOYALTY, ERDEMİR GROUP'S PRODUCTS ARE SOUGHT AFTER IN 40 COUNTRIES.



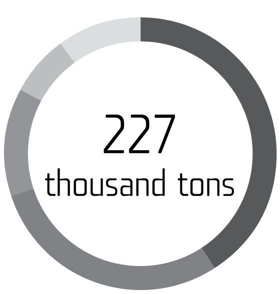
ERDEMİR GROUP EXPORTED TO A WIDE RANGE OF COUNTRIES AS FAR AFIELD AS SENEGAL AND PERU IN 2014.

Exporting flat steel sales breakdown in 2014



280 thousand tons; 41% EU
200 thousand tons; 29% North America
87 thousand tons; 13% Asia
46 thousand tons; 7% Middle East and North Africa
66 thousand tons; 10% Other

Exporting long steel sales breakdown in 2014



104 thousand tons; 46% Middle East and North Africa
91 thousand tons; 40% South Africa
17 thousand tons; 7% EU
15 thousand tons; 7% North America

Erdemir Group is managing the volatility in global markets through proactive strategies.
Continued political instability in the Middle East and North Africa region limited export opportunities in 2014. Erdemir Group successfully managed these challenging market conditions with proactive marketing strategies and consequently exported to an extensive geographical region stretching from Senegal to Peru in 2014. The Group also exported to Madagascar and Mauritius for the first time in 2014.

The Group's flat steel exports increased by 31% YoY, while exports of long steel products were down by 18%.

Targeting 1.25 million tons of exports in 2015
Erdemir Group operates in a variety of sectors such as international commerce, automotive, white goods, pipe and profile, steel service centers, building, and construction. The Group sells its flat and long steel products, which are part of its extensive product range, in different regions such as Europe, the Middle East, Africa, South America, USA and Canada. Erdemir Group's portfolio includes more than 120 international customers. Erdemir Group is known as a trustworthy steel brand worldwide, especially in Europe.

Already selling its products to 40 countries as far afield as Senegal and Peru, Erdemir Group aims to expand its number of its markets in 2015. It also aims to export 1.25 million tons of products by increasing its sales volume.

Erdemir Group will continue to capture more market share from international markets and strengthen its presence in line with its vision of "becoming a world class company".

Maintaining a strong position in the Turkish flat steel market.
Erdemir Group commanded a 35% market share in the domestic flat steel market and a 19% market share in the domestic long steel product market in 2014. Erdemir group also continued to widen its customer base during the year, adding 101 new customers to its portfolio.

In a year when the Turkish flat steel market contracted by 0.2%, Erdemir Group maintained its position by increasing its domestic shipments.

Ersem, a Group companies, increased its dispatches by 25% by successfully meeting the customer's processed material requirements.

Sales (thousand tons)	2010	2011	2012	2013	2014
Flat Processed Product	**5,131**	**5,856**	**5,980**	**6,338**	**6,933**
Ereğli Tin Plate	222	214	253	255	258
Ereğli Galvanized	190	213	155	126	79
Ereğli Cold Rolled	899	883	948	1.018	928
Ereğli Hot Rolled	1,672	1,583	1,623	1,669	1,736
Ereğli Plate	53	219	234	222	333
İskenderun Hot Rolled	1,839	2,317	2,309	2,432	2,846
Electrical Steel	61	63	61	52	46
Ersem Sales	195	364	397	564	707
Ersem Galvanized	58	95	126	169	221
Ersem Cold Rolled	88	148	145	211	256
Ersem Hot Rolled	91	21	126	185	230
Long Processed Product	**1,393**	**791**	**1,468**	**1,346**	**1,163**
Billet	722	331	913	754	625
Wire-Rod	439	450	555	591	538
Other	232	10	-	-	-
Iron Ore	**2,774**	**2,904**	**2,895**	**2,399**	**2,853**
Pellet	1,468	1,477	1,556	1,463	1,538
Other	1,306	1,427	1,339	936	1,315

Record breaking sales of flat steel products in 2014
Erdemir Group's sales volumes of flat steel products amounted to 6.9 million tons in 2014, an increase of 9% over 2013. Domestic flat steel sales volumes amounted to 6.3 million tons, an increase of 7%, while total sales revenues from flat steel amounted to US$ 4.2 billion.

75% of Erdemir Group's sales volumes in 2014 comprised of hot rolled and plate products, with 17% of its sales volumes consisting of cold rolled products, 3% of galvanized products, and 4% of metal packaging steel.

ERDEMİR GROUP SOLD 630 THOUSAND TONS OF GOODS TO THE AUTOMOTIVE SECTOR.

630

ISO/TS 16949 AUTOMOTIVE SECTOR QUALITY MANAGEMENT CERTIFICATE STANDS AS TESTAMENT TO THE IMPORTANCE ERDEMİR GROUP PLACES ON THE AUTOMOTIVE SECTOR.

ISO/TS 16949

IN A YEAR WHEN THE TURKISH FLAT STEEL MARKET CONTRACTED, ERDEMİR GROUP MAINTAINED ITS STRONG POSITION BY INCREASING ITS DOMESTIC SALES VOLUMES IN 2014.

Erdemir Group sales

Sector	Sales amount	Distribution
Pipe, Profile and Re-rolling	3.2 million tons	50%
Automotive	630 thousand tons	10%
White Goods and Household Appliances	695 thousand tons	11%
Machinery Manufacturing, Heavy Industry & Ship building	320 thousand tons	5%
Metal Packaging Steel	240 thousand tons	4%
Distribution Channels	1.2 million tons	20%

The Automotive sector is of key importance in Erdemir's sales.
Erdemir Group increased its sales by 15% through approximately 630 thousand tons in direct sales to the automotive sector, whose unit based production increased by 4% and exports increased by 25% in 2014.

As a result of Erdemir Group's investments, the Group was able to record an increase in the production and sale of steel used in automotive exterior surfaces, in another important development regarding sales made to the automotive sector.

Erdemir Group has demonstrated the importance it attaches to the automotive sector, with its companies, Erdemir, İsdemir and Ersem all holding the ISO/TS 16949 Automotive Sector Quality Management Certificate.

New cold rolled steel grades...

Erdemir Group remained the main supplier for manufacturers of white goods and panel radiators with new cold rolled steel grades developed in Turkey's only continuous cold rolling and continuous annealing lines in 2014.

Erdemir Group sold a record 1.2 million tons of cold products, 300 thousand tons of galvanized products, 258 thousand tons of metal packaging steel and 5.1 million tons hot rolled flat steel in the flat product group on the back of its close follow up of customer requirements, product quality, and reforms in services.

Long steel product sales of 1.2 million tons

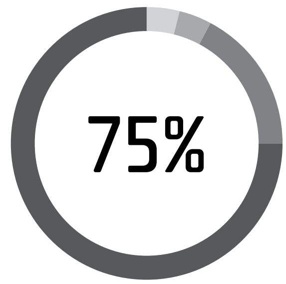
Erdemir Group sold 538 thousand tons of wire rod and 625 thousand tons of billet in the long processed products category in 2014, with 20% of the 1.2 million tons in long processed product sales being exported.

Rapid and easy solutions in accordance with customers' requirements

Erdemir Group's Steel Service Center (Ersem) continued to add value to its customers in 2014 by producing correctly and without waste with Erdemir quality and assurance.

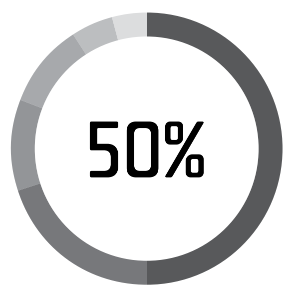
Ersem serves customers of various sizes from its facilities which are capable of just-in-time delivery, manufacturing with sensitive tolerances, and being able to produce at low volumes and of different types. Ersem enables end users to benefit from economies of scale by easing demands on the facilities, machinery, time, and labor through its specialty in supply chain management services.

Breakdown by Product



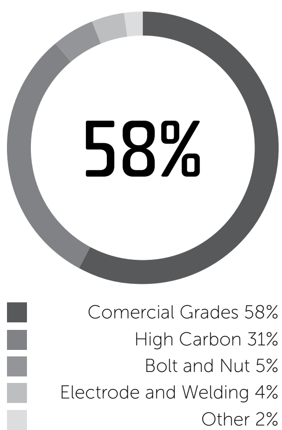
- Hot-Rolled and Plates 75%
- Cold Rolled 17%
- Galvanized 4%
- Tin Plate 4%

Breakdown by Industry

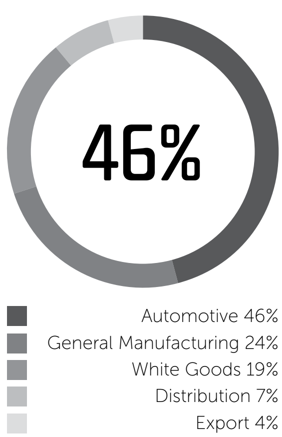


- Pipe, Profile and Re-rolling 50%
- Distribution Channels 20%
- White Goods and Household Appliances 11%
- Automotive 10%
- Machinery Manufacturing, Heavy Industry and Shipbuilding 5%
- Metal Packaging Steel 4%

Wire Rod Breakdown by Industry



Ersem Steel Service Center Breakdown by Industry



ERDEMİR GROUP IS FOCUSED ON CONTINUOUSLY IMPROVING THE "ERDEMİR" BRAND THAT IS IDENTIFIED WITH QUALITY, A RAPID SUPPLY PROCESS, AND EXTENSIVE DISTRIBUTION CHANNELS.

Ersem structures its sales and marketing network at a regional level, and brings the Erdemir quality and assurance to its customers through high quality service and pre- and after- sales support services.

Erdemir Group continues to develop its distribution channels within Ersem in order to ensure a rapid and timely delivery advantage for its customers in all of the sectors it serves in the region, primarily the automotive, white goods and general manufacturing industries.

Ersem's sales amounted to 707 thousand tons in 2014, marking an increase of 25% YoY. Ersem also increased its processed product sales volumes by 48% YoY to 371 thousand tons.

19% increase in Erdemir Group's mining sales

The Group sold 1.6 million tons of pellet in 2014. Sales volumes of other ores (lump ore, fine ore, by products and pellet cake) amounted to 1.3 million tons. Total sales of iron ore amounted to 2.9 million tons, increasing by 19% YoY.

IT HAS GIVEN US TECHNOLOGY

CREATING A DIFFERENCE WITH THE APPLICATIONS THAT WILL HELP THE GROUP REACH ITS 2020 VISION.

INFORMATION TECHNOLOGIES

ERDEMİR GROUP IMPLEMENTS INFORMATION TECHNOLOGY IN THE CONTROL OF ITS OPERATIONAL PROCESSES, MAINTENANCE, AND FUNCTION ADDITIONS.

The Information Technologies (IT) department continues its work in line with the Erdemir Group's global vision.
Erdemir Group's IT department, which works on a 24/7 basis, continued its activities and investments in the field of IT in 2014 as well.

Erdemir Group's IT department brought up-to-date IT applications into service in order to help its customers, investors and personnel reach information easily and securely, to increase productivity in business processes and meet the demands of its work units in accordance with the accepted standards

Control, maintenance, and function addition activities primarily in the production, sales, procurement and quality control processes and operational processes, were undertaken together with the business units by utilizing innovative approaches in the sector.

Solutions that bring ease to the lives of the Group's customers and personnel were implemented in order to work together to offer solutions to reach information rapidly by ensuring information security in support applications.

Erdemir Group's IT department will continue to serve the Erdemir Group by investing in the applications that will help the group reach its 2020 vision.

PROCUREMENT AND SUPPLY

THE ERDEMİR GROUP EFFECTIVELY REAPED THE BENEFIT OF THE PLUNGE IN COMMODITY PRICES IN 2014.

Erdemir Group is striding in the direction of becoming a world class company through the optimization of national resources.
Raw material markets exhibited a high level of volatility in 2014 but with a clear downtrend, and the indices followed a volatile course. The 50% plunge in iron ore prices during the year precipitated a reversal in all projections of an uptrend in commodity prices. Factors such as the tensions between Russia and Ukraine, the decline in oil prices and the reduction in the rate of growth in China's economy all had a direct impact on all commodity markets, especially iron ore. These reflections of these influences on the steel sector are also expected to continue in 2015.

These conditions, dominated by volatility and uncertainty, mean it is imperative that the Erdemir Group seeks alternative sources of supply and closely follows countries with raw material supplies such as Brazil, Australia, USA, Canada and, in particular, China which is of particular importance for the Erdemir Group in this aspect.

In 2014, Erdemir Group benefited most effectively from the downtrend in the commodity markets. At the same time, maximizing the utilization of national resources, whether or not they are within the Erdemir Group, remained a major strategy. In this context, the use of local ore and pellet, supplied from the Ermaden Divriği facilities, was maximized as in previous years.

Erdemir Group carried out activities to create alternative resources both domestically and internationally for all supply items in line with its philosophy of sustainable supply. These activities were shaped through the synergy created by the harmonization of the supply chain, procurement, production, and sales functions and in line with "earning when purchasing" approach that is the first point where profits are made.

ERDEMİR GROUP'S UNWAVERING TARGET IS THE CONTINUED OPTIMIZATION OF NATIONAL RESOURCES

OCCUPATIONAL HEALTH AND SAFETY

ERDEMİR GROUP ALSO SUCCESSFULLY COMPLETED THE OHSAS REVIEW AUDITS IN 2014.

OHSAS

ERDEMİR GROUP CONTINUOUSLY AND SYSTEMATICALLY SUPPORTS ITS PERSONNEL THROUGH OHS TRAINING SESSIONS, AND MAKES A DIFFERENCE IN THIS FIELD.

Erdemir Group embraced the principle that every accident is preventable and operates with the objective of accident-free production.
Erdemir Group provides a healthy and safe working environment for its personnel and provides them personal protective equipment that meets world standards. The Group realizes the importance of employee participation in creating and maintaining a culture of safety that will realize accident-free production. The personnel of Erdemir Group companies are supported continually and systematically through OHS training, which boosts awareness in this field.

One of the main factors behind the Erdemir Group's success as a whole is the importance it assigns to its personnel's health and safety and its consistently improving and successful performance in the field of OHS.

The founding principles of Erdemir Group's OHS policy, that includes the objective of accident-free production, are as follows;

- To eliminate accidents in the production of steel by applying risk management,
- To protect the health of its personnel by ensuring their working environments are safe,
- To ensure that the personnel are devoted to a culture of sustainable safety.

An OHS approach based on systematic and continual improvement
Erdemir was the first company in Turkish steel sector to hold the OHSAS 18001 Occupational Health and Safety Management System Certificate. Erdemir ensures the systems continuity and development with the activities it has been carrying out since 2004. It continues to document its success through the annual audits carried out by Turkish Standards Institute. İsdemir has been implementing the OHSAS 18001 Occupational Health and Safety Management System since 2005 and Ermaden has been implementing it since 2009. Erdemir Group companies successfully completed the OHSAS review audits in 2014.

Studies in the Ermaden field

The Soma mining tragedy, which took place last year, created a major upset and caused OHS to be questioned at every level in Turkey. As a corporate citizen with a sense of responsibility, Erdemir Group had its Ermaden licensed mines audited by a team of three surveyors from an accredited company for two weeks in July 2014. From an OHS point of view, the Company was proud of the statement following the audit, which reported that a few minor shortcomings had been eliminated.

Periodic activities to contribute to OHS

OHS performance, improvement activities, and opportunities for improvement are systematically evaluated in OHS committee meetings, the unit OHS committee and sub- committee meetings in the Erdemir Group. Audits, in which managers also participate in, are carried out in addition to the daily controls and inspections conducted by Occupational Safety specialists.

In 2014, a total of 97 Informed Safety Tours and 47 Uninformed Safety Tours were carried out at Erdemir, and 19 Informed Safety Tours and 141 Uninformed Safety Tours were carried out in İsdemir. The necessary improvements were implemented. These improvements and best practices were shared with other steel companies in the World Steel Association's Occupational Health and Safety Committee meeting held in Barcelona in September 2014.

Activities carried out to prevent accidents

In Erdemir Group companies, electronic reports filled by the personnel are followed to identify danger notices that are important factors in preventing accidents and near misses. OHS improvements are accordingly carried out.

THE LICENSED MINES OF ERMADEN, AN ERDEMİR GROUP COMPANY, WERE AUDITED BY A TEAM OF THREE AUDITORS FROM AN ACCREDITED COMPANY FOR TWO WEEKS IN JULY 2014.

	Number of Attendant	Hour	Ratio in Total Training (%)	Average training hour per employee
Erdemir	57,770	188,427	51.5	29.2
İsdemir	23,867	135,282	62.9	23.9
Ermaden	276	6,022	66	21.9

A TOTAL OF 329,731 MAN HOURS OF OCCUPATIONAL HEALTH AND SAFETY TRAINING WAS PROVIDED TO ERDEMİR PERSONNEL AND SUB-CONTRACTORS' PERSONNEL IN 2014.

Exemplary practice in OHS field in Erdemir

Accident Analysis specific to Erdemir has been carried out for the last four years, to find the root causes of accidents which have taken place, to determine the precautionary measures to be taken and to derive proactive results from reactive measures, in contrast with the accident investigations carried out for a long time in Erdemir. In this practice, work accidents are analyzed according to occupational, human, and environmental factors and the necessary measures to be taken are identified and the necessary work to be carried out is determined with statistical results.

Training for a sustainable safety culture

Erdemir Group assigns importance to the activities to raise awareness in OHS field in order to create and sustain a safety culture through internalization of OHS rules by the personnel.

The new Occupational Health and Safety Law No.6331 emphasizes the sub-contractor concept. In Erdemir, training on various subjects against different risks are provided to people who serve to Erdemir to spread safety awareness, without discriminating between sub-contractors and Erdemir personnel. A total of 188,427 man hours of occupational health and safety training were provided to Erdemir personnel and sub-contractors' personnel in 2014.

Erdemir shares its knowledge and experience with Joint Health & Safety Union companies from which sub-contractor companies buy services, and provides unpaid guidance services.

Announcements, information, presentations, news, and interviews related to OHS were published through internal communication means across the Group during 2014, contributing to an increase in OHS awareness.

IT HAS GIVEN US INNOVATION

ERDEMİR AIMS TO BE “ADVANCED STEEL RESEARCH CENTER” THROUGH THE TURKISH STEEL SECTOR’S FIRST R&D CENTER.

R&D

ERDEMİR GROUP HAS BEEN CARRYING OUT PROJECTS AIMED AT DEVELOPMENT OF PROCESSES AND NEW PRODUCTS, WHICH CUT COSTS IN STEEL PRODUCTION AND INCREASE STEEL QUALITY.

ERDEMİR ESTABLISHED THE FIRST R&D CENTER IN TURKEY'S IRON & STEEL SECTOR TO BE APPROVED BY THE MINISTRY OF SCIENCE, INDUSTRY AND TECHNOLOGY ON AUGUST 26, 2014.

R&D

Erdemir Group continues its R&D investments to meet the changing needs of the times with the aim of producing high value-added products that will ensure a competitive advantage. Erdemir aims to achieve a much more dynamic structure with regard to production of innovative products through the first R&D center in Turkey's steel sector to be brought into service in 2014. With this R&D center, Erdemir aims to be an "Advanced Steel Research Center".

Erdemir aims to maintain its superiority and advance the knowledge it has accumulated in metallurgy. Erdemir completed infrastructural work on a campus and laboratory and established Turkey's 162nd R&D center to be approved by the Ministry of Science, Industry and Technology on August 26, 2014. What sets the Erdemir R&D center apart is that it is the first Ministry approved R&D center in the steel sector. The R&D center operates in four main departments; Raw Materials and Iron Production, Steel Production and Casting Technologies, Hot Product and Process and Cold Product and Process.

Erdemir Group carries out activities in its material characterization and material shaping laboratories to provide the products required by customers and the sector. It also has been carrying out projects aimed at developing processes and new products which cut costs in steel production by using alternative and more economical raw materials or ancillary raw materials, and which increase the quality of the steel produced.

12 NEW GRADES WERE DEVELOPED FOR LONG STEEL PRODUCTS, WITH THE TOTAL NUMBER OF LONG STEEL PRODUCT GRADES REACHING 251.

In 2014, Erdemir Group developed 20 new flat steel product grades and increased the number of cold-rolled product grades in its portfolio to 171, the number of hot-rolled product grades to 245 and total number of flat steel grades to 416 as a result of studies jointly conducted by the R&D and Quality Technology Directorate. Twelve new grades were developed for long steel products and the total number of long steel product grades reached 251.

Within the scope of gaining a presence in the Canadian market, six steel grades aimed at the general building sector, five steel grades aimed at the automotive and white goods sector and nine steel grades aimed at the piping sector were developed and presented for sale.

Erdemir Group won second award in the process improvement category among 103 projects with its "Optimization of Formability Parameters in 6513 Grade Steels Project", within the scope of Productivity Project Awards held for the first time by Ministry of Science, Industry and Technology. The Group increased its productivity through this project, which also positively contributed towards reducing the country's imports and current deficit, while supporting the prospective growth potential of exports, the development of the country's scientific infrastructure and growth of its innovative capacity.

Erdemir Quality Technology Directorate laboratories completed their preparations to apply to accreditation certificate according to TS EN ISO/IEC 17025 standard in 2014 and applied to TÜRKAK (Turkish Accreditation Agency).

ERDEMİR GROUP INCREASED ITS TOTAL NUMBER OF FLAT STEEL GRADES TO 416 IN 2014.

416

ERMADEN CARRIED OUT DRILLING OPERATIONS AT 85 LOCATIONS IN 2014.

85

R&D Center and strategic collaborations

Within the scope of strategic collaborations focused on innovation, the R&D center signed a protocol with the Atılım University Metal Formation Excellence Center. It also developed its international relations. Within the scope of the Horizon 2020 Marie Skladowska-Curie Actions (MSCA) ITN program, the center collaborated with the Anadolu University regarding "possibilities for use of basic oxygen furnace slag in the construction sector and road construction" and participated in an international consortium.

The R&D Center completed the "Saving on Ferro Mangan during Steel Production" project carried out with the support of TÜBİTAK-TEYDEB at the end of 2014. The "Separation of Oil from Scales with Various Solvents and Scales Recycling" project, carried out with the support of TÜBİTAK-TEYDEB, was also completed at the end of 2014. Furthermore, TÜBİTAK-TEYDEB applied to undertake the "Organic Waste Disposal in Steel Sector" project.

Mine Production

R&D activities were carried out aimed at exploration and drill work in a bid to increase iron ore reserves at Ermaden. In this context, 85 drilling operations were carried out to explore new ore assets and to extend the operational life of the existing plants in 2014. Production and mine operation projects started to be prepared for iron ore production.

INVESTMENTS

IN 2014, ERDEMİR GROUP CONTINUED ITS INVESTMENT STUDIES AIMED AT INCREASING PRODUCTION.

Erdemir - Completed and Ongoing Investments in 2014

- **Ereğli Steel Service Center Project**
  The Steel Service Center, with an annual capacity of 650 thousand tons and comprised of 5 lines, three of which are for cold products and two of which are for hot products, was established within the Ereğli Facilities and brought into service. The center was established to contribute to the production of integrated flat steel production capacity owned by Erdemir in the most effective manner, and to contribute to the sale of the flat steel produced.

- **No. 7 Air Separation Plant Project**
  The No. 7 Air Separation Plant was installed to close down the air separation plants that had completed their useful lives and those which were burdened by high energy costs. It was also established to cut costs by increasing the amount of injection coal directed to the blast furnaces. The plant will serve the No.1 and 2 blast furnaces and will lead to a reduction in production costs thanks to its low specific energy consumption.

- **No. 3 Coal Injection Grinding Plant**
  The investment in the No. 3 Coal Injection Grinding Plant was completed in 2014. This plant aims to increase the coal injection directed into the blast furnaces by increasing the coal injection grinding plant capacity and reducing liquid un-processed iron production costs, by achieving a reduction in the coke rate.

- **No.2 Continuous Galvanizing Line**
  The tendering process of the 'No.2 Continuous Galvanizing Line' Project is still underway. This line will produce high quality special products with high tech features, aimed especially at the automotive industry.

EREĞLİ STEEL SERVICE CENTER ESTABLISHED A STEEL SERVICE CENTER WITH AN ANNUAL CAPACITY 650 THOUSAND TONS COMPRISED OF 5 LINES IN THE EREĞLİ FACILITY.

650,000

RAW MATERIAL R&D SIMULATION AND PRODUCT DEVELOPMENT R&D SIMULATION LABORATORIES WILL BE COMMISSIONED IN 2015.

- **Blast Furnace Top Pressure Recovery Turbines (TRT) Plant**
  Blast furnace gas has a certain pressure and is produced as a by-product from the blast furnaces. This gas will pass from the "Blast Furnace Top Pressure Recovery Turbines" to be installed, before being directed to low pressure gas distribution lines; after being cleaned and cooled off, electricity will be produced. This investment is still underway.

- **Increase in Product Range and Capacity at No.2 Cold Rolling Mill Continuous Pickling -Tandem Line (CPL-TCM) Project**
  Tendering work for the project aimed at increasing the width limits and the plant's capacity at the No.2 Cold Rolling Mill Continuous Pickling -Tandem Line (CPL-TCM) was initiated. The aims of this project are to reduce the amount of inputs that will be obtained externally at the No.2 Continuous Galvanizing Line Project, that will be newly installed, and to meet the No. 1 Cold Rolling Mill annealing and temper capacities.

- **Transformation of BOF Ladle Treatment Station into a Ladle Furnace**
  The investment to transform the BOF Ladle Treatment Station into a Ladle Furnace is intended to raise the quality of the steel produced in the Erdemir no. 3-4 Continuous Casting Plant by eliminating the problems currently encountered in the No. 1 Metallurgy Station. Work on the investment is ongoing.

- **R&D Center and Simulation Center**
  The Erdemir R&D Center was established to develop new products and production technologies, to raise the quality and standard of the products, to increase productivity, to reduce costs, to save energy and to carry out R&D operations in a more effective manner and under a central structure. The Simulation Center, which is planned to be commissioned in 2015, will also include two comprehensive laboratories - a raw material R&D simulation laboratory and a Product Development R&D simulation laboratory. The studies to reduce raw material costs and develop high value-added new products, as well as the simulation laboratories, are included in the Group's priority strategies.

- **Normalizing Furnace Modernization Project**
  Work got underway on the Normalizing Furnace Modernization to produce normalized plate for wind farms by extending the length of the existing normalized oven and transforming combustion systems from coke gas into natural gas, and achieving energy savings, with the aim of increasing market share in the plate market.

- **Manisa Steel Service Center Project**
  Erdemir Group is carrying out work to establish the Manisa Steel Service Center in the Manisa Organized Industrial Zone following the studies which it carried out. This center will serve the objectives of ensuring that Erdemir Group products are offered to a market with a wider base in the Aegean Region, to facilitate the realization of price targets, to promptly meet customer demands, to increase its competitive power and to process materials to be produced at the new galvanizing line. In this context, a contract was signed to set up a cold slitting line in the first stage.

- **The No. 6 Steam Boiler**
  The objective of the No. 6 Steam Boiler project is to produce steam by utilizing blast furnace gas at the maximum level and more productively. Work on the tender for the project is ongoing.

İsdemir
Meanwhile, in İsdemir, work on the utilization of plant capacities at maximum effectiveness and productivity have been carried out; furthermore, studies for new investments are ongoing. Within the scope of the Mine Pit and Beam Change Project, the beam changing part, the hot slitting and packaging line project, the installation of dust collection system at the No. 1 Sinter Plant Fume Chimney and improvement of the No.1 Sinter Electro Filters 2nd phase works completed, and all of these plants were commissioned.

Ermaden Hasançelebi Iron Ore Enrichment and Pelleting Plant Project
The Group plans to construct an Iron Ore Enrichment and Pelleting Plant, with an annual capacity of 3.0 million tons of pellet production using resources from the iron mine fields, located in Hasançelebi, Malatya. These fields have 1,054 billion tons of reserves with an average 19.49% Fe_3O_4 tenor. The legal permits required for the plant have been obtained.

Technological tests and laboratory tests were carried out to develop the required process parameters and flow charts at the pilot plant scale to produce a product pellet with the right composition that can be used by blast furnaces. Pre-engineering studies were prepared in line with these tests. A "Strategic Investment" incentive certificate was obtained for this investment.

The expropriation processes of private land located in the project field are ongoing. Once the expropriation work has been completed, the project will be re-evaluated and reviewed.

ERMADEN PLANS TO ESTABLISH AN IRON ORE ENRICHMENT AND PELLETING PLANT WHICH WILL USE IRON MINED FROM THE MALATYA FIELD, WHICH HAS 1,054 BILLION TONS OF RESERVES.

1,054

THE AIM IS TO PRODUCE STEAM BY UTILIZING BLAST FURNACE GAS AT THE MAXIMUM LEVEL AND MORE PRODUCTIVELY WITH THE “NO. 6 STEAM BOILER PROJECT” IN ERDEMİR.

INVESTMENT PROJECTS		2014		2015		2016		2017		2018	
Name	Company	1.H	2.H	1.H	2.H	1.H	2.H	1.H	2.H	1.H	2.H
A-COMPLETED INVESTMENTS											
MODERNIZATION OF ELECTROLYTIC TINNING LINE AUTOMATION SYSTEMS	ERDEMİR	■									
NO.3 SLAB FURNACE MODERNIZATION AND EVAPORATIVE COOLING SYSTEM IMPROVEMENT PROJECT	ERDEMİR	■									
INSTALLATION OF EXTERNAL COMBUSTION SYSTEM IN THE COGENERATION POWER PLANTS	ERDEMİR	■									
COLD SLITTING LINE	İSDEMİR	■									
RELADLING PIT AND CHANGING CRANE GIRDERS	İSDEMİR	■									
MODERNIZATION OF NO. 4 COKE OVEN BATTERY	İSDEMİR	■									
INVESTMENTS IN BOF (Basic Oxygen Furnace) SHOP AND CONTINUOUS CASTER RELATED TO BLAST FURNACE NO.2 RELINING	ERDEMİR		■								
EREĞLİ STEEL SERVICE CENTER PROJECT	ERDEMİR		■								
CAPACITY INCREASE FOR COAL INJECTION PLANT	ERDEMİR		■								
MODERNIZATION OF BOF AND CONTINUOUS CASTING OF THE LEVEL 1 AND LEVEL 2 SYSTEMS OF THE 3RD & 4TH PLANTS	ERDEMİR		■								
B-ONGOING INVESTMENTS											
NO. 7 AIR SEPARATION PLANT PROJECT	ERDEMİR			■							
1ST ENVIRONMENTAL INVESTMENTS / INSTALLATION OF DUST COLLECTION SYSTEM AT 1ST SINTER PLANT FUME CHIMNEY	İSDEMİR			■							
2ND ENVIRONMENTAL INVESTMENTS / IMPROVEMENT OF NO.1 SINTER 1,2,3,4,5 numbered ELECTRO FILTERS	İSDEMİR			■							
NO.3 BLAST FURNACE HOPPER REFRACTORY CHANGE	İSDEMİR			■							
CONSTRUCTION OF NEW BRIDGE OVER GÜLÜÇ RIVER AND LINK ROADS	ERDEMİR				■						
MANISA STEEL SERVICE CENTER	ERDEMİR				■						
BLAST FURNACES TOP PRESSURE RECOVERY TURBINES (TRT) PROJECT	ERDEMİR					■					
TRANSFORMATION OF BOF LADLE TREATMENT INTO LADLE FURNACE PROJECT	ERDEMİR					■					
ERDEMİR GROUP R&D INVESTMENTS	ERDEMİR					■					
CONSTRUCTION OF NO. 4 STOVE FOR NO.1 BLAST FURNACE	ERDEMİR					■					
LEVEL 2 MODERNIZATION OF NO.2 HOT ROLLING MILL	ERDEMİR					■					
NO.3 BLAST FURNACE AND NO.4 BLAST FURNACE TRT PLANTS PROJECT	İSDEMİR					■					
NO. 2 BLAST FURNACE RELINE AND STOVE MODERNIZATION	İSDEMİR					■					
NEW ENVIRONMENTAL PACKAGE	İSDEMİR					■					
2ND STAGE INVESTMENTS OF EREĞLİ STEEL SERVICE CENTER	ERDEMİR						■				
INCREASE IN PRODUCT RANGE AND CAPACITY AT NO.2 COLD ROLLING MILL CONTINUOUS PICKLING-TANDEM LINE (CPL-TCM) PROJECT	ERDEMİR						■				
NORMALIZING FURNACE MODERNIZATION	ERDEMİR						■				
NO. 6 STEAM BOILER	ERDEMİR							■			
RENOVATION AND EMISSION REDUCTION OF COKE OVEN BATTERY CARS	ERDEMİR							■			
ADDITIONAL INVESTMENTS IN ENERGY DISTRIBUTION SYSTEMS	ERDEMİR							■			
NO.2 CONTINUOUS PICKLING LINE (CPL) WELDING MACHINE, EDGE CUTTING AND SCRAP CHOPPING UNIT’S RENOVATION	ERDEMİR							■			
NO. 8 AIR SEPARATION PLANT	İSDEMİR							■			
NO.2 CONTINUOUS GALVANIZING LINE (WIDE GALVANIZE)	ERDEMİR								■		
PORT INVESTMENTS (PHASE 2)- 1ST PHASE OF COASTAL PROTECTIVE DEFENCES	İSDEMİR								■		
HOT ROLLING MILL IMPROVEMENT INVESTMENTS	İSDEMİR								■		
MODERNIZATION OF NO. 3. COKE OVEN BATTERY	İSDEMİR								■		
ERDEMİR ENVIRONMENTAL INVESTMENTS	ERDEMİR										■
HASANÇELEBİ IRON ORE ENRICHMENT AND PELLETING PLANT PROJECT	ERMADEN										■

IT HAS GIVEN US HOPE

ERDEMİR GROUP CARRIES OUT ITS OPERATIONS AS A CORPORATE CITIZEN WHICH RESPECTS SOCIETY, PEOPLE, AND THE ENVIRONMENT. IT CONTINUES ITS WORK WITH THE OBJECTIVE OF LEAVING A SUSTAINABLE WORLD FOR FUTURE GENERATIONS.

SUSTAINABILITY

A CONCEPT THAT PLAYS A KEY ROLE IN DETERMINING THE ERDEMİR GROUP'S STRATEGY

Erdemir Group bases its all operations on sustainability and creating lasting value. It acts as a corporate citizen responsible for the economy, the environment and society.

In a world with a population of over 7 billion, and which is forecasted to reach 10 billion by 2050, the question of how to pass on limited resources to future generations and how to ensure sustainability in the world is one of today's most important topics of discussion.

In the last 25 years, the concepts of economic growth and development have left humanity with an equation with many unknowns. Massive strides in per capita income in developing economies have given rise to a dependency on fossil fuels in addition to the increase in consumption of natural resources and energy.

On the other side of the process, academics and international organizations like the UN are taking multilateral initiatives regarding the world's future, going to great lengths to reduce carbon emissions.

Nowadays, business models that are environmentally friendly and which support society, are gaining increasing importance in the world's future vision, and the business world in particular. These models require environmental and social aspects and factors to be integrated into the business processes. Steel, which is the driving force of a sustainable economy and an indispensable part of a modern life, has a critical role in economic growth. The fact that steel can be 100% recycled diminishes the need for natural resources and ensures the sustainability of steel. Manufacturing recycled steel consumes less energy.

ERDEMİR GROUP REALIZES ITS INVESTMENTS, PRODUCTION AND OTHER BUSINESS OPERATIONS IN LINE WITH A HOLISTIC APPROACH THAT PLACES ENVIRONMENTAL PROTECTION AT ITS HEART.

The concept of sustainability, which deals with the ecological balance and economic growth together, and includes the notions of meeting current needs without endangering the ability of future generations to meet their own needs by ensuring the effective use of natural resources and protecting the environment in the long term, is of key importance for the Erdemir Group in determining its strategies and corporate goals.

Erdemir Group's main target is to operate by ensuring sustainability in all elements of the production process and trade cycle as a corporate citizen which is responsible for the economy, the environment and society. Accordingly, the Group operates in cooperation with its customers, personnel, business partners, regulatory authorities and other stakeholders in the production and trade cycle.

Erdemir Group realizes its investments, production and other business operations in line with a holistic approach that revolves around the concept of environmental protection. Many projects currently being carried out within the Group will ensure a wealth of gains in many areas such as energy efficiency and contributions to society. The most important goal of these projects is to increase resource efficiency.

HUMAN RESOURCES

THE ERDEMİR GROUP ATTACHES TREMENDOUS IMPORTANCE TO INVESTING IN PEOPLE AND BELIEVES THAT HUMAN RESOURCES ARE ONE OF THE FACTORS THAT SET IT APART FROM THE COMPETITION

AT THE END OF 2014, ERDEMİR GROUP EMPLOYED 12,872 PEOPLE.

12,872

At the end of 2014, the Erdemir Group provided employment to 12,872 people, and is a large employer on a global scale. The Group implements human resource practices to increase the number of personnel who are qualified, knowledge producers, problem solvers, who are open to development and team players. These practices are also implemented with the aim of retaining personnel with the aforementioned qualities.

2014 employment practices

The most competent individuals were brought to the Group in accordance with the human resource planning activities that include requirement analysis by taking into account the Erdemir Group's values, culture and existing organization.

Corporate Culture activities

Corporate Culture activities in the Erdemir Group were initiated in August 2014 to evaluate the existing situation of corporate culture and to determine its strengths and areas requiring improvement, opportunities for improvement and obstacles facing a more successful performance. These activities are carried out under 4 headings; leadership, communication, organizational silos and change management.

To create a high performance culture

The Personal Performance Management Process was changed in 2014 and activities were carried out for it to operate more effectively and productively in a bid to spread the high performance culture in the Erdemir Group. The Erdemir Group Personal Performance Management System was designed as a management system in which the performance of the personnel is evaluated for the Group to realize its targets and to facilitate individual development; the performance of the personnel is also followed up and feedback is given, areas in need of improvement are identified and the steps are taken to support the employee's development.

In 2015, the Group will carry out activities to bring strategic goals to individual targets and to determine targets regarding the main areas of responsibility.

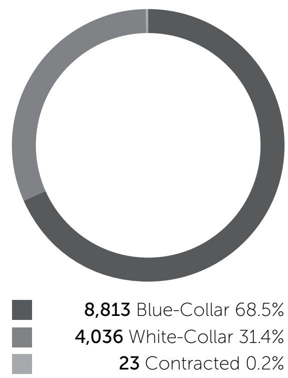
In 2015, Erdemir Group aims to carry out improvement activities in accordance with the feedback it receives from managers and personnel. It also aims to support the managers and personnel on a continual basis and to reinforce the culture of high performance together with all other corporate development activities.

The importance of talent management activities for the future
Erdemir Group realizes that it can only achieve its target of becoming a world class company with qualified human resources. Accordingly, one of the focal points of its activities in 2014 was Organizational Development and Talent Management practices.

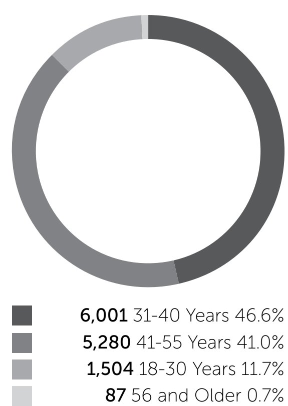
Systems to identify talents, the first step in managing talent, were developed in 2014, with a focus especially on developing management teams' awareness of this issue. The work carried out in Erdemir for two years contributed to the progress of this process.

The second step of the talent management process, which is just as important as identifying internal talents, is to bring the talent to the company. During the employment process, rather than simply filling open positions, a target has been set of bringing individuals to the company who have high potential, will take a place in Erdemir Group's future and who can shape this future, and who are open to innovation and development. The activities that will develop the employee brand started to achieve this target.

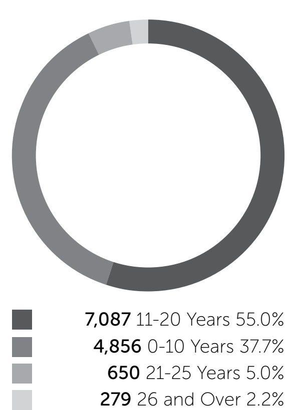
Number of Employees



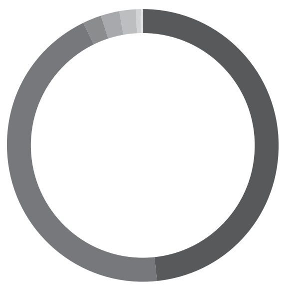
Breakdown by Age



Employee Tenure

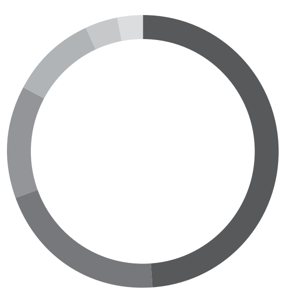


Breakdown by Province



6,235 Kdz.Ereğli 48.4%	**276** Sivas 2.2%
5,714 İskenderun 44.4%	**76** Gebze 0.6%
287 İstanbul 2.2%	**3** Manisa 0.0%
278 Romania 2.2%	**3** Singapore 0.0%

Education Level



6,304 High School and Equivalent 49.0%
2,678 Undergraduate 20.8%
1,719 Elementary School 13.4%
1,314 Vocational School 10.2%
497 Literate* 3.9%
360 Master/Ph.D. 2.8%

* 497 employees have elementary school and below education.

PROVIDING A HEALTHY, SAFE AND COMFORTABLE WORKING ENVIRONMENT IS A PRIORITY FOR THE ERDEMIR GROUP

Career opportunities and development

Within the scope of annual regular reviews and meetings conducted at the Erdemir Group, personnel's training and development activities are performed in accordance with the back up plans of key and critical positions.

Erdemir Group also carries out an internal mentoring program to support the development of employees and to transfer the Erdemir leadership culture from experienced leaders to new and potential leaders.

Erdemir Group Academy

The Erdemir Group Academy, whose infrastructure was formed in 2014, will serve to plan training for the personal and manage their development needs more proactively and strategically.

Erdemir Group Academy:

- will re-configure and develop all training and development activities under a corporate university concept,
- will manage the training and development activities of the Erdemir Group companies under one roof with a joint strategy.

Training activities in Erdemir Group

Erdemir Group also continued training activities in 2014 to support its employees with training programs in line with their needs during their employment starting from the day they join the company. These activities also aim to increase their knowledge and skills, prepare those who have leadership capacity as future leaders and to help existing leaders adopt a joint management culture in accordance with the Group strategy and goals.

Executive Development Training
Erdemir Group aims to implement an Executive Development Program in 2015. In 2014, a total of 1,198 employees participated in the training programs carried out within the scope of Executive Development Program, with a total of 10,953 man hours of training provided in the program.

The main objectives of the training were to help employees in management positions adopt a joint management culture, to create a difference in corporate performance, to raise leaders who will carry the Group to future successes and to sustain continual development.

Talent Group Training
The Group attaches importance to the development of talented employees. A total of 310 employees participated in Talent Group Training sessions carried out in 2014, with a total of 2,657 man hours of training provided in total.

The Group plans to implement developmental activities for talented employees in four different categories as part of the Group Academy activities and within the Group during 2015.

Other training programs
In the Erdemir Group, personal development and orientation training programs carried out with internal resources continued in 2014. Company orientation trainings with the support of different departments were conducted for newly employed and intern students. Meanwhile, 6,344 Erdemir employees participated in external training programs throughout the year.

The Unit Training System (UTS) is a learning model in which the knowledge and experience derived from regular questioning and improvement of business methods are shared. A total of 1,047 employees in Erdemir and 6,041 employees in İsdemir received training within the scope of UTS.

A TOTAL OF 1,198 EMPLOYEES PARTICIPATED IN EXECUTIVE DEVELOPMENT PROGRAMS IN 2014, WITH 10,953 MAN HOURS OF TRAINING PROVIDED.

10,953

310 EMPLOYEES PARTICIPATED IN THE TALENT GROUP TRAINING SESSIONS, WHERE 2,657 MAN HOURS OF TRAINING WAS PROVIDED.

2,657

Internship programs

In 2014, Erdemir Group helped increase the occupational knowledge of young people about to enter the workforce, while also helping intern students gain corporate company experience through its internship programs. In this context, 410 students from faculties and vocational colleges completed their internships at Erdemir, and 436 students completed their internships at İsdemir. A total of 165 students from vocational high schools who completed their internships at Erdemir, and 185 at İsdemir.

Additionally, under a new scheme set up in a protocol signed between Erdemir and Gazi and Marmara Universities, students were provided with work place training - a longer term internship - with an eye to bringing them to the Group in the future.

Occupational/Technical, personal development, executive and obligatory training

Company	Participants	Hours
Erdemir - Ereğli	28,705	239,300
İsdemir - İskenderun	34,618	214,923
Erdemir Group - İstanbul	315	293
Ermaden - Sivas	276	9,119

Continuous improvement

Erdemir creates value for the Group and its personnel through improvement practices - which are one of the most important elements of the Erdemir corporate culture, suggestion systems, team activities, and a wide array of improvement tools and techniques, such as the design of experiments that include advanced statistical tools. Improvements may be carried out in many areas such as occupational health and safety, customer satisfaction, quality improvement and increased productivity.

Erdemir Group encourages employee participation in improvement activities under an inquisitive approach and creates a working environment which ensures that continuous improvement becomes a central business approach for the company. In 2014, Erdemir Group created US$ 55.9 million of value through suggestion systems, the process of ‘kaizen’ (continuous improvement), the activities of improvement teams and Design of Experiments projects. A total of US$ 15.7 million was generated in Erdemir and US$ 40.2 million was generated at İsdemir.

Additionally, the Erdemir Group won second award in the “Big Company/ Process Improvement Category” with its “Optimization of Formability Parameters in the 6513 Grade Steels Project”, which was accomplished with a DoE technique and completed successfully in 2014 within the scope of Productivity Project Awards organized by the Ministry of Science, Industry and Technology.

Health and Social Services

Providing a healthy, and safe work environment is a priority for the Erdemir Group. Through fully equipped health centers located in the Ereğli and İskenderun facilities, dosimeter radiation follow up tests are carried out and the Group provides medicine dispensing services, recruitment examinations, periodic examinations, preventive measures for occupational accidents and occupational illnesses, treatment follow up and other services, and social security payments for convalescing employees, along with funeral services for personnel and their relatives, fully equipped emergency responses and ambulance services, first aid and emergency treatment services are carried out. First aid training was also provided, with certificates for personnel who complete the course.

Erdemir Group provides an environment where its personnel can come together and share opportunities that raise opportunities for socializing. The Group serves personnel and their families through social facilities located in the Ereğli and İskenderun premises, including restaurants, nurseries, sport facilities and cultural activity areas, guesthouses, beaches and swimming pools. The Group also provides the food and transportation needs of its personnel.

Putting occupational health and safety first

In Erdemir Group, awareness activities aimed at sub-contractor personnel and interns as well as the company's personnel continued to instill and maintain a culture of safety in 2014 as well. Details regarding this topic may be found on page 47 of this report under the heading of "Occupational Health and Safety in the Erdemir Group".

Convention, summit, conference and seminars

Erdemir Group provided its personnel with the opportunity to gain familiarity with the products and technologies of domestic and foreign companies in order to contribute to the professional developments of its personnel and to enable them to follow up new technologies. A total of 756 employees from Erdemir and 397 employees from İsdemir participated in the Quality circles sharing, Ankiros Fair, Energy Productivity, Hydraulic Pneumatic and Occupational Health and Safety conventions.

ERDEMİR GROUP CREATED A TOTAL OF US$ 55.9 MILLION IN VALUE IN 2014 AS A RESULT OF ITS CONTINUING IMPROVEMENT ACTIVITIES.

55.9

MANAGEMENT SYSTEMS

ERDEMİR GROUP CARRIES OUT ITS OPERATIONS IN ACCORDANCE WITH THE STANDARDS OF A WIDE ARRAY OF MANAGEMENT SYSTEMS.

Erdemir Group implements internationally accepted management systems and carries out its operations in accordance with the systems requirements in order to help its personnel adopt a quality culture, handle continuous improvement activities systematically with a focus on stakeholder expectations and ensure all processes function more effectively, correctly and are less costly.

Group companies Erdemir and İsdemir hold the ISO 9001 Quality, ISO 14001 Environment, TS 18001 Occupational Health and Safety, ISO 50001 Energy, ISO/TS 16949 Quality for Automotive Sector and ISO IEC 17025 Laboratory Management System certificates. In addition, Ersem holds the ISO 9001 Quality and ISO IEC 17025 Laboratory certificates, while Erenco and Erdemir Romania hold the ISO 9001 Quality certificate and Ermaden holds the TS 18001 Occupational Health and Safety Management System certificate.

IT HAS GIVEN US LIFE

ERDEMİR GROUP ATTACHES PRIORITY TO PROTECTING THE ENVIRONMENT AND USING RESOURCES EFFECTIVELY AND CORRECTLY IN ALL OF ITS PROCESSES.

ENVIRONMENT

ERDEMİR GROUP STRIVES TO ENSURE THAT THE PRINCIPLE OF ENVIRONMENTAL AWARENESS IS WIDELY ADOPTED BY ALL OF ITS PERSONNEL.

Erdemir Group observes the environmental impacts of its operations and processes and continually works to improve its environmental performance.

The Management System Policy in place in the Erdemir Group aims to ensure that a sense of environmental awareness is adopted by all personnel and is based on the following principles;

- In line with the concept of sustainable development, to implement technologies that minimize the amount of waste released into the environment following technical, economic and commercial evaluations and to protect natural resources through the effective and productive use of raw materials,
- To monitor, evaluate and continuously improve the environmental impacts of the processes in order to continually increase its environmental performance,
- To reduce waste emissions at their source, improve and encourage recycling and collect and dispose of the waste,
- To inform all stakeholders including personnel, customers, suppliers, society and the state concerning Erdemir's point of view regarding the environment, its practices and the results it obtains and open communication.

Environmental Management

Erdemir and İsdemir are holders of the ISO 14001 Environment Management System.

The results obtained from environmental audits, which are carried out to determine environmental investments and improvements, follow up developments systematically, share new developments in legislation and manage environmental impacts proactively, are addressed in Environment Management Process meetings and evaluated regularly. Environmental

ENVIRONMENTAL IMPACT ASSESSMENT STUDIES CARRIED OUT FOR NEW INVESTMENTS AND MODERNIZATION INVESTMENTS.

impacts were also examined in relation to legislation, rules, regulations, performance standards and voluntary agreements in 2014, and necessary practices were implemented accordingly.

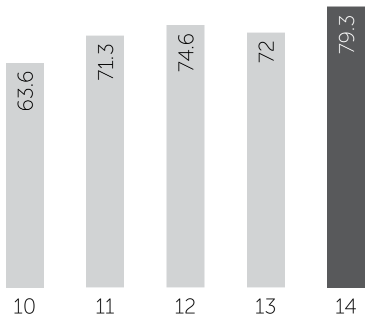
Environmental Impact Assessment Studies
In the Erdemir Group, continual monitoring of environmental performance enables the management of environmental impacts in the best possible manner. Environmental impact assessment (EIA) studies are carried out for new investments and modernization investments to evaluate the measures to be taken to prevent or minimize negative impacts of the investments, so they are not harmful to the environment. The EIA also carried out evaluations of the measures from the locations chosen in view of the technological alternatives, and monitors and checks the implementation the projects.

Within this scope in Erdemir;
- Construction of a new stove for the No.1 blast furnace
- Increase in the Product Range and Capacity at the No.2 Cold Rolling Mill Continuous Pickling -Tandem Line (Cpl-Tcm) Project
- Investments in the Galvanizing Line, Addition of Pre Cleaning Section and Dust Collection Systems
- Blast Furnace TRT, Coke Oven Battery Cars Renovation and Emission Reduction and
- The number 6 Steam Boiler

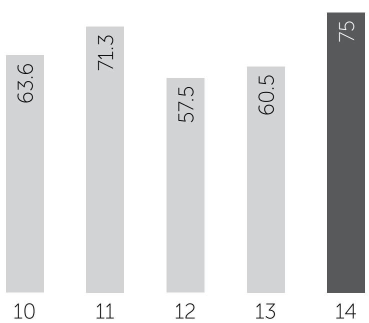
EIA studies carried out for these projects and the measures to be taken were evaluated together and reported to the authorities. EIA studies for the No. 2 Galvanizing Line project continued in 2014.

An awareness of the active role that each employee plays in increasing Erdemir's environmental performance.
In 2014, environmental awareness training sessions were given to 113 employees to promote the concept of environmental protection in areas such as the collection of wastes based on their type, global warming and

Erdemir facilities solid waste recovery rate (%)



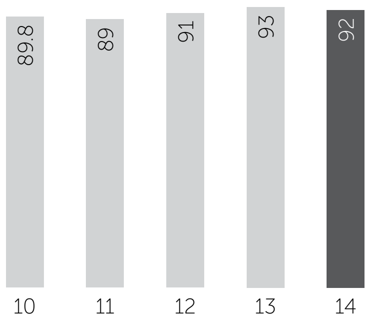
İsdemir facilities solid waste recovery rate (%)



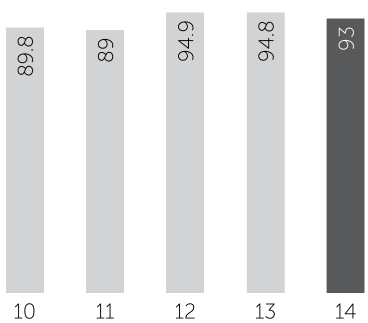
847.5 MAN HOURS OF ENVIRONMENTAL AWARENESS TRAINING WERE PROVIDED TO 113 EMPLOYEES IN ERDEMİR.

113

Rate of Recirculated Water Use at Erdemir Facilities (%)



Rate of Recirculated Water Use at İsdemir Facilities (%)



climate change, major industrial accidents, the Erdemir Environmental Management System, and the recycling of waste, water and saving energy at Erdemir. A total of 847.5 man hours were allocated to these training sessions.

Informative lessons were provided in the Ova Erdemir Primary School, Kızılcapınar Primary School and Bayat Primary School within the scope of the World Environment Day activities aimed at raising public awareness.

Protection of green areas and forestry activities

Erdemir Group companies carry out activities to protect and expand green areas in the regions where Group companies operate. In this context, Erdemir planted 1,300 trees, İsdemir planted 2,084 trees and Ermaden planted 3,800 trees in 2014.

Important headlines from Erdemir Group's environmental performance...

Erdemir

Solid waste recycling rate (2014): 79.3%
Re-circulation water usage rate (2014): 92%

İsdemir

Solid waste recycling rate (2014): 75%
Re-circulation water usage rate (2014): 93%

Ermaden

The wet dust collection system (pulverization) investment was commissioned in July 2014.
The application for the environmental permit and license was submitted.

Tree planting and landscaping works were carried out in the factory area and in the region.

ENERGY

ERDEMİR AND İSDEMİR ARE HOLDERS OF TSE TS-EN-ISO 50001 ENERGY MANAGEMENT SYSTEM CERTIFICATE.

Energy productivity is one of the basic priorities for the Erdemir Group. Erdemir Group companies operate in sectors that require intense energy consumption. They are therefore aware of the importance of their energy efficiency in terms of production and environmental sustainability. The Group companies forge a competitive advantage through work aimed at increasing efficiency in the use of energy, which comprises a considerable proportion of its cost items. Accordingly, they also contribute to the protection of natural resources and the environment.

Erdemir Group commits to act in accordance with the principles in its issued Management Systems Policy regarding energy. The principles are as follows;

- To implement technological innovation that increases energy efficiency,
- To gain the maximum benefit from waste heat and the by-products of the gasses emitted,
- To minimize energy lost through systematic measurement and monitoring.

Erdemir and İsdemir are holders of the TSE TS-EN-ISO 50001 Energy Management System Certificate. They implement the requirements of this standard in all processes and carry out their operations under a philosophy of continuous improvement.

Specific energy consumption is accepted as an important performance indicator in the global iron and steel industry. Erdemir Group companies are among the most successful companies in terms of specific energy consumption. The Group uses all by-product fuels released during the production processes to the maximum level possible as a substitute for primary energy resources in order to use resources effectively. Although Erdemir and İsdemir possess the capacity to produce almost all of the electricity they consume within their operations, they purchase some of their electricity requirement from the market during periods when relatively low tariffs are applied, thus obtaining savings.

İSDEMIR WON A TOTAL 5 FIRST PRIZES, 1 SECOND, 1 THIRD AND 2 JURY SPECIAL AWARDS IN THE “ENERGY EFFICIENCY IN INDUSTRY PROJECT COMPETITION” BETWEEN 2001 AND 2014.

AWARDS

Energy Recycling Projects

Erdemir successfully completed the installation of additional combustion system at waste heat boiler of the cogeneration power plants, an increase in the OG Fan capacity, the modernization of the No.3 slab furnace and the improvements in the evaporative cooling system in 2014.

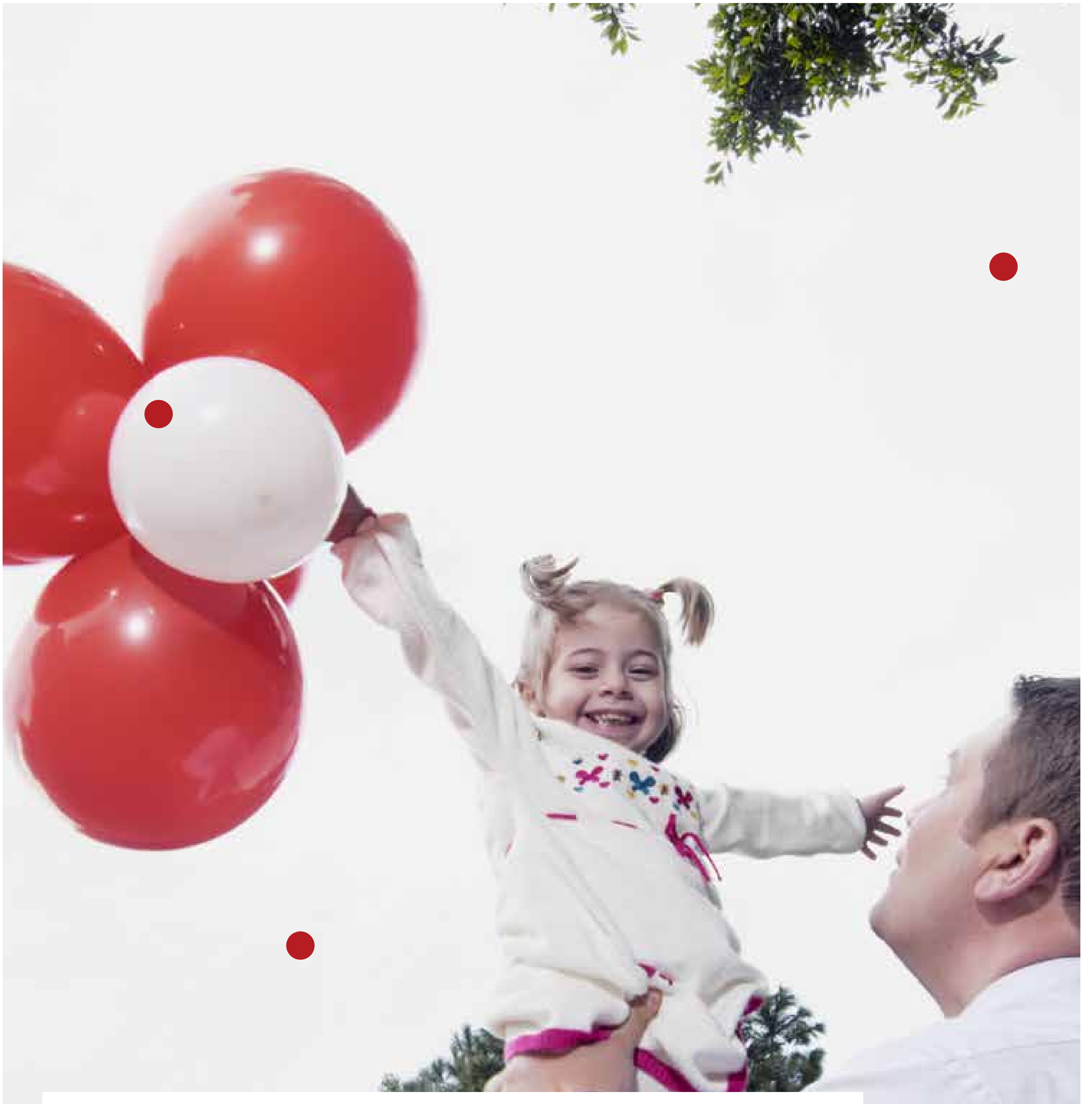
On the other hand, Erdemir aims to save a considerable amount of energy through its ongoing projects, including blast furnace top pressure recovery turbines, a new steam boiler, the installation of new extraction steam generator with a 40 MW generation capacity (to take the place of the No. 1-2 and 3 Turbo Generators) and the conversion of the No.3 Slab Furnace to run on Coke Gas, as well as Power Plant Optimization projects.

The Erdemir Group views people’s commitment as the most important determining factor when deciding on what work to carry out in the field of effective resource use and in the success of energy efficiency. The Group continued to provide training on energy saving, productivity and cost management in 2014. Applied Steam Systems and Applied Combustion Systems trainings also continued to increase the technical competency of the personnel.

Awards for Erdemir and İsdemir’s work in energy efficiency

Erdemir won the first award in the Highest Energy Saving Project category for the third time as part of the “Energy Efficiency in Industry Project Competition” organized by Ministry of Energy and Natural Resources between 2001 and 2014. Erdemir also won second place in the category of power plants with an installed power of more than 10 MW in “The Most Successful Cogeneration Plant in the Turkish Industrial Sector Competition” organized by Cogeneration Association and Electric Power Resources Survey and Development Administration in 2002. Erdemir won first place in the Management category in the “EU Environment Awards-Turkey Program” following joint preparations undertaken by the Energy and Environment Management departments in 2006. In 2011, Erdemir won “The Most Productive Thermal Plant” award given as part of the energy awards organized for the first time in Turkey in the ICCI International Energy and Environment Fair and Conferences. Finally, Erdemir participated in three energy projects in the 14th Environment and Energy Awards organized by İstanbul Chamber of Industry during 2014, winning third place in the “Large Scale Company Energy Efficiency Application Project” category.

İsdemir participated in the “Increase in Energy Efficiency in Industry Projects (SEVAP –3)” category in the “Energy Efficiency in Industry Project Competition” which is organized by the Ministry of Energy and Natural Resources Ministry every year, by virtue of its energy saving projects implemented between 2001 and 2014. To date, İsdemir has won a total of 5 first prizes, 1 second, 1 third and 2 jury special awards.



IT HAS GIVEN US RESPONSIBILITY

ERDEMİR GROUP CONTRIBUTES TO SOCIETY THROUGH VARIOUS PROJECTS IN WHICH IT PARTICIPATES VOLUNTARILY IN ADDITION TO THE SUPPORT AND INVESTMENT IT EXTENDS TO EDUCATION, CULTURE, THE ARTS AND SPORT.

CORPORATE SOCIAL RESPONSIBILITY

ERDEMİR GROUP CARRIES OUT ACTIVITIES FOR THE COUNTRY IN GENERAL AND, IN PARTICULAR, FOR THOSE CLOSE TO IT IN ORDER TO INCREASE THE QUALITY OF LIFE OF THE SOCIETY, TO CONTRIBUTE TO SOCIAL DEVELOPMENT AND TO MEET THE EXPECTATIONS OF SOCIETY.

THE 2014 CORPORATE REPUTATION SURVEY WAS CONDUCTED WITH 12 STAKEHOLDER GROUPS.

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Erdemir Group carries out activities for the country in general and, in particular, for those close to the company and its facilities in order to the increase the quality of life of the society, to contribute to social development and to meet the expectations of society.

These activities are planned in accordance with the data obtained from corporate reputation surveys, the results of social perception surveys and social needs.

2014 corporate reputation survey
Erdemir Group conducted the "Corporate Reputation Survey" in 2014 in order to identify its stakeholders' perceptions based on management criteria, communication and relation criteria, social responsibility criteria and areas requiring improvement.

Within the scope of survey aimed at 12 stakeholder groups, the opinions and expectations of the residents of Ereğli and İskenderun, the company's personnel, local administrations/bureaucrats, the media, university students, academics, NGOs/vocational groups, people working in government at a national level, the business world and the Turkish general public were surveyed.

Help for disadvantaged families in Ereğli
Since their establishment, Erdemir and İsdemir have been creating value for our country's industry and economy through their production, their profitability, the direct and indirect employment which they provide and the taxes they pay. They also play a role in solving local problems and contributing to social development. Erdemir and İsdemir have traditionally provided food packages to disadvantaged families in the regions where they operate.

Erdemir provided food packages to 2,600 families, while İsdemir provided food packages to 1,000 families in 2014.

Erdemir also organizes the Circumcision Feast for the children of disadvantaged families as well as the children of its own personnel every year in Ereğli. A total of 85 children benefited from the traditional circumcision feast in 2014, bringing the number of children to have benefited from the feast in the last five years to 696.

An ongoing practice for the last 5 years

Erdemir has been organizing children's theatre for five years to instill a love of the theatre in children in Ereğli and to help children's mental and emotional development through art. In 2014, around 1,000 children watched the "Pinocchio" play within the scope of the activity performed for the 23 April National Sovereignty and Children's Day, and transformed it into a traditional drama festival. The children were introduced to the magical world of theatre.

Occupational Health and Safety training for Youngsters

Erdemir Group implements exemplary practices in the field of occupational safety. The Group shares its experience in the field to help the young - who will join the workforce in the future - gain awareness of occupational safety during their education in line with the concept of sharing this accumulated knowledge for the good of the public. In this context, 330 students from vocational high schools in Ereğli were informed of occupational safety by an A Class occupational safety specialist in 2014.

Ermaden and İsdemir organized a painting contest under the subject of occupational health and safety at primary and secondary school level, in order to draw attention to the importance of occupational health and safety and to raise awareness of this issue.

ERDEMİR GROUP ORGANIZED A PAINTING CONTEST FOR SCHOOL CHILDREN UNDER THE THEME OF OCCUPATIONAL HEALTH AND SAFETY, TO DRAW ATTENTION TO THE IMPORTANCE OF THE ISSUE

1,000 CHILDREN WERE INTRODUCED TO THE MAGICAL WORLD OF THEATRE.

1,000

10 BATTERY-OPERATED WHEEL CHAIRS WERE PURCHASED FOR KARADENİZ EREĞLİ DISABLED ASSOCIATION IN 2014.

10

Support for the Disabled

Erdemir supports NGOs who work in this field to raise the standard of living for those living with a disability, to reduce the elements that exclude them from social life and to create positive changes in their lives. In this context, ten battery-operated wheel chairs were donated to the Karadeniz Ereğli Disabled Association in 2014.

Contribution to Education

Erdemir attaches importance and priority to support activities for the development of education opportunities in Turkey where the young population is high. In this context,

- Erdemir and İsdemir provide maintenance-repair for technical equipment, meet regional educational institutions' needs for educational materials and also provide the electricity, water and heating needs of various schools located close to the facility.
- In 2014, Erdemir cooperated with the Karadeniz Ereğli District National Education Directorate and provided smart black boards and projection devices for 10 village schools and laptops for 5 schools in the region.
- Ermaden supported the construction of a student dormitory for the Vocational College within its district. It also contributed to meeting the needs of district schools. It organized a chess tournament in the High school and Vocational College categories.

Sensitive Personnel

Erdemir Group employees again participated in blood donation campaigns organized by the Red Crescent in 2014, breaking a new record with the amount of blood donated. In 2014, Group companies actively participated in the activities to tackle fire, flood, and landslides with it's the competent human resources and technical equipment.

INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES OF ERDEMİR; ERDEMİR GROUP GENERAL MANAGERS

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

OYTAŞ İÇ VE DIŞ TİCARET A.Ş. (Representative: Ali PANDIR)	Chairman of the Board of Directors - Managing Director	Elected as Independent Member of the Board of Directors of ERDEMİR on September 20, 2012 Ali PANDIR resigned from his position as Independent Member of the Board of Directors as of November 14, 2013, and reelected as Member of the Board of Directors at the Ordinary General Assembly Meeting held on March 31, 2014, was elected as a Member of the Board of Directors on May 27, 2013 and appointed as Chairman of the Board of Directors and Managing Director, Ali PANDIR has been serving as real person representative of OYTAŞ İÇ VE DIŞ TİCARET A.Ş. since November 15, 2013.
OYAK GİRİŞİM DANIŞMANLIĞI A.Ş. (Representative: Nihat KARADAĞ)	Vice Chairman of the Board of Directors - Managing Director	Elected as Member of the Board of Directors of ERDEMİR on September 30, 2009, Nihat KARADAĞ resigned from his position as Member of the Board of Directors as of September 12, 2012. Since that date, Nihat KARADAĞ has been serving as the real-person representative of OYAK GİRİŞİM DANIŞMANLIĞI A.Ş., which was elected as Member of the Board of Directors and appointed as Vice Chairman of the Board of Directors - Managing Director on the same date; and reelected as Member of the Board of Directors at the Ordinary General Assembly Meeting held on March 31, 2014 and appointed as Vice Chairman of the Board of Directors - Managing Director.
OMSAN LOJİSTİK A.Ş. (Representative: Dinç KIZILDEMİR)	Member of the Board of Directors - Managing Director	Elected as Member of the Board of Directors of ERDEMİR on February 27, 2006, Dinç KIZILDEMİR resigned from his position as Member of the Board of Directors as of September 11, 2012. Since that date, Dinç KIZILDEMİR has been serving as the real-person representative of OMSAN LOJİSTİK A.Ş., which was elected as Member of the Board of Directors and appointed as Member of the Board of Directors - Managing Director on the same date; and reelected as Member of the Board of Directors at the Ordinary General Assembly Meeting held on March 31, 2014 and appointed as Member of the Board of Directors - Managing Director.
PRIVATIZATION ADMINISTRATION OF TURKEY (Representative: Ali KABAN)	Member of the Board of Directors	Mehmet SARITAŞ, who was serving as the real-person representative of the PRIVATIZATION ADMINISTRATION OF TURKEY, which in turn was elected as Member of the Board of Directors of ERDEMİR on September 20, 2012, resigned from his duty as of January 5, 2013. Ali KABAN, who was appointed to the vacant position of real-person representative on March 6, 2014, serves as the real-person representative of the PRIVATIZATION ADMINISTRATION OF TURKEY, which was reelected as Member of the Board of Directors at the Ordinary General Assembly Meeting held on March 31, 2014.

OYKA KAĞIT AMBALAJ SANAYİİ VE TİCARET A.Ş. (Representative: Ertuğrul AYDIN)	Member of the Board of Directors	Elected as Member of the Board of Directors of ERDEMİR on March 31, 2008, Ertuğrul AYDIN resigned from his position as Member of the Board of Directors as of September 12, 2012 Since that date, Ertuğrul AYDIN has been serving as the real person representative of OYKA KAĞIT AMBALAJ SANAYİ VE TİCARET A.Ş., which was elected as Member of the Board of Directors on the same date; and reelected as Member of the Board of Directors at the Ordinary General Assembly Meeting held on March 31, 2014.
OYAK PAZARLAMA HİZMET VE TURİZM A.Ş. (Representative: Fatma CANLI)	Member of the Board of Directors	Elected as Member of the Board of Directors of ERDEMİR on March 9, 2010, Fatma CANLI resigned from her position as Member of the Board of Directors as of September 13, 2012. Since that date, Fatma CANLI has been serving as the real-person representative of OYAK PAZARLAMA HİZMET VE TURİZM A.Ş., which was elected as Member of the Board of Directors on the same date; and reelected as Member of the Board of Directors at the Ordinary General Assembly Meeting held on March 31, 2014.
Nazmi DEMİR	Independent Member of the Board of Directors	Elected as Independent Member of the Board of Directors of ERDEMİR on June 29, 2012 and reelected as Independent Member of the Board of Directors at the Ordinary General Assembly Meeting held on March 31, 2014, Nazmi DEMİR continues to serve as Independent Member of the Board of Directors.
Atilla Tamer ALPTEKİN	Independent Member of the Board of Directors	Elected as Independent Member of the Board of Directors of ERDEMİR on June 29, 2012 and reelected as Independent Member of the Board of Directors at the Ordinary General Assembly Meeting held on March 31, 2014, Atilla Tamer ALPTEKİN continues to serve as Independent Member of the Board of Directors.
Emin Hakan EMİNSOY	Independent Member of the Board of Directors	Emin Hakan EMİNSOY was appointed as Independent Member of the Board of Directors of ERDEMİR on March 4, 2014 to fill the position vacated by the resignation of Ali PANDIR on November 14, 2013 and reelected as Independent Member of the Board of Directors at the Ordinary General Assembly Meeting held on March 31, 2014.

INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES OF ERDEMİR; ERDEMİR GROUP GENERAL MANAGERS

Erdemir Group General Managers

Sedat ORHAN	General Manager of EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.	Sedat ORHAN has been serving as the General Manager of EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. since August 16, 2013.
Recep ÖZHAN	General Manager of İSKENDERUN DEMİR VE ÇELİK FABRİKALARI A.Ş.	Appointed as Acting General Manager of İSKENDERUN DEMİR VE ÇELİK A.Ş. on July 2, 2012, Recep ÖZHAN has been serving as the General Manager since November 21, 2012.
Burak BÜYÜKFIRAT	Acting General Manager of ERDEMİR MÜHENDİSLİK, YÖNETİM VE DANIŞMANLIK HİZMETLERİ A.Ş.	After the resignation of Fikret BAŞBUĞ, who had been serving as General Manager of ERDEMİR MÜHENDİSLİK, YÖNETİM VE DANIŞMANLIK HİZMETLERİ A.Ş. since October 1, 2010, from his duty in this position as of January 31, 2014, Mesut Uğur YILMAZ was appointed as Acting General Manager on February 1, 2014. After the resignation of his duty on January 29, 2015, Burak BÜYÜKFIRAT was appointed as Acting General Manager on February 2, 2015.
Emin PARILDAR	Acting General Manager of ERDEMİR ÇELİK SERVİS MERKEZİ SANAYİ VE TİCARET A.Ş.	After the resignation of Mustafa Ayhan KALMUKOĞLU, who had been serving as Acting General Manager of ERDEMİR ÇELİK SERVİS MERKEZİ since February 1, 2013, from his duty in this position as of February 3, 2014, Emin PARILDAR was appointed as Acting General Manager on February 3, 2014.
Halil Melih TÜRKEŞ	General Manager of ERDEMİR-ROMANIA S.R.L.	After the resignation of Cemal Erdoğan GÜNAY, who had been serving as General Manager of ERDEMİR ROMANIA S.R.L., Halil Melih TÜRKEŞ was appointed as General Manager since January 13, 2015.
Halil YILDIRIM	General Manager of ERDEMİR MADENCİLİK SANAYİ VE TİCARET A.Ş.	Halil YILDIRIM has been serving as General Manager of ERDEMİR MADENCİLİK SANAYİ VE TİCARET A.Ş. since September 2, 2013.
Sukhjeet SEKHON	General Manager of ERDEMİR ASIA PACIFIC PTE. LTD.	Sukhjeet SEKHON has been serving as General Manager of ERDEMİR ASIA PACIFIC PTE. LTD. since July 1, 2014.

Erdemir Group Coordinators

Bülent BEYDÜZ	Chief Financial Affairs Officer of ERDEMİR Group	Bülent BEYDÜZ has been serving as ERDEMİR Group's Chief Financial Affairs Officer since April 11, 2011.
Başak TURGUT	Chief Marketing and Sales Officer of ERDEMİR Group	Başak TURGUT who was appointed as Chief Marketing and Sales Officer on February 1, 2013, has been serving as Chief Marketing and Sales Officer of ERDEMİR Group since June 10, 2013.
Oğuz Nuri ÖZGEN	Chief Production Officer of ERDEMİR Group	Oğuz Nuri ÖZGEN has been serving as ERDEMİR Group's Chief Production Officer since July 2, 2012.
Şevkinaz ALEMDAR	Chief Purchasing Officer of ERDEMİR Group	Şevkinaz ALEMDAR who was appointed as Chief Purchasing Officer on May 18, 2013, has been serving as Chief Purchasing Officer of ERDEMİR Group since November 7, 2013.
Burak BÜYÜKFIRAT	Chief Technology Officer ERDEMİR Group	After the resignation of Mesut Uğur YILMAZ, who had been serving as Technology Coordinator of ERDEMİR Group since July 7, 2012, Burak BÜYÜKFIRAT was appointed to this position since February 24, 2015.
Vacant	Human Resources Chief of ERDEMİR Group	Aylin OLSUN who had been serving as Human Resources Coordinator of ERDEMİR Group since February 10, 2014 resigned on October 13, 2014. As of the date of writing, this position is still vacant.
Naci Özgür ÖZEL	Chief Strategy Officer of ERDEMİR Group	Naci Özgür ÖZEL has been serving as ERDEMİR Group's Strategic Planning and Business Development Coordinator since May 29, 2015.
Banu KALAY ERTON	Chief Corporate Affairs Officer of ERDEMİR Group	Banu Kalay ERTON has been serving as ERDEMİR Group's Chief Corporate Affairs Officer since June 13, 2014.
Ahmet Tunç NOYAN	Chief Information Technology Officer of ERDEMİR Group	Öner SONGÜL who was appointed as Acting Information Technologies Coordinator on August 12, 2010 and on December 19, 2011, resigned on April 15, 2014. On July 1, 2014 Ahmet Tunç NOYAN was appointed as Information Technologies Coordinator of ERDEMİR Group, a position he still holds.
Oya ŞEHİRLİOĞLU	Chief Legal Officer of ERDEMİR Group	Oya ŞEHİRLİOĞLU has been serving as ERDEMİR Group's Chief Legal Officer since January 14, 2015.

INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES OF ERDEMİR; ERDEMİR GROUP GENERAL MANAGERS

General Manager and Assistant General Managers of Ereğli Demir ve Çelik Fabrikaları T.A.Ş.

Sedat ORHAN	General Manager	Sedat ORHAN has been serving as General Manager since August 16, 2013.
Kaan BÖKE	Human Resources Assistant General Manager	Kaan BÖKE has been serving as Human Resources Assistant General Manager since April 2, 2012.
Mehmet Mücteba BEKCAN	Technical Services and Investments Assistant General Manager	Mehmet Mücteba BEKCAN, who was appointed as Technical Services and Investments Acting Assistant General Manager on July 14, 2010, he has been serving as Technical Services and Investments Assistant General Manager since March 14, 2011. Mehmet Mücteba BEKCAN's duty as ERDEMİR Technical Services and Investments Assistant General Manager has ended as of January 9, 2015, and this position has been abrogated.
Esat GÜNDAY	Operations Assistant General Manager	Esat GÜNDAY, who was appointed as Operations Acting Assistant General Manager on July 13, 2006, has been serving as Operations Assistant General Manager since January 1, 2007.
Sami Nezih TUNALITOSUNOĞLU	Financial Affairs Assistant General Manager	Sami Nezih TUNALITOSUNOĞLU has been serving as Financial Affairs Assistant General Manager since April 11, 2011.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Ereğli Demir ve Çelik Fabrikaları T.A.Ş., one of the public companies in Turkey with the broadest base, enjoys a leading position in its field in the Turkish industry, and is well aware of its responsibilities towards its stakeholders. Transparency, accountable management approach, compliance with ethical and legal codes is integral components of the corporate management. ERDEMİR has always fulfilled its responsibilities, arising from legislations, in an accurate and prompt manner.

Our Company has assigned Investor Relations Manager who has "Capital Market Activities Advanced Level License" and "Corporate Governance Rating Specialist License", also works as a full-time manager in the corporation and a member of Corporate Governance Committee in accordance with CMB's II-17.1 Communiqué on Corporate Governance. In addition, Company has appointed an employee who works in Investor Relations Department.

Within the year 2014, our Company has been continued its endeavors to ensure full compliance with the mandatory or optional regulations of the Corporate Governance Principles within the scope of Communiqué numbered II-17.1 "Corporate Governance" - the details of which are presented below. The procedures for designating independent candidates and making public disclosures were completed and candidates were elected according to regulations. The established committees under the BoD functioned effectively during the year. The information that must accompany the disclosure document to be submitted to the General Assembly includes such standard documents as those indicating preferred shares, voting rights and organizational changes, as well as the CVs of BoD membership applicants and the reports and announcements that need to be prepared for related party transactions, all of which were provided to our investors three weeks prior to the General Assembly. In addition, the Company's website and annual report were reviewed and revisions required to comply with the principles were made. The policies formed under the scope of the Corporate Governance Principles and the working directives of the committees are published on our website.

Ereğli Demir ve Çelik Fabrikaları T.A.Ş. believes in the importance of ensuring full compliance with the Principles of the Corporate Governance. However, a number of obstacles stand in the way of compliance. There are a number of difficulties in the national and international arena concerning compliance, failure to ensure an overlap with the market and the current structure of the Firm. These are the difficulties which have caused possible delays in practice for the operations within the firm and a number of arguments in Turkey. Thus, full compliance has not yet been achieved as to a number of non- mandatory principles. An array of efforts and undertakings towards the goal of ensuring full compliance promptly are in progress. This goal will have been achieved upon the completion of administrative, legal and technical infrastructure projects. The said goal also includes the monitoring of the recent developments including the Capital Markets Board, which are to be issued, concerning the limited number of principles that have not been put into practice. The Principles of the corporate governance in practice and those which have not yet been harmonized are presented below.

SECTION II - THE SHAREHOLDERS

2.1. Investor Relations Department

The relationships with our partners, corporate investors and analysts are carried out systematically in a fashion that supports Company value. In line with this very purpose, the Company organizes meetings with the domestic and the foreign investors and announces material disclosures to the public immediately. Additionally, the Company fulfills its responsibilities towards regulatory bodies such as the Borsa Istanbul and the Capital Markets Board, and provides prompt replies to the queries of the partners, the analysts and the portfolio managers. In 2014, Investor Relations Department answered per month around 300 questions received from shareholders, institutional investors and analysts of investment firms by phone and e-mail.

Inquiries made by our shareholders by telephone and e-mail within the year are responded to. Such inquiries are concerned with the entry into the registration system, the general assembly and the dividend distribution. Depending on the nature and the content of the requested information in case of necessity, the query is shared with the independent auditors of the Company and the relevant responses are submitted to the enquirer.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The remarks concerning the financial statements and the footnotes as well as the material disclosures are announced to the investors of the Borsa Istanbul and to the public via Public Disclosure Platform. The financial statements, the footnotes and the material disclosures are also published on the Company website.

Investor Relations Department has been formed which reports directly to the Group Chief Corporate Affairs Officer Banu Kalay Erton. The relevant contact information is available in the annual report and on the Company website.

Investor Relations Department

Name	Title	Telephone	E-mail
İdil Önay	Manager	+90-216-578 81 49	ionay@erdemir.com.tr
Ahmet Görpeoğlu	Specialist	+90-216-578 80 97	agorpeoglu@erdemir.com.tr

İdil Önay who has "Capital Market Activities Advanced Level License" and "Corporate Governance Rating Specialist License" was employed in the corporation as a full-time manager and appointed as a member of Corporate Governance Committee in accordance with CMB's II-17.1 Communiqué on Corporate Governance.

Investor Relations Department prepares an activity report, at least annually, to the BoD. 2014 activity report presented in BoD meeting dated 10 February 2015.

The table below present's activities performed within 2014 so that investors could be informed in-depth concerning the operations of the Company:

The number of the investor meetings attended in Turkey and abroad	35
The number of investors and analysts who have been contacted	426
The number of tele-conferences held regarding financials	4
The number of analyst meetings held	3

2.2. The Use of Shareholders' Rights to Obtain Information

Pursuant to the inquiry policy of our Company, all shareholders, potential investors and analysts shall be treated equally and fairly with regard to their right of the use of request and enquiry of information. It is also essential that our disclosures be passed onto everyone simultaneously with the same content. All information sharing is to be made in line with the content announced to the public earlier. Within the framework of the sharing of information, the shareholders and the market players are informed regarding all types of information along with material disclosures. The retrospective material disclosures are published on the Company website.

Loads of written and verbal requests for information from the shareholders are responded to promptly under the supervision of the Investor Relations Department and in line with the provisions of the Capital Markets Board Legislation. For the purpose of extending the shareholders' right to enquiry, any information that might harbour an impact on the shareholders' right of use under the principles of the Corporate Governance is updated and published on the website. The information on our website is published in Turkish and English, and duly allows fair use for both domestic and foreign shareholders.

The company's activities are audited by an Independent Auditor(s) and statutory auditor, appointed by the General Assembly/Board, regularly and periodically. The independent auditing procedures for the year 2014 were carried out by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (i.e. A Member Firm of Ernst & Young Global Limited).

The request of shareholders allowing the appointment of a special auditor has not been drawn out as an individual right as per our Articles of Association. Accordingly, no request concerning the appointment of a special auditor has, yet, been received by our Company.

2.3. The General Assembly Meetings

Ordinary General Assembly shall be held within three months from the end of the Company's activity period and at least once in a year, discussing and resolving upon the subjects of agenda. Extraordinary General Assembly shall be held whenever required by the Company's business in compliance with the provisions written in the law and Articles of Association.

The Ordinary General Assembly Meeting for the year 2013 was held on March 31, 2014 in İstanbul and 63.75% of the shares were represented in the General Assembly.

Invitations to the General Assembly Meetings are issued by the BoD in compliance with the TCC, Capital Markets Code and Company's Articles of Association. The public is informed immediately of the BoD's decision to hold the General Assembly Meeting through the Public Disclosure Platform and Electronic General Meeting System (e-GEM). It is also published in the Turkish Trade Registry Gazette and national newspapers. General Assembly announcements are made in a way that complies with legal regulations as well as made on our website at www.erdemir.com.tr no later than 3 weeks prior to the General Assembly in order to reach the highest number of shareholders possible.

Prior to the General Assembly Meeting, the agenda items and related documents are announced to the public in compliance with all legal processes and regulations. Balance sheets, income statements and annual reports are prepared prior to the General Shareholders' Meetings and made available to shareholders within the period determined in the applicable regulation via the website, at the Karadeniz Ereğli branch and at the Head Office of the Company in İstanbul and a copy of the above documents are provided upon request. The General Assembly Meeting Minutes and information documents which Company is obliged to provide as per corporate governance principles, are made available for uninterrupted access to our shareholders at www.erdemir.com.tr.

Open ballot voting is used in the General Assembly for voting on agenda articles simply by raising hands. Chairman of the General Assembly Meeting is responsible from managing the meeting efficiently and providing usage of shareholders' rights.

The members of Board of Directors, officers responsible from preparing financials, auditors and people who are related with the agenda items take great care to attend the meetings.

A number of shareholders intended to raise their concerns outside of the agenda during the speeches they delivered at the Ordinary General Assembly Meeting. They addressed queries relating to the Company's performance and strategies. Such questions were replied by the Assembly Chairman and the relevant executives under the guidance of the Chairman. No shareholders submitted a written question to the Investor Relations Department on the basis of not having received an answer at the General Assembly.

During the Ordinary General Assembly Meeting held in 2014, the company did not receive any requests from shareholders for any additional items to be included on the agenda.

The minutes and the list of attendants of the General Shareholders' Meetings are disclosed to public via the Company's website, Electronic General Meeting System (e-GEM) and published in the Turkish Trade Registry Gazette pursuant to the relevant regulations. Consequently, media members and other stakeholders cannot attend the general shareholders' meetings.

General Assembly meetings are held at Company Headquarters and Electronic General Meeting System to facilitate attendance at meetings. Under conditions stipulated in the Articles of Association, meetings may be held in Ankara or Karadeniz Ereğli. The location of the General Assembly meeting is selected to enable easy access to all shareholders. Proxy forms were placed on our website and announced to shareholders in a newspaper for shareholders wishing to be represented through proxy at the meeting. Resolutions made by the Board of Directors for the convention of General Shareholders' Meetings are shared with the public via disclosures.

A separate item on the General Assembly agenda regarding the donations and the aids offered in the period is included. Within the framework of the Company's policy, the Shareholders were kept informed of the donations and aids realized in 2012 and 2013, which amounted to 379,526 TRY and 926,757 TRY, respectively.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

2.4. Voting Rights and Minority Rights

The shareholders or their proxies who present in the Ordinary and Extraordinary General Assembly meetings shall exercise their voting rights pro rata to the total nominal value of the shares. Each share has only one voting right. In the meetings of General Assembly, shareholders may cause to represent themselves through other shareholders or proxies assigned from outside of the Company. Proxies who are also company shareholders have the authority to cast the votes of shareholders to whom they represent, in addition to their own votes. The rights of voting by proxy are reserved within the Capital Markets Board regulations.

Shareholders may participate in General Assembly meetings via electronic environment pursuant to Article 1527 of Turkish Commercial Code. Company may setup an electronic general assembly system which will enable Shareholders to participate in the General Assembly meetings, to communicate their opinions, to furnish suggestions and to cast their votes or may purchase service of systems set up for such purposes pursuant to the provisions of Regulation on General Assembly meetings of Joint-Stock Companies to be held via Electronic Environment.

The capital is divided into shares Group A and Group B. 1 share of certificate, issued to the bearer amounting to 1 Kr is Group A and 349,999,999,999 share of certificates amounting to 3,499,999,999.99 Turkish Liras is Group B.

Resolutions regarding any amendment in the Articles of Association which are likely to affect, directly or indirectly, the obligations in the Share Sale Agreement in respect of investment and employment, and, the rights granted to the Group A shares in connection with those obligations as well as the amendments which are to affect the quorum for meeting and resolution of Board of Directors and the rights belonging to the Group A shares,

- Resolutions regarding closedown or sales of or an encumbrance upon the integrated steel production facilities and mining facilities owned by the Company and/or its subsidiaries or a resolution on reduction in capacity of such facilities,
- Resolutions regarding closedown, sales, demerger or merger or liquidation of the Company and / or its subsidiaries owning the integrated steel production facilities and mining facilities,

can be passed only through affirmative votes of the usufructuary in representation of Group A shares. Otherwise, the resolutions passed shall be invalid.

No cross shareholding relations exist in the capital of the Company. Minority shares are not represented in the management. Minority rights are not determined less than one in twenty by the Articles of Association. Cumulative voting system is not mentioned in the Articles of Association.

2.5. Dividend Right

The Articles of Association do not grant any privileges regarding participation in the company's profits. Each share has an equal dividend right.

The dividend distribution policy, as disclosed to shareholders at the General Assembly, is in the activity report. In addition, the policy is posted on the Company website, along with a short history of dividend distribution and detailed information about capital accumulation.

The distribution of the company profit is stated, in compliance with the arrangements of the Capital Markets Board, following the Article 34 of the Articles of Association, titled "Determination and Allocation of the Profit".

Our Company's Dividend Distribution Policy is as follows:

"Company implements the policy of distributing the maximum dividend which the financial leverage ratios and expectation of future cash flow generation allow within the scope of effective legal regulations and clauses of Company's Articles of Association. In accordance with this policy, Company will distribute cash dividend which is gross 91,8190%, net 78,0461% of the distributable profit by the end of 2013. Dividend distribution policy is reviewed by the Board of Directors every year considering national and global economic conditions, Company's projects on agenda and funds.

General Assembly is authorized for distribution of dividend advance in accordance with relevant legislations.

Dividend is paid by fixed or variable installments in accordance with the legislation by giving authority to the Board of Directors at the General Meeting, where dividend distribution is decided, until 15 December of the relevant calendar year."

At March 31, 2014 dated Ordinary General Assembly, it has been decided to distribute TRY 820 million cash dividend based on 2013 financial results and as of May 26, 2014 dividend distribution has started.

2.6. Transfer of Shares

There is no restriction regarding the transfer of our Company's shares in the Articles of Association, and the provisions of the Turkish Commercial Code shall be applicable on this matter.

SECTION III - THE PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Its Contents

Erdemir's corporate website (www.erdemir.com.tr) is actively in use both in Turkish and English. The website includes the following issues under the Investor Relations heading:

- Corporate Governance
- Corporate Governance Principles Compliance Report
- Board of Directors
- Management
- Capital Structure
- Trade Registry Information
- Articles of Association
- Information About the Share which has Usufructary Right
- Safe Harbour Statement
- Code of Ethics and Business Conduct
- Policies and Regulations
- Internal Directive on the Operation Principles and Procedures of the General Assembly
- Independent Auditor
- Management's Annual Overview
- Interim Reports
- Financial Statements
- Summary Information for Investors

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Presentations
- Financial and Operational Highlights
- Annual Reports
- Disclosures and Announcements
- General Assembly Announcement
- Minutes of General Assembly
- General Assembly Meeting Information Document
- General Assembly List of Attendants
- The Proxy Statement
- Dividend Payments and Capital Increases
- Credit Ratings
- Stock Price Information
- Analyst Information
- Frequently Asked Questions
- Contacts

Complete information required by the CMB Corporate Governance Principles is available on our company website.

3.2. Annual Report

The Ereğli Demir ve Çelik Fabrikaları T.A.Ş. annual report is prepared in detail and according to CMB Corporate Governance Principles to ensure that complete and accurate information about the Company's operations reaches the public.

3.3. Disclosure Policy

Disclosure activities are carried out in compliance with our Company's "Disclosure Policy", the Capital Markets Legislation, the Capital Markets Board decisions and other related legislations. The issues which require explanation or announcement are disclosed to the public explicitly, accurately and promptly.

In line with this objective, it is essential that the Company establish a continuous, efficient and transparent communication with all its stakeholders including native/foreign shareholders, potential investors, employees, customers and relevant authorized institutions by informing them about Company's past performance and future expectations other than trade secrets, in a complete, fair, correct, timely, comprehensible and easily accessible manner.

Our Company's Disclosure Policy is established and implemented under the authority of the Board of Directors. Our Company's Disclosure Policy is announced to the public on our web site which is actively in use. In accordance with the relevant regulations, Board of Directors reserves the right to revise and make changes in this policy from time to time. Disclosure Policy and the amendments to be made thereon are published on the Company's website upon the approval of the Board of Directors. Investor Relations Department, which details such name and title given in Article 2.1., is responsible for supervision and monitoring of the Disclosure Policy.

Considering the fact that the Company is publicly-held and is expected to act accordingly in view of this arising responsibility, the necessary announcements in relation to all the developments under the scope of a Communiqué regarding Material Disclosures are undertaken promptly both to the investors and to the public. All changes and developments that may arise are constantly updated and shared with the public. A total of 53 material disclosures were made by the Company in 2014.

Forward-looking evaluations are based on reasonable assumptions and estimations. In cases, where there is a significant deviation between the matters previously disclosed and the actual realizations, due to unforeseeable risks and developments, the Company makes a public disclosure on the causes of such deviations.

In addition, the investors are provided with an email account with which they can address all sorts of queries and requests. The Investors Relations Department is in charge of responding to the questions addressed by the shareholders in compliance with our Company's disclosure policy whose principles of integrity require accurate, complete and fair responses.

SECTION IV - STAKEHOLDERS

4.1. Informing Stakeholders

Stakeholders such as the company employees, the customers, the suppliers, the trade unions, the non-governmental organizations, the state and the prospective investors are provided, upon request, with written or verbal information on the issues concerning them besides the information included in the financial statements and the reports disclosed to the public as per the legislations of the Capital Markets Board.

The Company employees are informed regarding the company practices through news bulletins and intranet announcements.

The demands and expectations of our customers are received through customer visits, and activities for developing new qualities are carried out depending on the changing demands that may emerge in the market. The customer complaints are delved into in the field and the required corrective actions are taken accordingly.

The tender system is practiced for procurement of the domestic goods and services. The tenders are disclosed through fax and e-mail messages. The specifications are also published on the Company website. On the other hand, cooperative actions are carried out to assist the manufacturer suppliers in our region to expand their business in turn.

Additionally, our Company exchanges ideas with the potential customers and suppliers during the exhibitions and fairs.

The recommendations and ideas of our employees are received through the ERDEMİR Recommendation System (ERÖS) and the Performance Management System. The required upgrading and improvement actions are practiced accordingly.

The Company has set up a mechanism which allows the stakeholders to convey transactions against the company legislation and non-ethical behaviours to the Code of Ethics Advisors and/or the Ethics Committee. For this purpose, contact addresses are provided on the Company website under the heading of the Code of Ethics and Business Conduct.

4.2. Participation of Stakeholders in Management

No particular regulation exists for the stakeholders' participation in the management. However, our affiliates, employees and the other stakeholders are informed through meetings. All of the Board Members are elected by voting in General Assembly with the attendance of stakeholders.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

4.3. Human Resources Policy

Operating in an industry where competitive market conditions prevail, ERDEMİR Group has established its human resources policies and practices on forming, improving and retaining qualified labour force equipped with skills of producing knowledge, identifying solutions to problems, taking initiative by assuming responsibility, being open to improvement and suitable for teamwork.

For this main objective, the Group is attentive to employing staff members who are appropriate for the Group's strategies and objectives. The Group also pays due notice to offering training opportunities to the current employees so that they can have the means of enriching their professional experience.

ERDEMİR Group effectively identifies the needs of its white and blue collar employees for training and improvement as well as the added-value they create through the Personal Performance Management System. Moreover, the Group carries out processes of assignments and appointments in a manner that would maximize business productivity in line with objective criteria.

Relations with unionized workforce are carried out through the representatives of the trade union. For white-collar employees, there is no extra trade union representative. However, the required divisions such as the Human Resources, the Training, the Administrative Affairs, the Occupational Health and Safety have been established within the Group in order to carry out relations with our employees. The Group did not receive any complaints from the employees in relation to any cases concerning discrimination in 2014 or the previous years.

The company has created written procedures and regulations regarding all human resources processes and all these documents are made available to all employees at an easily-accessible corporate portal. Furthermore, employees are also informed via e-mail.

4.4. Code of Ethics and Social Responsibility

The fundamental principles of the business conduct have been determined by the Code of Ethics and Business Conduct, which are disclosed to the public through the Company's website (www.erdemir.com.tr). Code of Ethics and Business Conduct constitute the common values and creeds of our company along with the changes occurring in legal, societal and economic conditions.

Our Company fulfills its responsibilities towards the society. While creating value for the economy of the region and the country, the Group operates through its goods and services. Furthermore, ERDEMİR Group subsidiaries maintain their contributory activities for the societal development in a broad range, which is considered an integral part of the business processes.

For the Group, contributing to social issues voluntarily and effectively by coming up with solutions is a significant principle. Accordingly, the Group maintained its activities regarding social responsibility in cooperation with the local authorities and the non-governmental organizations in 2014. In order to provide a number of activities: improving the physical conditions and technical equipment of the health and education institutions, philanthropic undertakings, supporting arts and sports activities, supporting scientific studies of universities, offering opportunities of internship to the university and vocational school students can be listed all pursuant to the Group's adherence to the principle of social responsibility.

SECTION V - BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

Within the scope of Articles of Association, Board of Directors consists of minimum 5 and maximum 9 members to be selected by the General Assembly of Shareholders under the provisions of Turkish Commercial Code and Capital Markets Board Law. Members of Board of Directors are appointed for three years and the independent members are appointed for 1 year; the members with expired tenure may be re-elected.

9 members, 3 of whom would be independent members, were elected at the Ordinary General Assembly Meeting dated March 31, 2014. Our Chairman, Vice/Deputy Chairman of the Board and one Board Member were appointed as the Managing Directors. Although there is no executive board in the Company, Mr Ali Pandır, Mr Dinç Kızıldemir and Mr Nihat Karadağ serve as the Managing Directors. Sedat Orhan was appointed as Chief Executive Officer of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. in 16.08.2013.

The procedure to be followed to assemble the Board of Directors, the quorum for the meeting and the resolution, voting, as well as duties, rights and authorities of Board of Directors are subject to provisions of Turkish Commercial Code and related legislation.

Board of Directors	Title	Effective from
OYTAŞ İç ve Dış Ticaret A.Ş. (Represented by: Ali PANDIR)	Chairman - Executive Director	27.05.2013
OYAK Girişim Danışmanlığı A.Ş. (Represented by: Nihat KARADAĞ)	Deputy Chairman- Executive Director	12.09.2012
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı (Represented by: Ali KABAN)	Board Member	20.09.2012
OMSAN Lojistik A.Ş. (Represented by: Dinç KIZILDEMİR)	Board Member - Executive Director	11.09.2012
OYKA Kağıt Ambalaj San. ve Tic. A.Ş. (Represented by: Ertuğrul AYDIN)	Board Member	12.09.2012
OYAK Pazarlama Hizmet ve Tur. A.Ş. (Represented by: Fatma CANLI)	Board Member	13.09.2012
Nazmi DEMİR	Independent Board Member	29.06.2012
Atilla Tamer ALPTEKİN	Independent Board Member	29.06.2012
Emin Hakan EMİNSOY	Independent Board Member	04.03.2014

Depending on the resolution of Board of Directors, dated 7 March 2014 and numbered 9301, it has been resolved to register and notice the assignment of Ali Kaban as representative of the Board Member Privatization Administration under Turkish Commercial Code Article 364.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

According to the 363rd article of Turkish Commercial Code and depending on the resolution of Board of Directors, dated 04 March 2014 and numbered 9287, Emin Hakan Eminsoy has been elected to the independent board membership which had been vacant because of the resignation of Ali Pandır on 14 November 2013.

Three applications to our Company were evaluated in 2014 for Independent Board Member position. In our Company tasks of Candidate Nomination Committee are carried out by Corporate Governance Committee. The Committee reports, prepared by the Committee on February 03, 2014, pertaining to the candidacy of Mr Nazmi Demir, Mr Atilla Tamer Alptekin and Mr Emin Hakan Eminsoy as the independent board members were submitted to the Board of Directors on February 03, 2014. Due to being a member of the Group 1 within the scope of Corporate Governance Principles, the application was submitted to the Capital Markets Board in line with the required process pertaining to the independent board members. No opposing or dissenting view was received for this. The independence declarations of the Independent Board Members are included in the Appendix of the Board of Directors' Activity Report. In 2014, no situation has occurred for violation of the independency.

The members of the Board of Directors are not prevented from assuming other duties outside the company. The Board Members' résumés and duties outside of the Company, are published on the Company website, under the scope of the Corporate Governance Principles No: 1.3.1.

Except the Independent Board Members, Board of Directors consists of legal persons and Company has a woman member who is the proxy of a legal person.

5.2. Principles of Activity of the Board of Directors

The Board of Directors meets at the Company headquarters or at a different location, determined by the Board, at least six times a year or as often as business requires. The Board of Directors elects a chairman among its members during the first meeting of the year. In the absence of the chairman, a deputy chairman is also elected by the Board of Directors to act on behalf of the chairman. The procedure applied for assembling the Board of Directors, the quorum for the meeting, the resolution and voting as well as the task, rights and powers of the Board of Directors are subject to the Turkish Commercial Code and the provisions of relevant legislation. The decisions of the Board of Directors are written down on the decision book and signed by the Chairman and the members. Reserving the Article 22 of the Articles of Association, the rights and powers assigned to the Group A, the Board of Directors can delegate all or a number of the representative and administrative powers of the Company to one member of the Board of Directors or to several managing directors, other than the independent board members.

No resolution can be passed by Board of Directors on the issues mentioned in articles 22 and 37 of the present Articles of Association without the affirmative vote of the member of Board of Directors as the usufructuary to represent the Group A shares.

The requests of the members of the Board and the managers are taken into consideration concerning the items on agenda, whereas the meeting agenda of the Board of Directors is formed by the Chairman of the Board. 7 meetings were held by the Board of Directors in 2014. The attendance rate was 95% for these meetings. The date for the following Board meeting is set based on the requirement of the company and on the requests arising from the members. The members are invited to the meeting via e-mail messages. The secretariat, set up in accordance with the Corporate Governance Principles under the body of the Board of Directors, informs the Board members on the meeting agenda and forwards them the relevant documents on the agenda. Neither the Chairman nor the members of the Board have a weighted voting right. All members, including the Chairman, have equal voting rights. Dissenting opinions and votes, disclosed at Board of Directors' meetings, are written down in the minutes.

It shall be observed the Corporate Management Principles, the implementation of which is made obligatory by Capital Markets Board. The transactions made and the resolutions passed without observing the obligatory principles are held invalid and deemed contrary to the articles of association.

With regard to the implementation of the Corporate Management Principles, the regulations of Capital Market Board on corporate management are observed in the transactions deemed to have an important nature and any related party transactions of the company, which are of important nature as well as the transactions for giving security and establishing pledge and mortgage in favor of third persons.

There was no dissenting vote related with the Board Members' different opinions in the relevant period.

The questions, addressed by a Board Member during the meeting are written on the decision record upon the relevant Board Member request.

Board members have not been granted weighted voting rights and/or negative vetoing rights.

The amount of the insurance, which covers personal responsibilities of Board Members arising from the legal obligations, is USD 75 million. The insurance compensates for the legal expense and indemnity.

5.3. Number, Structure and Independence of the Committees Established Under the Board of Directors

The Audit Committee, The Early Detection of Risk Committee and The Corporate Governance Committee were set up so that the Board of Directors is able to perform their tasks and responsibilities more effectively. By considering the structure of the Board of Directors, the fulfilling of the power, the duty and the responsibility foreseen for The Candidate Nomination Committee and the Remuneration Committee was delegated to and passed onto the Corporate Governance Committee upon the Board of Directors' decision Numbered 9148, dated June 29, 2012. The frequency of gathering for the committees, their activities and procedures to be followed while carrying out the activities are stated in the regulations published on our website. The decisions made as a result of work carried out independently by the committees are submitted to the Board of Directors as proposals and the ultimate decision is reached conclusively by the Board of Directors.

Our Company has ensured the structuring of the management within the framework of the Communiqué regarding the Corporate Governance Principles. One member is assigned for more than one committee due to the condition that requires the Auditing Committee to be made up of completely independent board members and the chairmen of the other committees to be comprised of the independent board members.

Ali Pandır who was one of the Independent Board Members had resigned on 14 November 2013. Due to the resignation, Emin Hakan Eminsoy was appointed as an independent board member on March 04, 2014.

Audit Committee

Name-Surname	Title	Relation with the Company	Details
Atilla Tamer Alptekin	Chairman	Board Member	Independent / Not Executive
Nazmi Demir	Member	Board Member	Independent / Not Executive

Frequency of Meetings: Once every three months and at least four times a year.

Early Detection of Risk Committee

Name-Surname	Title	Relation with the Company	Details
Nazmi Demir	Chairman	Board Member	Independent / Not Executive
Emin Hakan Eminsoy	Member	Board Member	Independent / Not Executive

Frequency of Meetings: Once every two months and at least six times a year.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Corporate Governance Committee

Name-Surname	Title	Relation with the Company	Details
Emin Hakan Eminsoy	Chairman	Board Member	Independent / Not Executive
Atilla Tamer Alptekin	Member	Board Member	Independent / Not Executive
İdil Önay	Member	Investor Relations Manager	Non-independent / Not Executive

Frequency of Meetings: Once every three months and at least four times a year.

5.4. Risk Management and Internal Control Mechanism

Under the body of the Board of Directors, The Early Detection of Risk Committee was set up and the working directives of the Committee were published on the company website.

Risks are monitored and managed in compliance with the regulation and procedures related with management of the market and customer risks which are directed towards measuring the risks Erdemir Group is exposed to and developing hedging methods to keep these risks within risk tolerances.

Almost all of our receivables are guaranteed with the Direct Debit System, the Credited Direct Collection System and the Trade Credit Insurance. Risk positions of our customers are monitored regularly and when exceeding the limits, a margin call is issued.

Duration is calculated based on the credit portfolio and cash flow projections in order to manage interest rate risks Erdemir Group is exposed to and the amount of gain / loss, which may arise possible interest rate changes, is measured using a sensitivity analysis.

Additionally, the ratio of total amount of loans with a floating interest rate to whole credit portfolio of the Group is monitored and actions are taken to keep this ratio within a defined limit. Derivative instruments are assessed and analyzed in detail. According to firm and market situation, convenient transactions are executed within certain limits.

Similarly, with regards to liquidity risk management, credit usage and paybacks and cash flow projections are monitored and necessary actions are taken.

The feasibility reports, including all types of technical and financial evaluations, related to all planned investments in the Erdemir Group's mid/long term strategic road map are prepared by the System Development Department under the Deputy General Manager of the relevant Group Companies and are submitted to Business Development Directorate. The Business Development Department examines the feasibility reports from their consistency and accuracy perspectives, then prepares the financial evaluation reports by analyzing "İnternal Rate of Return, Net Present Value, Return on Investment period and ratio, then submits these reports to the Group Financial Affairs Coordinator. No planned investments can be submitted to the Board of Directors without the approval of the Group Financial Affairs Coordinator.

Internal Audit Department is in charge of evaluating and improving the effectiveness of risk management, control and governance processes of Erdemir Group companies and it reports directly to the Chairman and Executive Director of the Board. In accordance with Capital Markets Board regulations, the effectiveness of internal control system is evaluated by the Board of Directors at least once in a year. In this context, Internal Audit Department reports to the Audit Committee, which comprises of independent board members, about internal audit activities regularly as requested.

5.5. Strategic Targets of the Company

Company's vision, medium and long term targets and strategies are determined within the scope of Company's Strategic Planning Process. In accordance with Company's strategic approach, next year's targets and activities are detailed and set Company's budget within the context of budget process. Annual budgets are approved by the Board of Directors and monitored during the year.

Targets in Company's budget, which is approved by the Board of Directors, are deployed towards individual targets by all the units utilizing the target deployment systematic.

Company's current situation is reviewed and Company's activities are compared with the previous period and budget targets in the regular meetings of Board of Directors.

5.6. Financial Rights

All types of rights, benefits and fees vested upon the board members and executives with administrative responsibilities, and the criteria deemed to determine such rights, benefits and fees as well as the compensation basics are published under the Compensation Policy heading of our Company website. The Board Members are paid in accordance with the decision of General Assembly which is also disclosed to the public through the general assembly minutes published on the Company website. The fees remitted to the executives with administrative responsibilities are determined by the Board of Directors. The payments effected to the executives are disclosed to the public and included in the footnotes of the financial statements.

According to the decisions made by the General Assembly Meeting held on March 31, 2014, the Board Members elected in representation of the B Group shares shall not be paid. The Board Members elected in representation of the A Group Shares shall be paid 2,360 TRY per month (at the beginning of the relevant month, paid in advance, net) and the Independent Board Members shall be paid 5,000 TRY per month (at the beginning of the relevant month, paid in advance, net).

No loans were offered to either a board member or an executive within the period. No loan utilization was granted directly or through a third party. Furthermore, no collaterals such as bails were offered in favour.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2014 AND INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH- SEE NOTE 34)

Güney Bağımsız Denetim ve
SMMM A.Ş.
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INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH- SEE NOTE 34)

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

Introduction

We have audited the accompanying consolidated statement of financial position of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (the Company) and its subsidiaries (together will be referred to as "the Group'') as at 31 December 2014 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the entity's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

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(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH- SEE NOTE 34)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Other Matters

Without qualifying our opinion; we draw attention to the matter in note 16 to the accompanying consolidated financial statements: The court cases related to CMB's claim that the Company had prepared its December 31, 2005 financial statements in accordance with International Financial Reporting Standards instead of the Communiqué Serial XI, No:25 on "Accounting Standards in Capital Markets" without the permission of the CMB in prior years were concluded against the Company at Council of State and such conclusions were declared to the Company via notifications received in July 2012. On August 1, 2012, the Company has applied to Administrative Court to remove the conflicting decisions of these courts; Administrative Court has decided to reject the application by the notification made on February 17, 2014. However Lawsuit filed by Privatization Administration (PA) of The Turkish Republic, is still pending as the reporting date.

Reports on Other Responsibilities Arising From Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with subparagraph 4, Article 378 of Turkish Commercial Code no. 6102 ("TCC") is submitted to the Board of Directors of the Company on February 10, 2015.

2) In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2014 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with subparagraph 4, Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Ethem Kutucular, SMMM
Partner

10 February 2015
İstanbul, Türkiye

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2014

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 34)

ASSETS	Note	Current Period 31 December 2014 USD'000	(Audited) Current Period 31 December 2014 TRY'000	Previous Period 31 December 2013 USD'000	(Audited) Previous Period 31 December 2013 TRY'000
Current Assets		**3.178.814**	**7.371.353**	**2.815.209**	**6.008.498**
Cash and Cash Equivalents	4	943.038	2.186.810	356.609	761.111
Financial Derivative Instruments	5	15.795	36.628	3.455	7.374
Trade Receivables	7	757.626	1.756.860	800.515	1.708.538
Due From Related Parties	*29*	*15.701*	*36.409*	*17.193*	*36.694*
Other Trade Receivables	*7*	*741.925*	*1.720.451*	*783.322*	*1.671.844*
Other Receivables	8	1.639	3.800	1.959	4.181
Inventories	9	1.405.144	3.258.389	1.585.104	3.383.087
Prepaid Expenses	10	16.094	37.320	8.488	18.115
Other Current Assets	18	39.478	91.546	59.079	126.092
Non Current Assets		**3.692.406**	**8.562.321**	**3.760.478**	**8.025.986**
Other Receivables	8	10.237	23.738	10.641	22.711
Financial Investments		27	63	-	-
Financial Derivative Instruments	5	24.013	55.684	34.043	72.657
Investment Properties	11	24.879	57.691	24.199	51.647
Property, Plant and Equipment	12	3.535.882	8.199.357	3.595.350	7.673.556
Intangible Assets	13	72.689	168.559	74.568	159.150
Prepaid Expenses	10	10.931	25.348	13.320	28.429
Deferred Tax Assets	27	13.748	31.881	8.357	17.836
TOTAL ASSETS		**6.871.220**	**15.933.674**	**6.575.687**	**14.034.484**

The details of US Dollar amounts explained in Note 2.1.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2014
(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)
(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 34)

LIABILITIES	Note	Current Period 31 December 2014 USD'000	(Audited) Current Period 31 December 2014 TRY'000	Previous Period 31 December 2013 USD'000	(Audited) Previous Period 31 December 2013 TRY'000
Current Liabilities		**1.339.179**	**3.105.422**	**1.159.820**	**2.475.406**
Financial Liabilities	6	274.948	637.577	93.055	198.608
Short Term Portion of Long Term Fin. Liab.	6	615.918	1.428.252	600.285	1.281.188
Financial Derivative Instruments	5	2.629	6.096	6.832	14.582
Trade Payables	7	179.936	417.255	236.230	504.186
Due to Related Parties	*29*	*7.904*	*18.329*	*6.767*	*14.443*
Other Trade Payables	*7*	*172.032*	*398.926*	*229.463*	*489.743*
Other Payables	8	3.186	7.389	2.931	6.256
Deferred Revenue	19	32.972	76.458	43.568	92.988
Current Tax Liabilities	27	55.935	129.708	21.080	44.990
Short Term Provisions	16	101.138	234.528	96.062	205.026
Payables for Employee Benefits	15	53.354	123.722	50.974	108.794
Other Current Liabilities	18	19.163	44.437	8.803	18.788
Non Current Liabilities		**1.085.836**	**2.517.945**	**1.336.389**	**2.852.258**
Financial Liabilities	6	581.269	1.347.905	946.579	2.020.283
Financial Derivative Instruments	5	10.280	23.839	5.758	12.290
Provisions for Employee Benefits	15	210.326	487.724	183.775	392.232
Deferred Tax Liabilities	27	283.803	658.110	200.113	427.102
Other Non Current Liabilities	18	158	367	164	351
EQUITY		**4.446.205**	**10.310.307**	**4.079.478**	**8.706.820**
Equity Attributable to Equity Holders of the Parent		**4.313.813**	**10.003.303**	**3.967.015**	**8.466.790**
Share Capital	20	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital	20	81.366	156.613	81.366	156.613
Treasury Shares (-)	20	(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium	20	55.303	106.447	55.303	106.447
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		(44.682)	(101.563)	(20.407)	(43.554)
Revaluation Reserve of Tangible Assets		*10.405*	*24.151*	*10.896*	*23.255*
Actuarial (Loss)/ Gain funds		*(55.087)*	*(125.714)*	*(31.303)*	*(66.809)*
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		(4.007)	1.623.162	(5.697)	835.320
Cash Flow Hedging Reserves		*3.088*	*7.160*	*(4.378)*	*(9.344)*
Foreign Currency Translation Reserves		*(7.095)*	*1.616.002*	*(1.319)*	*844.664*
Restricted Reserves Assorted from Profit	20	313.307	617.355	260.261	500.949
Retained Earnings	20	1.422.232	2.616.106	1.354.568	2.607.273
Net Profit for the Period		732.310	1.601.415	483.637	919.974
Non-Controlling Interests		**132.392**	**307.004**	**112.463**	**240.030**
TOTAL LIABILITIES AND EQUITY		**6.871.220**	**15.933.674**	**6.575.687**	**14.034.484**

The details of US Dollar amounts explained in Note 2.1.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)
(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 34)

	Note	Current Period 1 January - 31 December 2014 USD'000	(Audited) Current Period 1 January - 31 December 2014 TRY'000	Previous Period 1 January - 31 December 2013 USD'000	(Audited) Previous Period 1 January - 31 December 2013 TRY'000
OPERATING INCOME					
Revenue	21	5.251.572	11.484.137	5.141.810	9.780.751
Cost of Sales (-)	21	(4.136.479)	(9.045.652)	(4.164.574)	(7.921.852)
GROSS PROFIT		**1.115.093**	**2.438.485**	**977.236**	**1.858.899**
Marketing, Sales and Distribution Expenses (-)	22	(54.777)	(119.786)	(56.775)	(107.997)
General Administrative Expenses (-)	22	(102.208)	(223.509)	(106.163)	(201.944)
Research and Development Expenses (-)	22	(3.201)	(6.999)	(2.030)	(3.862)
Other Operating Income	24	67.936	148.563	85.629	162.883
Other Operating Expenses (-)	24	(65.091)	(142.342)	(89.463)	(170.177)
OPERATING PROFIT		**957.752**	**2.094.412**	**808.434**	**1.537.802**
Finance Income	25	40.648	88.888	55.373	105.330
Finance Expense (-)	26	(106.496)	(217.729)	(218.844)	(394.970)
PROFIT BEFORE TAX		**891.904**	**1.965.571**	**644.963**	**1.248.162**
Tax Expense	27	(132.442)	(304.780)	(140.070)	(287.754)
- Current Corporate Tax Expense		(114.729)	(266.045)	(91.824)	(195.980)
- Deferred Tax Expense		(17.713)	(38.735)	(48.246)	(91.774)
NET PROFIT FOR THE PERIOD		**759.462**	**1.660.791**	**504.893**	**960.408**
- Non-Controlling Interests		27.152	59.376	21.256	40.434
- Equity Holders of the Parent		732.310	1.601.415	483.637	919.974
EARNINGS PER SHARE	28		0,4575		0,2628
(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 FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)
(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 34)

	Note	Current Period 1 January - 31 December 2014 USD'000	(Audited) Current Period 1 January - 31 December 2014 TRY'000	Previous Period 1 January - 31 December 2013 USD'000	(Audited) Previous Period 1 January - 31 December 2013 TRY'000
PROFIT FOR THE PERIOD		**759.462**	**1.660.791**	**504.893**	**960.408**
Other Comprehensive Income/(Expense):					
Not to be reclassified subsequently to profit or loss					
Change in Revaluation Reserve of Tangible Assets		(491)	896	(1.871)	(3.559)
Change in Actuarial (Loss)/ Gain		(30.472)	(75.386)	(7.508)	(14.282)
Tax Effect of Changes in Actuarial (Loss)/ Gain		6.094	15.077	1.501	2.856
To be reclassified subsequently to profit or loss					
Change in Cash Flow Hedging Reserves		9.445	20.842	14.628	27.826
Tax Effect of Change in Cash Flow Hedging Reserves		(1.889)	(4.168)	(2.926)	(5.565)
Change in Foreign Currency Translation Reserves		(7.038)	792.010	446.583	849.490
OTHER COMP. INCOME/ EXPENSE FOR THE PERIOD (AFTER TAX)	27	**(24.351)**	**749.271**	**450.407**	**856.766**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**735.111**	**2.410.062**	**955.300**	**1.817.174**
Distribution of Total Comprehensive Income					
- Non-controlling Interests		25.259	78.814	24.378	46.372
- Equity Holders of the Parent		709.852	2.331.248	930.922	1.770.802

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)
(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 34)

(Audited)	Note	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium
1 January 2014		**3.500.000**	**156.613**	**(116.232)**	**106.447**
Net profit for the period		-	-	-	-
Other comprehensive income/(loss)		-	-	-	-
Total comprehensive income/(loss)		-	-	-	-
Dividends paid (*)		-	-	-	-
Transfers	20	-	-	-	-
31 December 2014	20	**3.500.000**	**156.613**	**(116.232)**	**106.447**
(Audited)					
1 January 2013 (previously reported)		**3.090.000**	**342.195**	**(103.600)**	**106.447**
Effect of changes in accounting policy		-	-	-	-
1 January 2013 Restated		**3.090.000**	**342.195**	**(103.600)**	**106.447**
Net profit for the period		-	-	-	-
Other comprehensive income/(loss)		-	-	-	-
Total comprehensive income/(loss)		-	-	-	-
Dividends paid (*)		-	-	-	-
Capital increase	20	410.000	(185.582)	(12.632)	-
Transfers	20	-	-	-	-
31 December 2013	20	**3.500.000**	**156.613**	**(116.232)**	**106.447**

(*) In annual General Assembly dated 31 March 2014, dividend distribution (gross dividend per share: TRY 0,2343 (2013: TRY 0,03429)) amounting to TRY 820.000 thousand (29 March 2013: TRY 120.000 thousand) from 2013 net profit was approved. As the Company holds 3,08% of its shares with a nominal value of TRY 1 as of 31 March 2014, dividends for treasury shares are netted off under dividends paid. The dividend payment was completed at 26 May 2014.

Other comprehensive income/expense not to be reclassified subsequently to profit or loss		Other comprehensive income/expense to be reclassified subsequently to profit or loss			Retained Earnings				
Revaluation Reserve of Tangible Assets	Actuarial loss/ (gain) funds	Cash Flow Hedging Reserves	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period	Equity Attributable to the Parent	Non-controlling Interests	Total Shareholders' Equity
23.255	(66.809)	(9.344)	844.664	500.949	2.607.273	919.974	8.466.790	240.030	8.706.820
-	-	-	-	-	-	1.601.415	1.601.415	59.376	1.660.791
896	(58.905)	16.504	771.338	-	-	-	729.833	19.438	749.271
896	(58.905)	16.504	771.338	-	-	1.601.415	2.331.248	78.814	2.410.062
-	-	-	-	-	(794.735)	-	(794.735)	(11.840)	(806.575)
-	-	-	-	116.406	803.568	(919.974)	-	-	-
24.151	(125.714)	7.160	1.616.002	617.355	2.616.106	1.601.415	10.003.303	307.004	10.310.307
26.814	-	(29.878)	(315)	432.878	2.888.254	452.017	7.204.812	211.100	7.415.912
-	(55.683)	-	-	-	55.683	-	-	-	-
26.814	(55.683)	(29.878)	(315)	432.878	2.943.937	452.017	7.204.812	211.100	7.415.912
-	-	-	-	-	-	919.974	919.974	40.434	960.408
(3.559)	(11.126)	20.534	844.979	-	-	-	850.828	5.938	856.766
(3.559)	(11.126)	20.534	844.979	-	-	919.974	1.770.802	46.372	1.817.174
-	-	-	-	-	(508.824)	-	(508.824)	(17.442)	(526.266)
-	-	-	-	-	(211.786)	-	-	-	-
-	-	-	-	68.071	383.946	(452.017)	-	-	-
23.255	(66.809)	(9.344)	844.664	500.949	2.607.273	919.974	8.466.790	240.030	8.706.820

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 CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 34)

	Note	Current Period 1 January 31 December 2014 US'000	(Audited) Current Period 1 January 31 December 2014 TRY'000	Previous Period 1 January 31 December 2013 US'000	(Audited) Current Period 1 January 31 December 2013 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax and non-controlling interests		891.904	1.965.571	644.963	1.248.162
Adjustments to reconcile net profit before tax to net cash provided by operating activities:					
Depreciation and amortization expenses	21/23	199.663	436.622	208.432	396.480
Provision for employee termination benefits	15	25.127	54.947	25.356	48.232
Provision for seniority incentive premium	15	4.632	10.130	(182)	(346)
(Gain)on sale of property plant and equipment	24	(482)	(1.054)	(646)	(1.228)
Loss on write off of property plant and equipment	24	1.887	4.127	1.052	2.002
Increase in provision for doubtful receivables	7/8	3.860	8.441	8.086	15.381
Decrease in the allowance for inventories	9	6.831	14.938	8.381	15.943
Increase in the impairment of tangible assets	12	8.485	18.555	10.762	20.472
Increase/ (decrease) in provision for unpaid vacations	15	3.883	8.492	4.440	8.445
Increase in provision for pending claims and lawsuits	16	9.641	21.082	47.759	90.847
Increase in penalty prov. for obligatory empl.t shortage of disabled people	16	698	1.527	570	1.085
Increase in provision for state right on mining activities	16	2.223	4.861	1.389	2.642
Increase in provision for civil defense fund	16	3.179	6.951	1.756	3.341
Interest expenses	26	84.265	184.271	114.791	218.356
Interest income from bank deposits	25	(24.545)	(53.675)	(36.670)	(69.754)
Interest income from overdue sales	24	(27.145)	(59.360)	(21.309)	(40.534)
Unrealized foreign currency loss of financial liabilities		(12.564)	(27.474)	(5.959)	(11.336)
Loss/(gain) on fair value changes of derivative financial instruments	25/26	(5.588)	(12.220)	(18.693)	(35.557)
Net cash provided by operating activities before changes in working capital		**1.175.954**	**2.586.732**	**994.278**	**1.912.633**
Changes in working capital	33	195.772	453.975	(265.186)	(504.437)
Interest income from overdue sales collected		27.750	60.683	15.336	29.172
Lawsuits paid	16	(3.447)	(7.537)	(3.897)	(7.412)
Penalty paid for the employment shortage of disabled people	16	(402)	(880)	(791)	(1.504)
Corporate tax paid	27	(82.919)	(181.327)	(85.795)	(163.199)
Employee termination benefits paid	15	(18.190)	(39.777)	(11.678)	(22.214)
State rights paid for mining activities	16	(1.381)	(3.019)	(1.916)	(3.645)
Unused vacation paid	15	(2.960)	(6.474)	(1.757)	(3.342)
Seniority incentive premium paid	15	(1.017)	(2.224)	(454)	(864)
Net cash provided by operating activities		**1.289.160**	**2.860.152**	**638.140**	**1.235.188**
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in financial investments		(29)	(63)	45	85
Payments for investment property	11	(680)	(1.488)	-	-
Cash used in the purchase of tangible assets	12	(151.042)	(330.298)	(160.812)	(305.897)
Cash used in the purchase of intangible assets	13	(6.783)	(14.834)	(6.061)	(11.530)
Cash provided by sales of tangible assets	12/13/24	569	1.245	877	1.669
Net cash used in investing activities		**(157.965)**	**(345.438)**	**(165.951)**	**(315.673)**
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings		964.751	2.237.160	2.724.643	5.182.816
Repayment of borrowings		(1.125.564)	(2.610.071)	(3.658.297)	(6.958.812)
Interest paid		(78.671)	(172.037)	(109.641)	(208.560)
Interest received on bank deposits		22.839	49.945	37.044	70.465
Dividends paid		(380.040)	(794.735)	(267.492)	(508.824)
Dividends paid to non-controlling interests		(5.330)	(11.840)	(9.169)	(17.442)
Net cash used in by financing activities		**(602.015)**	**(1.301.578)**	**(1.282.912)**	**(2.440.357)**
NET CHANGES IN CASH AND CASH EQUIVALENTS		**529.180**	**1.213.136**	**(810.723)**	**(1.520.842)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**355.997**	**759.804**	**1.025.299**	**1.827.698**
Currency translation difference, net		55.689	208.833	141.421	452.948
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**940.866**	**2.181.773**	**355.997**	**759.804**
Accrued interest income		2.172	5.037	612	1.307
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD INCLUDING ACCRUED INTEREST INCOME		**943.038**	**2.186.810**	**356.609**	**761.111**

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

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)
(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish - See Note 34)

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	2014 Share %	2013 Share %
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Steel Production	95,07	95,07
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90,00	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	-

In order to carry out business activities in Far East, the Group has established "Erdemir Asia Pacific Private Limited (EAPPL)" with a share capital of USD 250.000 in Singapore in 4 July 2014, which is a 100% subsidiary of Erdemir.

The registered address of the Company is Merdivenköy Yolu Cad. No: 2, 34750 Küçükbakkalköy /ISTANBUL.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş AND ITS SUBSIDIARIES
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NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (cont'd)

The number of the personnel employed by the Group as at 31 December 2014 and 31 December 2013 are as follows:

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

	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2013 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.612	1.824	6.436
İskenderun Demir ve Çelik A.Ş.	4.271	1.255	5.526
Erdemir Madencilik San. ve Tic. A.Ş.	123	148	271
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	43	95	138
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	-	160	160
Erdemir Romania S.R.L.	218	52	270
	9.267	3.534	12.801

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

The Group's consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676.

The financial statements are prepared on cost basis, except the derivative financial instruments and tangible assets used for silicon steel and iron ore carried on fair value.

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

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

2.1 Basis of Presentation (cont'd)

Functional and Reporting Currency

TRY is accepted as the functional currency of the Company's subsidiaries operating in Turkey and presentation currency of the consolidated financial statements until 30 June 2013. Due to changes in sale and collection policies of Company and its subsidiaries' İskenderun Demir ve Çelik A.Ş. "İsdemir" and Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş "Ersem", the functional currency of the Company and its subsidiaries İsdemir and Ersem changed from TRY to US Dollars in accordance with TAS 21 ("The Effects of Foreign Exchange Rates") starting from the beginning of third quarter, which is 1 July 2013. Therefore The Company's functional currency is US Dollars as of 31 December 2014 and 31 December 2013. The functional currency of the Company's subsidiaries, Erdemir Madencilik San. Ve Tic. A.Ş. "Ermaden" and Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş "Erenco", operating in Turkey have been accepted in TRY, Erdemir Asia Pacific Private Limited in USD and Erdemir Romania S.R.L in Euro.

Presentation currency translation

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

a) For the purpose of presenting consolidated financial statements, the assets and liabilities are translated from USD Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 2,3189=US $ 1 and TRY 2,8207=EUR 1 on the balance sheet date (31 December 2013: TRY 2,1343= US $ 1, TRY 2,9365=EUR 1).

b) For the year ended 31 December 2014, income statements are translated from the average TRY 2,1868=US $ 1 and TRY 2,9059=EUR 1 rates of 2014 January-December period.

c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.

d) The differences between presentation of statutory and historical figures are recognised as translation differences under equity. All capital, capital measures and other measures are represented with their statutory figures in the accompanying financial statements.

USD amounts presented in the financial statements

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

Going concern

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

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

2.1 Basis of Presentation (cont'd)

Approval of the consolidated financial statements

The consolidated financial statements have been approved and authorized to be published on 10 February 2015 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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

The Group's 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.

2.3 Consolidation Principles

The consolidated financial statements include the accounts of the parent company, Ereğli Demir ve Çelik Fabrikaları T.A.Ş., and its Subsidiaries on the basis set out in sections below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies.

Subsidiaries are the Companies controlled by Erdemir when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases.

The statement of financial position and statements profit or loss of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Erdemir and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Erdemir and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Erdemir in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

The table below sets out all Subsidiaries included in the scope of consolidation and discloses their direct and indirect ownership, which are identical to their economic interests, as of 31 December 2014 and 31 December 2013 (%) and their functional currencies:

	31 December 2014			31 December 2013		
	Functional Currency	Ownership Interest	Effective Shareholding	Functional Currency	Ownership Interest	Effective Shareholding
İsdemir	US Dollars	95,07	95,07	US Dollars	95,07	95,07
Ersem	US Dollars	100,00	100,00	US Dollars	100,00	100,00
Ermaden	Turkish Lira	90,00	90,00	Turkish Lira	90,00	90,00
Erenco	Turkish Lira	100,00	100,00	Turkish Lira	100,00	100,00
Erdemir Romania S.R.L.	Euro	100,00	100,00	Euro	100,00	100,00
Erdemir Asia Pasific	US Dollars	100,00	100,00	-	-	-

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

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

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

Reclassifications of income statement are as follows:

Account	(Previously Reported) 1 January - 31 December 2013	(Restated) 1 January - 31 December 2013	(Difference) 1 January - 31 December 2013
Other Operating Income [1]	160.927	162.883	1.956
Other Operating Expenses [1]	(146.818)	(170.177)	(23.359)
Financial Expense (-) [1]	(416.373)	(394.970)	21.403
			-

[1] Out of (net) TRY 21.403 thousand discount expense that was reported under "Financial Expenses (-)", is reclassified under "Financial Income" TRY 1.956 thousand as discount income and under "Financial Expenses (-)" TRY (23.359) thousand as discount expenses in consolidated income statement as of 31 December 2013.

2.5 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:

2.5.1 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 2.8.3 and 2.8.4 (Note 12, Note 13).

2.5.2 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 TFRS 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 TFRS 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 27).

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

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

2.5.3 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 (Note 5).

2.5.4 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 is 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 7 and Note 8.

2.5.5 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 9.

2.5.6 Provisions for employee benefits

Actuarial 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 15.

2.5.7 Provision for lawsuits

Provision for lawsuits is evaluated by the Group Management based on opinions of Group Legal Counsel and legal consultants. The Group Management determines the amount of provisions based on best estimates. As of balance sheet date, provision for lawsuits is stated in Note 16.

2.5.8 Impairments on Assets

The Group, performs impairment tests for assets that are subject to depreciation and amortization in case of being not possible to prevent recovery of the assets at each reporting period. Assets are grouped at the lowest levels which there are separately identifiable cash flows for evaluation of impairment (cash generating units). As a result of the impairment works performs by the Group management, as of the reporting date any impairment except calculated provision on non-financial assets has not been estimated.

2.6 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.

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

2.7 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. 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 2014 are as follows:

- TAS 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 TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the consolidated financial statements of the Group.

- TFRS Interpretation 21 Levies

  The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Group and did not have any impact on the financial position or performance of the Group.

- TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

  As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the consolidated financial statements of the Group.

- TAS 39 Financial Instruments: Recognition and Measurement (Amended) - Novation of Derivatives and Continuation of Hedge Accounting

  Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be notated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the consolidated financial statements of the Group.

- TFRS 10 Consolidated Financial Statements (Amendment)

  TFRS 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 TFRS. This amendment does not have any impact on the financial position or performance of the Group.

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

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

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 financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- TFRS 9 Financial Instruments - Classification and measurement

  As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 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. The Company / the Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

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

  TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Group.

- TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

  TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

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

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

- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to TAS 16 and TAS 38)

  The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) - Bearer Plants

  TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to TAS/TFRSs

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to "Annual Improvements - 2010-2012 Cycle" and "Annual Improvements - 2011-2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements - 2010-2012 Cycle

- TFRS 2 Share-based Payment:

  Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

- TFRS 3 Business Combinations

  Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

- TFRS 8 Operating Segments

  The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş AND ITS SUBSIDIARIES
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NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

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

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

Annual Improvements to TAS/TFRSs (cont'd)

- TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

  The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

- TAS 24 Related Party Disclosures

  The amendment clarifies that a management entity - an entity that provides key management personnel services - is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements - 2011-2013 Cycle

- TFRS 3 Business Combinations

  The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

- Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement

  The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

- TAS 40 Investment Property

  The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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

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

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

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

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

Annual Improvements - 2010-2012 Cycle

- IFRS 13 Fair Value Measurement

  As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements - 2011-2013 Cycle

- IFRS 15 Revenue from Contracts with Customers

  In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

- IFRS 9 Financial Instruments - Final standard (2014)

  In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş AND ITS SUBSIDIARIES
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NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

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

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures - servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits - regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

- IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

  In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognized only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

- IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

  In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

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

- IAS 1: Disclosure Initiative (Amendments to IAS 1)

  In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group.

2.8 Valuation Principles Applied / Significant Accounting Policies

Valuation principles and accounting policies used in the preparation of the consolidated financial statements are as follows:

2.8.1 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. Group's interest income from sales with maturities is recognized in other operating income.

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.

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

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

2.8.2 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.

2.8.3 Property, plant and equipment

Property, plant and equipment purchased before 30 June 2013 are disclosed in the financial statements at their indexed historical cost for inflation effects as at 30 June 2013, on the other hand the purchases made in 30 June 2013 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.

The Group's tangible fixed assets operating in the production of iron ore and high silicon flat steel are stated in the balance sheet at their fair value amounts at the date of acquisition. 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%

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

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

2.8.4 Intangible assets

Intangible assets purchased before 30 June 2013 are recognized at their acquisition cost indexed for inflation effects as at 30 June 2013, on the other hand the purchases made in and after 30 June 2013 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%

2.8.5 Investment properties

Investment properties, which are held to earn rental income and/or for capital appreciation are measured initially at cost 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.

2.8.6 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.

2.8.7 Borrowing costs

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

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

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

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

2.8.8 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.

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.

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

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

2.8.8 Financial instruments (cont'd)

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.

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.

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

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

2.8.8 Financial instruments (cont'd)

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.

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 contracts 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.

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

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

2.8.8 Financial instruments (cont'd)

Derivative financial instruments and hedge accounting (cont'd)

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.

2.8.9 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.

The Group records foreign currency (currencies other than the functional currency of the related company) transactions using exchange rates of the date the transaction is completed. Foreign currency monetary items are evaluated with exchange rates as of reporting date and arising foreign exchange income/expenses are recorded in consolidated statement of income. All monetary assets and liabilities are evaluated with exchange rates of the reporting date and related foreign currency translation differences are transferred to consolidated statement of income. Non-monetary foreign currency items that are recognized at cost are evaluated with historic exchange rates. Non-monetary foreign currency items that are recognized at fair value are evaluated with exchange rates of the dates their fair values are determined.

2.8.10 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 is computed by taking into consideration of the retrospective effects of the share distributions.

2.8.11 Subsequent events

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

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

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

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

2.8.12 Provisions, contingent liabilities and contingent assets

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

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

2.8.13 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.

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

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

2.8.14 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.

Current tax

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.

Deferred tax

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

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

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

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

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

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

2.8.14 Taxation and deferred income taxes (cont'd)

Deferred tax (cont'd)

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

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in 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.

2.8.15 Employee 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 other comprehensive 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 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 15.

Liabilities due to unused vacations classified as provisions due to employee benefits are accrued and discounted if the discount effect is material.

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.

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

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

2.8.16 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.

2.8.17 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.

The translation difference that occurs due to translation from functional currency to presentation currency is shown as translation difference on cash flow statement.

2.8.18 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.

2.8.19 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.

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NOTE 4 - CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as of 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014	31 December 2013
Cash	27	25
Banks - demand deposits	52.083	53.594
Banks - time deposits	2.134.700	707.492
	2.186.810	761.111
Time deposit interest accruals (-)	(5.037)	(1.307)
Cash and cash equivalents excluding interest accruals	2.181.773	759.804

The breakdown of demand deposits is presented below:

	31 December 2014	31 December 2013
US Dollars	19.530	15.437
TRY	15.511	30.599
EURO	10.146	6.571
Romanian Lei	6.746	978
GB Pound	13	8
Japanese Yen	137	1
	52.083	53.594

The breakdown of time deposits is presented below:

	31 December 2014	31 December 2013
US Dollars	1.768.703	679.583
TRY	357.129	17.734
EURO	8.745	10.052
Romanian Lei	123	123
	2.134.700	707.492

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.

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NOTE 5 - FINANCIAL DERIVATIVE INSTRUMENTS

The detail of financial derivative instruments as of 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014		31 December 2013	
	Asset	Liability	Asset	Liability
Fair value hedging derivative financial assets				
Forward contracts	18.776	3.957	7.388	14.548
Option contracts	2.353	659	21	212
Cross currency swap contracts	49.443	12.379	-	-
	70.572	16.995	7.409	14.760
Cash flow hedging derivative financial assets				
Forward contracts for cash flow hedges of currency risk of sales	17.028	-	-	-
Cross currency swap contracts for cash flow hedges of currency risk of borrowings	-	9.304	72.622	-
Interest rate swap contracts for cash flow hedges of interest rate risk of borrowings	4.513	2.369	-	12.112
Commodity swap contracts for cash flow hedges of price fluctuations of raw material purchases	199	1.267	-	-
	21.740	12.940	72.622	12.112
	92.312	29.935	80.031	26.872

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NOTE 5 - FINANCIAL DERIVATIVE INSTRUMENTS (cont'd)

Derivative instruments for fair value hedge

As of 31 December 2014 and 31 December 2013, the details of forward, option and cross currency swap transactions for fair value hedge are as follows:

		Assets		Liabilities	
31 December 2014		Nominal Value	Fair Value	Nominal Value	Fair Value
Forward contracts					
Buy USD/Sell TRY	Less than 3 months	441.870	18.776	-	-
Buy TRY/Sell USD	Less than 3 months	-	-	77.876	3.957
		441.870	18.776	77.876	3.957
Options contracts					
Buy TRY/Sell USD	Less than 3 months	11.598	1.108	23.196	214
Buy USD/Sell EUR	Between 6 -12 months	11.843	696	23.686	348
Buy USD/Sell EUR	More than 12 months	8.935	549	17.871	97
		32.376	2.353	64.753	659
Cross currency swap contracts					
Buy USD/Sell TRY	More than 12 months	50.066	18.630	50.066	9.126
Buy EUR/Sell TRY	More than 12 months	117.734	30.813	117.734	3.253
		167.800	49.443	167.800	12.379
		642.046	70.572	310.429	16.995

		Assets		Liabilities	
31 December 2013		Nominal Value	Fair Value	Nominal Value	Fair Value
Forward contracts					
Buy TRY/Sell USD	Less than 3 months	-	-	4.186	95
Buy USD/Sell EUR	Less than 3 months	-	-	161.768	5.025
Buy JPY/Sell USD	Less than 3 months	-	-	45.519	4.838
Buy USD/Sell EUR	Between 3-6 months	5.884	5	110.564	1.735
Buy JPY/Sell USD	Between 3-6 months	-	-	14.510	592
Buy USD/Sell EUR	Between 6-12 months	-	-	162.856	1.914
Buy JPY/Sell USD	Between 6-12 months	-	-	6.613	171
Buy USD/Sell EUR	More than 12 months	16.393	35	36.812	178
Buy EUR/Sell USD	Less than 3 months	13.329	237	-	-
Buy USD/Sell JPY	Less than 3 months	52.290	6.516	-	-
Buy USD/Sell JPY	Between 6-12 months	8.537	595	-	-
		96.433	7.388	542.828	14.548
Options contracts					
Buy TRY/Sell USD	Less than 3 months	4.230	21	8.461	212
		4.230	21	8.461	212
		100.663	7.409	551.289	14.760

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NOTE 5 - FINANCIAL DERIVATIVE INSTRUMENTS (cont'd)

Derivative instruments for cash flow hedge

Forward contracts for cash flow hedges of currency risk of sales:

Buy USD - Sell EUR forward contracts measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of forecast sales in EUR. These forecast transactions are highly probable and their maturities vary between January 2014 and April 2016.

The terms and conditions of the forward contracts match the terms and conditions of the expected highly probable forecast sales in EUR. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

In respect of these contracts which has a nominal value of TRY 390.056 thousand for the purpose of hedging cash flow risk, with related deferred tax effect TRY 17.028 thousand was included in other comprehensive income (31 December 2013: None).

As of 31 December 2014, there isn't any realised reclassification to sales from other comprehensive income during the year.

Cross currency and interest rate swap contracts for cash flow hedges of interest rate and currency risk of borrowings.

Group has fixing contracts for future interest and principle payments of floating interest rate borrowings. The fair values of these contracts match the floating rate borrowings and were included in other comprehensive income. The maturities of these transactions will be completed in June 2017.

The terms and conditions of those contracts match the terms and conditions of the floating rate borrowings. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

In respect of these contracts which has a nominal value of TRY 634.729 thousand, for the purpose of hedging cash flow risk, with related deferred tax effect TRY (7.160) thousand was included in other comprehensive income (31 December 2013: TRY 60.510 thousand).

Commodity swap contracts for hedges of price risk of raw material purchases:

The Group purchases iron ore on an ongoing basis as its operating activities. The increased volatility in iron ore price over the past 12 months, the Group enters into iron ore forward contract.

Group's iron ore forward contracts measured at fair value through other comprehensive income match iron ore price risk associated with future long term sales contracts. These sales are highly probable and terms and conditions of iron ore forward contracts match sales terms. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

The maturities of these 60 thousand tons of iron ore contracts which has a nominal value of TRY 10.892 thousand, are vary between January 2015 and January 2016 and fair value with related deferred tax effect, TRY (1.068) thousand was included in other comprehensive income.

As of 31 December 2014, there is no recycled portion of hedge reserve to cost of goods sales during the year.

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NOTE 6 - FINANCIAL LIABILITIES

Breakdown of financial liabilities is as follows:

	31 December 2014	31 December 2013
Short term financial liabilities	637.577	198.608
Current portion of long term financial liabilities	1.222.019	1.275.113
Corporate bonds issued (*)	206.233	6.075
Total short term financial liabilities	2.065.829	1.479.796
Long term financial liabilities	1.347.905	1.820.381
Corporate bonds issued (*)	-	199.902
Total long term financial liabilities	1.347.905	2.020.283
	3.413.734	3.500.079

(*) As of 13 March 2013, completed sales of the Group is the total nominal value of TRY 200.000 thousand floating rate bond issue with 6-months coupon payments, principal payment at the maturity date of 11 March 2015 and 150 basis points added to the benchmark interest payments that is determined at coupon payment dates.

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

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

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NOTE 6 - FINANCIAL LIABILITIES (cont'd)

As of 31 December 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 December 2013
No interest	TRY	-	61.487	-	61.487
Fixed	TRY	8,57	231.995	290.925	522.920
Fixed	US Dollars	1,96	62.618	41.281	103.899
Fixed	EURO	5,50	628	3.859	4.487
Floating	TRY	Trlibor+1,50	6.075	199.902	205.977
Floating	US Dollars	Libor+2,52	974.459	1.118.262	2.092.721
Floating	EURO	Euribor+0,33	114.956	295.301	410.257
Floating	Japanese Yen	JPY Libor+0,22	27.578	70.753	98.331
			1.479.796	2.020.283	3.500.079

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

	31 December 2014	31 December 2013
Within 1 year	2.065.829	1.479.796
Between 1-2 years	588.577	869.087
Between 2-3 years	522.255	577.900
Between 3-4 years	137.072	347.915
Between 4-5 years	16.680	154.698
Five years or more	83.321	70.683
	3.413.734	3.500.079

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

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

	31 December 2014	31 December 2013
Short term trade receivables		
Trade receivables	1.784.623	1.740.796
Due from related parties (Note 29)	36.409	36.694
Notes receivables	42	834
Discount on receivables (-)	(2.107)	(8.406)
Provision for doubtful trade receivables (-)	(62.107)	(61.380)
	1.756.860	1.708.538

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	61.380	41.271
Provision for the period	1.804	13.692
Provision released (-)	(62)	(432)
Translation loss/(gain)	(1.015)	6.849
Closing balance	62.107	61.380

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 30.

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

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (cont'd)

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

Short term trade payables	31 December 2014	31 December 2013
Trade payables	400.717	491.705
Due to related parties (Note 29)	18.329	14.443
Discount on trade payables (-)	(1.791)	(1.962)
	417.255	504.186

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

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

Other current receivables	31 December 2014	31 December 2013
Receivables from water system construction	3.527	3.890
Deposits and guarantees given	273	291
	3.800	4.181

Other non current receivables	31 December 2014	31 December 2013
Receivables from Privatization Authority	62.403	55.958
Receivables from water system construction	22.836	21.958
Deposits and guarantees given	902	753
Provision for other doubtful receivables (-)	(62.403)	(55.958)
	23.738	22.711

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	55.958	54.061
Provision for the period	6.699	2.121
Translation difference	(254)	(224)
Closing balance	62.403	55.958

	31 December 2014	31 December 2013
Taxes payable	951	1.817
Deposits and guarantees received	5.248	3.249
Dividend payables to shareholders (*)	1.190	1.190
	7.389	6.256

(*) Dividend payable represents the uncollected balances by shareholders related to the prior years.

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NOTE 9 - INVENTORIES

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

	31 December 2014	31 December 2013
Raw materials	773.832	770.493
Work in progress	648.460	586.384
Finished goods	877.211	907.440
Spare parts	480.502	447.941
Goods in transit	361.212	553.101
Other inventories	228.924	206.467
Allowance for impairment on inventories (-)	(111.752)	(88.739)
	3.258.389	3.383.087

The movement of the allowance for impairment on inventories:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	88.739	60.395
Provision for the period (Note 21)	29.951	32.607
Provision released (-) (Note 21)	(15.013)	(16.664)
Translation difference	8.075	12.401
Closing balance	111.752	88.739

The Group has provided an allowance for the impairment on the inventories of finished goods, work in progress and raw materials in the cases when their net realizable values are lower than their costs. The provision released has been recognized under cost of sales (Note 21).

NOTE 10 - PREPAID EXPENSES

As of the balance sheet date, the details of the Group's short term prepaid expenses are as follows:

	31 December 2014	31 December 2013
Insurance expenses	20.250	4.776
Order advances given	4.200	3.133
Prepaid utility allowance to employees	6.622	6.775
Other prepaid expenses	6.248	3.431
	37.320	18.115

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NOTE 10 - PREPAID EXPENSES (cont'd)

As of the balance sheet date, the details of the Group's long term prepaid expenses are as follows:

	31 December 2014	31 December 2013
Order advances given	18.949	25.800
Insurance expenses	3.787	-
Other prepaid expenses	2.612	2.629
	25.348	28.429

NOTE 11 - INVESTMENT PROPERTIES

	1 January - 31 December 2014	1 January - 31 December 2013
Cost		
As of 1 January	51.647	46.577
Additions	1.488	-
Translation difference	4.556	5.070
As of 31 December	57.691	51.647
Book value	57.691	51.647

According to the recent valuation reports, the fair value of the Group's investment properties is TRY 216.760 thousand (31 December 2013: TRY 214.315 thousand). The fair values of the investment properties have been determined in reference to the valuations of independent valuation firms authorized by the CMB of Turkey. The valuations are undertaken predominantly by using the precedent values of similar properties as references under market approach.

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

For the year ended 31 December 2014, the Group generated rent income amounting to TRY 256 thousand (31 December 2013: TRY 101 thousand) recognized under other operating income.

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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	122.007	1.724.939	2.721.371	11.379.466	731.536	354.805	23.577	429.980	17.487.681
Translation difference	8.669	148.388	235.353	990.267	50.047	22.931	1.635	33.161	1.490.451
Additions (*)	400	381	560	59.157	3.810	12.682	4.425	248.883	330.298
Transfers from CIP (**)	4.985	43.843	47.952	208.186	1.770	7.039	78	(317.580)	(3.727)
Disposals	-	-	-	(14.193)	(1.137)	(12.869)	(653)	-	(28.852)
Closing balance as of 31 December 2014	136.061	1.917.551	3.005.236	12.622.883	786.026	384.588	29.062	394.444	19.275.851
Accumulated Depreciation									
Opening balance as of 1 January	-	(1.187.900)	(1.828.208)	(6.178.044)	(414.762)	(186.916)	(18.295)	-	(9.814.125)
Translation difference	-	(103.488)	(160.523)	(543.162)	(23.834)	(8.373)	(1.319)	(1.121)	(841.820)
Charge for the period	-	(40.083)	(63.677)	(285.197)	(22.121)	(13.885)	(1.565)	-	(426.528)
Impairment (***)	-	-	-	-	-	-	-	(18.555)	(18.555)
Disposals	-	-	-	11.403	1.041	11.437	653	-	24.534
Closing balance as of 31 December 2014	-	(1.331.471)	(2.052.408)	(6.995.000)	(459.676)	(197.737)	(20.526)	(19.676)	(11.076.494)
Net book value as of 31 December 2013	122.007	537.039	893.163	5.201.422	316.774	167.889	5.282	429.980	7.673.556
Net book value as of 31 December 2014	136.061	586.080	952.828	5.627.883	326.350	186.851	8.536	374.768	8.199.357

(*) The amount of capitalized borrowing cost is TRY 3.936 thousand for the current period (31 December 2013: TRY 2.008 thousand).

(**) TRY 3.727 thousand is transferred to intangible assets (Note 13).

(***) The Group reviews the amount of discarded fixed asset which is not able to generate cash flows independently. Accordingly, the review led to the recognition of an impairment loss of TRY (18.555) thousand that has been recognized in profit or loss under other operating expenses (Note 24). (31 December 2013: TRY (20.472) thousand).

As of 31 December 2014, the Group has no collaterals or pledges upon its tangible assets. (31 December 2013: None).

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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	99.676	1.526.981	2.401.825	10.124.707	675.208	326.951	17.737	395.174	15.568.259
Translation difference	11.081	165.555	268.099	1.121.728	57.752	25.932	3.708	36.643	1.690.498
Additions	11.250	16.478	21	32.474	1.472	4.281	2.082	237.839	305.897
Transfers from CIP (*)	-	16.395	51.426	167.148	1.188	1.608	188	(239.676)	(1.723)
Disposals	-	(470)	-	(66.591)	(4.084)	(3.967)	(138)	-	(75.250)
Closing balance as of 31 December 2013	122.007	1.724.939	2.721.371	11.379.466	731.536	354.805	23.577	429.980	17.487.681
Accumulated Depreciation									
Opening balance as of 1 January	-	(1.040.695)	(1.594.363)	(5.381.246)	(370.660)	(169.164)	(14.233)	-	(8.570.361)
Translation difference	-	(115.511)	(180.266)	(611.919)	(26.824)	(9.492)	(2.634)	-	(946.646)
Charge for the period	-	(31.518)	(50.942)	(233.764)	(20.029)	(12.041)	(1.209)	-	(349.503)
Impairment	-	(378)	(2.637)	(15.872)	(1.228)	-	(357)	-	(20.472)
Disposals	-	202	-	64.757	3.979	3.781	138	-	72.857
Closing balance as of 31 December 2013	-	(1.187.900)	(1.828.208)	(6.178.044)	(414.762)	(186.916)	(18.295)	-	(9.814.125)
Net book value as of 31 December 2012	99.676	486.286	807.462	4.743.461	304.548	157.787	3.504	395.174	6.997.898
Net book value as of 31 December 2013	122.007	537.039	893.163	5.201.422	316.774	167.889	5.282	429.980	7.673.556

(*) TRY 1.723 thousand is transferred to intangible assets (Note 13).

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

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

	31 December 2014	31 December 2013
Associated with cost of production	402.224	333.003
General administrative expenses	10.507	6.046
Marketing, sales and distribution expenses	13.653	10.454
Research and development expenses	144	-
	426.528	349.503

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	220.331	91.881	7.105	319.317
Translation difference	18.771	290	1.111	20.172
Additions	10.747	3.648	439	14.834
Transfers from CIP	2.665	-	1.062	3.727
Closing balance as of 31 December 2014	252.514	95.819	9.717	358.050
Accumulated amortization				
Opening balance as of 1 January	(98.121)	(56.144)	(5.902)	(160.167)
Translation difference	(8.227)	(88)	(1.108)	(9.423)
Charge for the period	(13.328)	(6.371)	(202)	(19.901)
Closing balance as of 31 December 2014	(119.676)	(62.603)	(7.212)	(189.491)
Net book value as of 31 December 2013	122.210	35.737	1.203	159.150
Net book value as of 31 December 2014	132.838	33.216	2.505	168.559

As of 31 December 2014, the Group has no collaterals or pledges upon its intangible assets (31 December 2013: None).

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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	190.819	88.394	5.386	284.599
Translation difference	20.599	329	1.659	22.587
Additions	8.312	3.158	60	11.530
Transfers from CIP	1.723	-	-	1.723
Disposals	(1.122)	-	-	(1.122)
Closing balance as of 31 December 2013	220.331	91.881	7.105	319.317
Accumulated amortization				
Opening balance as of 1 January	(77.871)	(49.648)	(4.169)	(131.688)
Translation difference	(8.678)	(62)	(1.617)	(10.357)
Charge for the period	(12.644)	(6.434)	(116)	(19.194)
Disposals	1.072	-	-	1.072
Closing balance as of 31 December 2013	(98.121)	(56.144)	(5.902)	(160.167)
Net book value as of 31 December 2012	112.948	38.746	1.217	152.911
Net book value as of 31 December 2013	122.210	35.737	1.203	159.150

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

	31 December 2014	31 December 2013
Associated with cost of production	17.374	17.800
General administrative expenses	2.013	1.100
Marketing, sales and distribution expenses	514	294
	19.901	19.194

NOTE 14 - GOVERNMENT GRANTS AND INCENTIVES

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

	1 January - 31 December 2014	1 January - 31 December 2013
Research and development grants	364	130
Social security grants	1.895	1.348
Tax grants	167	-
	2.426	1.478

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

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NOTE 15 - EMPLOYEE BENEFITS

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

	31 December 2014	31 December 2013
Due to personnel	74.611	66.871
Social security premiums payable	24.909	22.676
Employee's income tax payables	24.202	19.247
	123.722	108.794

Long term provision of the employee termination benefits of the Group is as follows:

	31 December 2014	31 December 2013
Provisions for employee termination benefits	393.478	307.528
Provisions for seniority incentive premium	25.389	17.667
Provision for unpaid vacations	68.857	67.037
	487.724	392.232

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

As of 31 December 2014, the amount payable consists of one month's salary limited to a maximum of TRY 3.438,22 (31 December 2013: TRY 3.254,44). As of 1 January 2015, the employee termination benefit has been updated to a maximum of TRY 3,541,37.

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. The obligation as of 31 December 2014 has been calculated by an independent actuary. The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	31 December 2014	31 December 2013
Discount rate	8,00%	9,40%
Inflation rate	6,50%	6,30%
Salary increase	real 1.5%	real 1.5%
Maximum liability increase	6,50%	6,30%

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NOTE 15 - EMPLOYEE BENEFITS (cont'd)

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 December 2014, 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 does 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 December 2014, 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 December 2014	1 January - 31 December 2013
Opening balance	307.528	265.083
Service cost	26.379	27.308
Interest cost	28.568	20.924
Actuarial loss	75.386	14.282
Termination benefits paid	(39.777)	(22.214)
Translation difference	(4.606)	2.145
Closing balance	393.478	307.528

The sensitivity analysis of the assumptions which was used for the calculation of provision for employment termination benefits as of 31 December 2014 as follows:

Sensitivity level

	Discount rate	
Rate	1% increase	1% decrease
Change in employee benefits liability	(38.033)	44.717

	Inflation rate	
Rate	1% increase	1% decrease
Change in employee benefits liability	44.941	(38.862)

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NOTE 15 - EMPLOYEE BENEFITS (cont'd)

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

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	17.667	18.896
Service cost	2.312	1.642
Interest cost	1.870	1.313
Actuarial loss/(gain)	5.948	(3.301)
Termination benefits paid	(2.224)	(864)
Translation difference	(184)	(19)
Closing balance	25.389	17.667

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

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	67.037	62.270
Provision for the period	48.475	53.765
Vacation paid during the period (-)	(6.474)	(3.342)
Provisions released (-)	(39.983)	(45.320)
Translation difference	(198)	(336)
Closing balance	68.857	67.037

NOTE 16 - PROVISIONS

The Group's short term provisions are as follows:

	31 December 2014	31 December 2013
Provision for lawsuits	214.722	194.475
Penalty prov. for employment shortage of disabled pers.	5.223	4.568
Provision for state right on mining activities (*)	4.484	2.642
Provision for civil defense fund (**)	10.099	3.341
	234.528	205.026

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

(**) According to law number 5217, it is a provision of the enterprises that were subjected to "Natural Disaster Fund" and "Civil Defense Fund". It is calculated through 2004 revenue of the company.

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NOTE 16 - PROVISIONS (cont'd)

The movement of the short term provisions is as follows:

	1 January 2014	Provision for the period	Payments	Provision released	Translation difference	31 December 2014
Provision for lawsuits	194.475	43.919	(7.537)	(22.837)	6.702	214.722
Penalty prov. for employment shortage of disabled pers.	4.568	2.546	(880)	(1.019)	8	5.223
Provision for state right on mining activities	2.642	4.861	(3.019)	-	-	4.484
Provision for civil defense fund	3.341	6.951	-	-	(193)	10.099
	205.026	58.277	(11.436)	(23.856)	6.517	234.528

	1 January 2013	Provision for the period	Payments	Provision released	Translation difference	31 December 2013
Provision for lawsuits	104.472	101.753	(7.412)	(10.906)	6.568	194.475
Penalty prov. for employment shortage of disabled pers.	4.945	2.634	(1.504)	(1.549)	42	4.568
Provision for state right on mining activities	3.644	2.642	(3.644)	-	-	2.642
Provision for civil defense fund	-	3.341	-	-	-	3.341
	113.061	110.370	(12.560)	(12.455)	6.610	205.026

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NOTE 16 - PROVISIONS (cont'd)

As of 31 December 2014 and 31 December 2013, lawsuits filed by and against the Group are as follows:

	31 December 2014	31 December 2013
Lawsuits filed by the Group	300.304	311.275
Provision for lawsuits filed by the Group	5.872	4.183

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

	31 December 2014	31 December 2013
Lawsuits filed against the Group	242.347	225.543
Provision for lawsuits filed against the Group	214.722	194.475

Company's Shareholders' General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to IFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit 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 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals' 11th Chamber reversed this rejection judgment on 30 November 2010; this time the Company appealed the Chamber's decision on 18 February 2011. However, the Chamber rejected the Company's appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. Therefore the case is still pending (E. 2011/551). The next hearing day is 17 April 2015.

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 2014 and 31 December 2013 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 resolution of the pending lawsuit opened by Privatization Administration.

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NOTE 16 - PROVISIONS (cont'd)

Enerjia Metal Maden Sanayi ve Ticaret A.Ş. initiated a debt collection proceeding that might end with a bankruptcy judgment against the Company based on the Export Protocol No. 69187 of 2 July 2009 and "Additional Terms to the Erdemir-Enerjia Export Protocol No. 68197" drafted by and between Enerjia and the Company. However the process stopped upon the Company's objection to Enerjia's request, and that led Enerjia to file a lawsuit against the Company before the 7th Commercial Court of Ankara on 27 March 2010 claiming that the objection should be overruled and USD 68.312.520 should be paid to itself (E. 2010/259). The Court dismissed the case, in favor of the Company, on 23 June 2011. Enerjia appealed this rejection. 23rd Chamber of the Court of Appeals accepted this rejection on 6 April 2012 (E. 2011/2915) and after this, the case file was sent back to the 7th Commercial Court of Ankara. Therefore the case is still pending (E. 2014/734) and the next court hearing is on 1 April 2015.

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

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

After the subject case is dismissed by the court from jurisdiction aspect; this time a lawsuit is re-filed by Tata Steel International (North America) Ltd.) in Texas State District Court. This case is also dismissed by the court from jurisdiction aspect.

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

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NOTE 17 - COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 December 2014	31 December 2013
Letters of guarantees received	1.538.130	1.469.209
	1.538.130	1.469.209

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

	31 December 2014	31 December 2013
A. Total CPM given for the Company's own legal entity	73.574	69.757
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	1.155.440	1.577.126
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	-	-
	1.229.014	1.646.883

As of 31 December 2014, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2013: 0%). Total CPM given in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 1.155.440 thousand has been given as collateral for financial liabilities explained in Note 6.

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

	31 December 2014	31 December 2013
US Dollars	771.816	973.629
TRY	144.474	236.352
EURO	274.778	381.965
Japanese Yen	37.946	52.906
Romanian Lei	-	2.031
	1.229.014	1.646.883

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NOTE 18 - OTHER ASSETS AND LIABILITIES

As of the balance sheet date, the details of the Group's other assets and liabilities are as follows:

Other current assets

	31 December 2014	31 December 2013
Other VAT receivable	44.134	91.147
Deferred VAT	37.035	31.908
Prepaid taxes and funds	8.555	1.240
Other current assets	1.822	1.797
	91.546	126.092

Other current liabilities

	31 December 2014	31 December 2013
VAT payable	40.524	14.294
Expense accruals	324	1.046
Other current liabilities	3.589	3.448
	44.437	18.788

Other non-current liabilities

	31 December 2014	31 December 2013
Other non-current liabilities	367	351
	367	351

NOTE 19 - DEFERRED REVENUE

As of the balance sheet date, the details of the Group's short term deferred revenue are as follows:

	31 December 2014	31 December 2013
Advances received	73.839	92.882
Deferred income	2.619	106
	76.458	92.988

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NOTE 20 - EQUITY

As of 31 December 2014 and 31 December 2013, the capital structure is as follows:

Shareholders	(%)	31 December 2014	(%)	31 December 2013
Ataer Holding A.Ş.	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	47,63	1.667.181	47,63	1.667.181
Erdemir's own shares	3,08	107.837	3,08	107.837
Historical capital	100,00	3.500.000	100,00	3.500.000
Effect of inflation		156.613		156.613
Restated capital		3.656.613		3.656.613
Treasury shares		(116.232)		(116.232)
		3.540.381		3.540.381

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.

The issued capital of the Company in 2014 consists of 350.000.000.000 lots of shares (2013: 350.000.000.000 lots). The nominal value of each share is 1 Kr (Turkish cent) (2013: 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 numbered II-17,1 on Corporate Governance Principles.

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. 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.

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NOTE 20 - EQUITY (cont'd)

Article IV-K of Articles of Association "According to Turkish Commercial Code Article 329, transactions of an entity's own shares" allows Erdemir to purchase, hold, sell or transfer its own shares, without voting rights. As of 31 December 2014, the Company holds its own shares with a nominal value of TRY 107.837 thousand (31 December 2013: TRY 107.837 thousand). 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 December 2014	31 December 2013
Share premium	106.447	106.447
Revaluation reserves	24.151	23.255
- Revaluation reserves of property, plant & equipment	*24.151*	*23.255*
Cash flow hedging reserves	7.160	(9.344)
Foreign currency translation reserves	1.616.002	844.664
Actuarial (loss)/ gain fund	(125.714)	(66.809)
Restricted reserves assorted from profit	617.355	500.949
- Legal reserves	*617.355*	*500.949*
Retained earnings	2.616.106	2.607.273
- Extraordinary reserves	*781.469*	*780.894*
- Accumulated profit	*1.076.610*	*846.367*
- Statutory reserves	*758.027*	*980.012*
	4.861.507	4.006.435

However, in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting in Capital Markets" ("the Communiqué") on 13 June 2013 which is published on Official Gazette numbered 28676, "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.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

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NOTE 20 - EQUITY (cont'd)

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate for the publicly-held subsidiaries. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

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 960.741 thousand as of 31 December 2014 (31 December 2013: TRY 1.024.546 thousand).

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 519 numbered 6102 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 519 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 519 of TCC, is recorded as status reserve. Company's Shareholders' General Assembly, which was held at 30 March 2012, decided status reserves can be used as an internal source of capital increase and profit sharing.

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NOTE 20 - EQUITY (cont'd)

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.

The amendment in IAS-19 "Employee Benefits" does not permit the actuarial gain /loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of income. The gains and losses arising from the changes in the actuarial assumption have been accounted for by "Actuarial (Loss)/Gain Funds" under the equity. The funds for actuarial gains/(losses) in the employee termination benefits is not in a position to be reclassified under profit and loss.

As it stated in Note 2.1, foreign currency translation reserve arises from expressing the assets and liabilities of the Group's foreign operations in reporting currency TRY by using exchange rates prevailing on the balance sheet date. Exchange differences arising, if any, are recognized under translation reserve in equity.

NOTE 21 - SALES AND COST OF SALES

	1 January - 31 December 2014	1 January - 31 December 2013
Sales Revenue		
Domestic sales	9.962.783	8.576.056
Export sales	1.230.427	972.019
Other revenues (*)	308.022	253.410
Sales returns (-)	(11.158)	(10.155)
Sales discounts (-)	(5.937)	(10.579)
	11.484.137	9.780.751
Cost of goods sold (-)	(9.045.652)	(7.921.852)
Gross profit	2.438.485	1.858.899

(*) The total amount of by product exports in other revenues is TRY 139.685 thousand (31 December 2013: TRY 130.926 thousand).

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NOTE 21 - SALES AND COST OF SALES (cont'd)

The breakdown of cost of goods sales for the periods 1 January - 31 December 2014 and 1 January - 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Raw material usage	(6.376.176)	(5.748.149)
Personnel costs	(1.085.243)	(855.242)
Energy costs	(616.695)	(553.916)
Depreciation and amortization expenses	(409.791)	(378.586)
Factory overheads	(214.760)	(144.079)
Other cost of goods sold	(142.572)	(92.630)
Non-operating costs (*)	(67.390)	(52.696)
Freight costs for sales delivered to customers	(62.594)	(34.050)
Inventory write-downs within the period (Note 9)	(29.951)	(32.607)
Reversal of inventory write-downs (Note 9)	15.013	16.664
Other	(55.493)	(46.561)
	(9.045.652)	(7.921.852)

(*) Due to the planned/ unplanned halt production of plant of the Group's, operations were suspended temporarily in the current period. As a result of this, unallocated overheads, TRY (67.390) thousand, has been accounted directly under cost of goods sold (31 December 2013: TRY 52.696 thousand).

NOTE 22 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

The breakdown of operational expenses according to their nature for the periods 1 January - 31 December 2014 and 1 January - 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Marketing, sales and distribution expenses (-)	(119.786)	(107.997)
General administrative expenses (-)	(223.509)	(201.944)
Research and development expenses (-)	(6.999)	(3.862)
	(350.294)	(313.803)

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NOTE 23 - OPERATING EXPENSES ACCORDING TO THEIR NATURE

The breakdown of operational expenses according to their nature for the periods 1 January - 31 December 2014 and 1 January - 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expense (-)	(65.053)	(59.668)
Depreciation and amortization(-)	(14.167)	(10.748)
Service expenses (-)	(15.066)	(19.896)
Other (-)	(25.500)	(17.685)
	(119.786)	(107.997)

The breakdown of general administrative expenses for the periods 1 January - 31 December 2014 and 1 January - 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses (-)	(135.299)	(127.755)
Depreciation and amortization (-)	(12.520)	(7.146)
Service expenses (-)	(15.245)	(18.962)
Tax, duty and charges (-)	(3.934)	(4.765)
Other (-)	(56.511)	(43.316)
	(223.509)	(201.944)

The breakdown of research and development expenses for the periods 1 January - 31 December 2014 and 1 January - 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses (-)	(4.364)	(1.975)
Depreciation and amortization (-)	(144)	-
Other (-)	(2.491)	(1.887)
	(6.999)	(3.862)

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NOTE 24 - OTHER OPERATING INCOME/(EXPENSES)

The breakdown of other operating income for the periods 1 January - 31 December 2014 and 1 January - 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Other operating income		
Foreign exchange gain from trade receivables and payables (net)	-	57.901
Interest income from on credit sales	59.360	40.534
Discount income	15.479	1.956
Provisions released	23.896	12.050
Service income	18.389	8.512
Maintenance repair and rent income	7.243	6.934
Warehouse income	3.085	3.692
Indemnity and penalty detention income	4.079	2.367
Insurance indemnity income	738	8.732
Royalty income	606	7.122
Gain on sale of tangible assets	1.054	1.227
Other income and gains	14.634	11.856
	148.563	162.883

The breakdown of other operating expenses for the periods 1 January - 31 December 2014 and 1 January - 31 December 2013 is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Other operating expenses (-)		
Provisions expenses	(49.560)	(69.643)
Donation expenses	(10.213)	(8.529)
Discount expenses	(9.155)	(23.359)
Port facility pre-licence expenses	(4.906)	(8.603)
Lawsuit compensation expenses	(3.765)	(3.994)
Penalty expenses	(3.485)	(3.471)
Service expenses	(2.638)	(4.465)
Rent expenses	(618)	(598)
Capital Markets Board registration expenses	(5.588)	(859)
Stock exchange registration expenses	(910)	(1.262)
Loss on disposal of tangible assets	(4.127)	(2.002)
Impairment of property, plant and equipment (Note 12)	(18.555)	(20.472)
Other expenses and losses	(28.822)	(22.920)
	(142.342)	(170.177)

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NOTE 25 - FINANCE INCOME

The breakdown of finance income for the periods 1 January - 31 December 2014 and 1 January - 31 December 2013 is as follows:

Financial incomes	1 January - 31 December 2014	1 January - 31 December 2013
Interest income on bank deposits	53.675	69.754
Foreign exchange gains (net)	22.993	-
Fair value differences of derivative financial instruments (net)	12.220	35.557
Other financial income	-	19
	88.888	105.330

NOTE 26 - FINANCE EXPENSES

The breakdown of finance expenses for the periods 1 January - 31 December 2014 and 1 January - 31 December 2013 is as follows:

Financial expenses (-)	1 January - 31 December 2014	1 January - 31 December 2013
Interest expenses on financial liabilities	(184.271)	(218.356)
Foreign exchange loss (net)	-	(152.207)
Interest cost of employee benefits	(30.438)	(22.237)
Other financial expenses	(3.020)	(2.170)
	(217.729)	(394.970)

During the period, the interest expenses of TRY 3.936 thousand have been capitalized as part of the Group's property, plant and equipment (1 January - 31 December 2013: TRY 2.008 thousand).

NOTE 27 - TAX ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
Corporate tax payable:		
Current corporate tax provision	266.045	195.980
Prepaid taxes and funds (-)	(136.337)	(150.990)
	129.708	44.990

	1 January - 31 December 2014	1 January - 31 December 2013
Taxation:		
Current corporate tax expense	266.045	195.980
Deferred tax expense	38.735	91.774
	304.780	287.754

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NOTE 27 -TAX ASSETS AND LIABILITIES (cont'd)

Corporate tax

The Group, except its subsidiary in Romania and Singapore, 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%, 16% in Romania and 17% in Singapore as of 31 December 2014 (31 December 2013: in Turkey 20%, in Romania 16%). The total amount of the corporate tax paid by the Group in 2014 is TRY 181.327 thousand (31 December 2013: TRY 163.199 thousand).

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax of 2014 has been calculated over the corporate earnings using the rate 20%, during the temporary taxation period. (2013: 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.

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NOTE 27 -TAX ASSETS AND LIABILITIES (cont'd)

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 (2013: 20%).

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) are 20% for the subsidiaries in Turkey, 17% for the subsidiary in Singapore and 16% for the subsidiary in Romania (31 December 2013: 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 2013: 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.

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NOTE 27 -TAX ASSETS AND LIABILITIES (cont'd)

	31 December 2014	31 December 2013
Deferred tax assets:		
Carry forward tax losses	2.056	20.625
Provisions for employee benefits	97.545	78.445
Investment incentive	-	44.253
Provision for lawsuits	37.598	38.895
Inventories	15.601	6.519
Provision for other doubtful receivables	12.481	11.192
Tangible and intangible fixed assets	9.901	10.455
Fair values of the derivative financial instruments	923	2.952
Other	20.683	17.754
	196.788	231.090
Deferred tax liabilities:		
Tangible and intangible fixed assets	(788.481)	(593.509)
Fair values of the derivative financial instruments	(13.399)	(13.327)
Amortized cost adjustment on loans	(6.199)	(8.870)
Inventories	(10.828)	(20.399)
Other	(4.110)	(4.251)
	(823.017)	(640.356)
	(626.229)	(409.266)

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

Presentation of deferred tax assets/(liabilities):

	31 December 2014	31 December 2013
Deferred tax assets	31.881	17.836
Deferred tax (liabilities)	(658.110)	(427.102)
	(626.229)	(409.266)

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NOTE 27 -TAX ASSETS AND LIABILITIES (cont'd)

Maturities of carry forward tax losses are as follows:

	Carry forward tax losses		Deferred tax assets (*)	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
1 year	-	511.825	-	51.716
2 year	-	-	-	-
3 year	-	51.411	-	51.411
4 year	19.100	-	1.629	-
5 year	8.651	-	8.651	-
	27.751	563.236	10.280	103.127

(*) The Company had written off TRY 92.022 thousand of deferred tax assets in 31 December 2012 assuming that recoverability of tax losses amounting to TRY 460.109 thousand is remote.

Deferred tax asset/(liability) movements:	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	(409.266)	(135.970)
Deferred tax expense	(38.735)	(91.774)
The amount in comprehensive income/(expense)	10.909	(2.709)
Translation difference	(189.137)	(178.813)
Closing balance	(626.229)	(409.266)

Reconciliation of tax provision:	1 January - 31 December 2014	1 January - 31 December 2013
Profit before tax	1.965.571	1.248.162
Statutory tax rate	20%	20%
Calculated tax acc. to effective tax rate	393.114	249.632
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	4.668	5.656
- Effect of tax losses unrecognised deferred tax assets in prior years	(92.022)	-
- Effect of currency translation to non taxable assets	(4.219)	28.629
- Investment incentives	-	(3.276)
- Effect of non-taxable adjustments	3.644	5.421
- Effect of the different tax rates due to foreign subsidiaries	75	1.849
- Other	(480)	(157)
Tax expense in reported in the consolidate statement of income	304.780	287.754

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NOTE 27 -TAX ASSETS AND LIABILITIES (cont'd)

As of 1 January - 31 December 2014 and 2013, the details of the tax gains/(losses) of the other comprehensive income/(expense) are as follows:

	1 January - 31 December 2014		
Other comprehensive income/(loss) in the current period	Amount before tax	Tax income/ (expense)	Amount after tax
Change in revaluation reserves of fixed assets	896	-	896
Change in actuarial (loss)/gain	(75.386)	15.077	(60.309)
Change in cash flow hedging reserves	20.842	(4.168)	16.674
Change in foreign currency translation reserves	792.010	-	792.010
	738.362	10.909	749.271

	1 January - 31 December 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	(3.559)	-	(3.559)
Change in actuarial (loss)/gain	(14.282)	2.856	(11.426)
Change in cash flow hedging reserves	27.826	(5.565)	22.261
Change in foreign currency translation reserves	849.490	-	849.490
	859.475	(2.709)	856.766

NOTE 28 - EARNINGS PER SHARE

	1 January - 31 December 2014	1 January- 31 December 2013
Number of shares outstanding	350.000.000.000	350.000.000.000
Net profit attributable to equity holders - TRY thousand	1.601.415	919.974
Profit per share with 1 TRY nominal value TRY %	0,4575 / 45,75%	0,2628 / 26,28%

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NOTE 29 - RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling parent 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:

Due from related parties (short term)	31 December 2014	31 December 2013
Oyak Renault Otomobil Fab. A.Ş.(2)	27.886	27.443
Bolu Çimento Sanayi A.Ş.(1)	3.887	4.263
Adana Çimento Sanayi T.A.Ş. (1)	4.071	4.689
Other	565	299
	36.409	36.694

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

Due to related parties (short term)	31 December 2014	31 December 2013
Omsan Lojistik A.Ş.(1)	3.306	2.531
Omsan Denizcilik A.Ş.(1)	4.982	2.469
Oyak Pazarlama Hizmet ve Turizm A.Ş.(1)	5.361	2.894
Oyak Savunma ve Güvenlik Sistemleri A.Ş.(1)	2.876	2.263
Omsan Logistica SRL(1)	-	479
OYAK Yatırım Menkul Değerler A.Ş. (1)	-	2.141
Other	1.804	1.666
	18.329	14.443

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

(1) Subsidiaries of the parent company
(2) Joint venture

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NOTE 29 - RELATED PARTY TRANSACTIONS (cont'd)

Major sales to related parties	1 January - 31 December 2014	1 January - 31 December 2013
Oyak Renault Otomobil Fab. A.Ş.[2]	128.005	97.797
Adana Çimento Sanayi T.A.Ş.[1]	19.262	15.465
Bolu Çimento Sanayi A.Ş.[1]	16.929	13.010
Aslan Çimento A.Ş.[1]	2.652	1.757
Mardin Çimento Sanayi ve Ticaret A.Ş.[1]	1.098	450
Other	2.564	892
	170.510	129.371

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

Major purchases from related parties	1 January - 31 December 2014	1 January - 31 December 2013
Omsan Denizcilik A.Ş.[1]	110.485	68.151
Oyak Pazarlama Hizmet ve Turizm A.Ş.[1]	42.422	26.841
Omsan Lojistik A.Ş.[1]	32.243	26.603
Oyak Savunma ve Güvenlik Sistemleri A.Ş.[1]	30.539	23.481
Omsan Logistica SRL[1]	7.758	7.021
Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş.[1]	-	5.384
Other	7.018	6.712
	230.465	164.193

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

[1] Subsidiaries of the parent company
[2] Joint venture

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

The period end balances are un-secured, interest free and their collections will be done in cash. As of 31 December 2014, the Group provides no provision for the receivables from related parties (31 December 2013: None).

Salaries, bonuses and other benefits of the key management:

For the year ended 31 December 2014, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 18.448 thousand (31 December 2013: TRY 14.574 thousand).

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NOTE 30 - 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 20.

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

As of 31 December 2014 and 31 December 2013 the net debt/equity ratio is as follows:

	Note	31 December 2014	31 December 2013
Total financial liabilities	6	3.413.734	3.500.079
Less: Cash and cash equivalents	4	2.186.810	761.111
Net debt		1.226.924	2.738.968
Total adjusted equity (*)		10.428.861	8.782.973
Total resources		11.655.785	11.521.941
Net debt/Total adjusted equity ratio		12%	31%
Distribution of net debt/ total adjusted equity		11/89	24/76

(*) Total adjusted equity is calculated by subtracting cash flow hedging reserves and actuarial (loss)/gain fund and adding non-controlling interests.

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NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(b) Significant accounting policies

The Group's accounting policies related to the financial instruments are disclosed in Note 2 "Summary of Significant Accounting Policies, 2.8.8 Financial Instruments".

(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 contracts 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.

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NOTE 30 - 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				Bank Deposits	Derivative financial instruments
	Trade receivables		Other receivables			
31 December 2014	Related Party	Third Party	Related Party	Third Party		
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	36.409	1.720.451	-	27.538	2.186.783	92.312
- Secured part of the maximum credit risk exposure via collateral etc.	-	1.659.676	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	36.409	1.712.411	-	27.538	2.186.783	92.312
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	-	8.040	-	-	-	-
- secured part via collateral etc.	-	8.040	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	62.107	-	62.403	-	-
- Impairment (-)	-	(62.107)	-	(62.403)	-	-
- 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	-	-	-	-	-	-

Trade receivables that are overdue but not impaired amounting to TRY 8.040 thousand, are past due up to 1-30 days and secured with guarantees.

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NOTE 30 - 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				Bank Deposits	Derivative financial instruments
	Trade receivables		Other receivables			
31 December 2013	Related Party	Third Party	Related Party	Third Party		
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	36.694	1.671.844	-	26.892	761.086	80.031
- Secured part of the maximum credit risk exposure via collateral etc.	-	1.650.165	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	36.694	1.669.257	-	26.892	761.086	80.031
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	-	2.587	-	-	-	-
- secured part via collateral etc.	-	2.587	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	61.380	-	55.958	-	-
- Impairment (-)	-	(61.380)	-	(55.958)	-	-
- 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.

Trade receivables that are overdue but not impaired amounting to TRY 2.587 thousand, are past due up to 1-30 days and secured with guarantees.

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NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(f) Foreign currency risk management

As of 31 December 2014, stated in Note 2.8.9 the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 December 2014				
	TRY (Total in reporting currency)	TRY (Original currency)	US Dollars (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	105.778	19.224	204	30.458	7.433
2a. Monetary financial assets	382.516	370.877	565	3.608	6.603
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	105.294	105.193	-	36	-
4. Current assets (1+2+3)	**593.588**	**495.293**	**769**	**34.103**	**14.036**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	36.867	31.348	-	1.956	-
8. Non-current assets (5+6+7)	**36.867**	**31.348**	**-**	**1.956**	**-**
9. Total assets (4+8)	**630.455**	**526.642**	**769**	**36.059**	**14.036**
10. Trade payables	254.101	230.220	494	4.047	533.504
11. Financial liabilities	555.509	426.430	-	36.904	1.203.596
12a. Other monetary financial liabilities	633.869	632.979	-	316	-
12b. Other non-monetary financial liabilities	127.120	127.120	-	-	-
13. Current liabilities (10+11+12)	**1.570.599**	**1.416.750**	**494**	**41.267**	**1.737.100**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	399.791	166.194	-	66.750	2.183.187
16a. Other monetary financial liabilities	483.582	483.582	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**883.373**	**649.776**	**-**	**66.750**	**2.183.187**
18. Total liabilities (13+17)	**2.453.972**	**2.066.525**	**494**	**108.017**	**3.920.287**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(578.049)**	**(335.054)**	**-**	**(86.147)**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	326.618	208.885	-	41.739	-
19b. Off-balance sheet foreign currency derivative financial liabilities	904.667	543.939	-	127.886	-
20. Net foreign currency asset/liability position (9-18+19)	**(2.401.566)**	**(1.874.938)**	**275**	**(158.104)**	**(3.906.251)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1.838.558)**	**(1.549.305)**	**275**	**(73.950)**	**(3.906.251)**
22. Fair value of derivative financial instruments used in foreign currency hedge	66.168	18.777	-	16.801	-
23. Hedged foreign currency assets	904.667	543.939	-	127.886	-
24. Hedged foreign currency liabilities	326.618	208.885	-	41.739	-
25. Exports	1.370.112	-	517.458	82.086	-
26. Imports	5.301.714	-	2.420.516	2.935	-

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NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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

	31 December 2013				
	TRY (Total in reporting currency)	TRY (Original currency)	US Dollars (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	91.603	24.567	45	22.656	19.623
2a. Monetary financial assets	59.424	48.120	298	3.630	14
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	144.125	142.694	-	487	-
4. Current assets (1+2+3)	**295.152**	**215.382**	**343**	**26.773**	**19.638**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	47.920	-	-	16.319	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	41.812	26.495	-	4.883	44.924
8. Non-current assets (5+6+7)	**89.732**	**26.495**	**-**	**21.201**	**44.924**
9. Total assets (4+8)	**384.884**	**241.877**	**343**	**47.975**	**64.562**
10. Trade payables	220.202	177.812	465	8.671	717.437
11. Financial liabilities	442.092	298.928	-	39.361	1.363.208
12a. Other monetary financial liabilities	280.802	275.200	-	-	276.885
12b. Other non-monetary financial liabilities	50.800	50.800	-	-	-
13. Current liabilities (10+11+12)	**993.896**	**802.740**	**465**	**48.032**	**2.357.529**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	860.740	490.827	-	101.876	3.497.293
16a. Other monetary financial liabilities	386.623	382.890	-	1.271	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**1.247.363**	**873.716**	**-**	**103.147**	**3.497.293**
18. Total liabilities (13+17)	**2.241.259**	**1.676.457**	**465**	**151.180**	**5.854.822**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**217.342**	**53.918**	**-**	**55.653**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	333.237	169.813	-	55.653	-
19b. Off-balance sheet foreign currency derivative financial liabilities	115.895	115.895	-	-	-
20. Net foreign currency asset/liability position (9-18+19)	**(1.639.033)**	**(1.380.661)**	**(121)**	**(47.553)**	**(5.790.260)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1.991.512)**	**(1.552.969)**	**(121)**	**(108.575)**	**(5.835.184)**
22. Fair value of derivative financial instruments used in foreign currency hedge	65.197	65.197	-	-	-
23. Hedged foreign currency assets	115.895	115.895	-	-	-
24. Hedged foreign currency liabilities	333.237	169.813	-	55.653	-
25. Exports	1.102.945	-	518.695	46.003	-
26. Imports	4.891.486	-	2.566.578	3.695	-

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NOTE 30 - 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 TRY, 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.

As of 31 December 2014 asset and liability balances are translated by using the following exchange rates: TRY 2,3189 = US $ 1,TRY 2,8207 = EUR 1 and TRY 0,0193= JPY 1 (31 December 2013: TRY 2,1343 = US $ 1,TRY 2,9365 = EUR 1 and TRY 0,0202= JPY 1)

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

In addition to the Group's foreign currency sensitivity to a 10% (+/-) change in TRY, TRY 166.866 thousand of income / (TRY (56.859) thousand expense) will occur due to the decrease/ (increase) in deferred tax base.

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NOTE 30 - 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 2013	**Appreciation of foreign currency**	**Depreciation of foreign currency**
1- TRY net asset/liability	(143.458)	143.458
2- Hedged portion from TRY risk (-)	16.981	(16.981)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(126.477)	126.477
5- US Dollars net asset/liability	(26)	26
6- Hedged portion from US Dollars risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- US Dollars net effect (5+6+7)	(26)	26
9- Euro net asset/liability	(30.306)	30.306
10- Hedged portion from Euro risk (-)	16.342	(16.342)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(13.964)	13.964
13- Jap. Yen net asset/liability	(11.714)	11.714
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(11.714)	11.714
17- Other currencies net asset/liabilities	(133)	133
18- Hedged portion from other currency risk (-)	-	-
19- Effect of capitalization (-)	-	-
20- Other currencies net effect (17+18+19)	(133)	133
TOTAL (4+8+12+16+20)	**(152.314)**	**152.314**

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NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(g) 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.

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NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(g) Liquidity risk management (cont'd)

31 December 2014

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	3.413.734	3.578.406	1.194.804	878.607	1.402.728	102.267
Trade payables	417.255	419.046	419.046	-	-	-
Other financial liabilities (*)	154.888	154.888	154.888	-	-	-
Total liabilities	**3.985.877**	**4.152.340**	**1.768.738**	**878.607**	**1.402.728**	**102.267**
Derivative financial liabilities						
Derivative cash inflows	92.312	838.120	550.128	238.580	49.412	-
Derivative cash outflows	(29.935)	(826.931)	(667.490)	(73.841)	(85.600)	-
	62.377	**11.189**	**(117.362)**	**164.739**	**(36.188)**	**-**

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

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NOTE 30 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(g) Liquidity risk management (cont'd)

31 December 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	3.500.079	3.773.302	345.897	1.204.521	2.132.117	90.767
Trade payables	504.186	506.148	506.148	-	-	-
Other financial liabilities (*)	208.568	208.568	208.568	-	-	-
Total liabilities	**4.212.833**	**4.488.018**	**1.060.613**	**1.204.521**	**2.132.117**	**90.767**
Derivative financial liabilities						
Derivative cash inflows	80.031	911.732	278.036	390.281	243.415	-
Derivative cash outflows	(26.872)	(890.273)	(281.111)	(391.630)	(217.532)	-
	53.159	**21.459**	**(3.075)**	**(1.349)**	**25.883**	**-**

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

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NOTE 31 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Additional information about financial instruments

Categories of the financial instruments and their fair values

31 December 2014	Cash and cash equivalent	Loans and receivables	Available for sale financial assets	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	2.186.810	-	-	-	-	-	2.186.810	4
Trade receivables	-	1.756.860	-	-	-	-	1.756.860	7
Financial investments	-	-	63	-	-	-	63	
Other financial assets	-	27.538	-	-	-	-	27.538	8
Derivative financial instruments	-	-	-	-	21.740	70.572	92.312	5
Financial Liabilities								
Financial liabilities	-	-	-	3.413.734	-	-	3.413.734	6
Trade payables	-	-	-	417.255	-	-	417.255	7
Other liabilities	-	-	-	154.888	-	-	154.888	8/15/18
Derivative financial instruments	-	-	-	-	12.940	16.995	29.935	5
31 December 2013								
Financial Assets								
Cash and cash equivalents	761.111	-	-	-	-	-	761.111	4
Trade receivables	-	1.708.538	-	-	-	-	1.708.538	7
Financial investments	-	-	-	-	-	-	-	
Other financial assets	-	26.892	-	-	-	-	26.892	8
Derivative financial instruments	-	-	-	-	72.622	7.409	80.031	5
Financial Liabilities								
Financial liabilities	-	-	-	3.500.079	-	-	3.500.079	6
Trade payables	-	-	-	504.186	-	-	504.186	7
Other liabilities	-	-	-	208.568	-	-	208.568	8/15/18
Derivative financial instruments	-	-	-	-	12.112	14.760	26.872	5

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NOTE 31 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Additional information about financial instruments

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions are used to estimate the fair values of financial instruments:

Financial assets

Financial assets that are carried at cost value including cash and cash equivalents are assumed to reflect their fair values due to their short term nature.

The carrying values of receivables, with related impairments are assumed to reflect their fair values.

Financial liabilities

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

Fair values of long term financial liabilities are assumed to approximate their carrying values due to mostly they have floating interest rates and repricing at short term.

Financial asset and liabilities at fair value		**Fair value level as of reporting date**		
	31 December 2014	**Level 1**	**Level 2**	**Level 3**
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	70.572	-	70.572	-
Derivative financial liabilities	(16.995)	-	(16.995)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	21.740	-	21.740	-
Derivative financial liabilities	(12.940)	-	(12.940)	-
Total	62.377	-	62.377	-

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NOTE 31 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Additional information about financial instruments

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 December 2013	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Derivative financial assets	7.409	-	7.409	-
Derivative financial liabilities	(14.760)	-	(14.760)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	72.622	-	72.622	-
Derivative financial liabilities	(12.112)	-	(12.112)	-
Total	53.159	-	53.159	-

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.

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NOTE 32 - SUBSEQUENT EVENTS

According to the decision of İskenderun Demir ve Çelik A.Ş. Board of Directors, dated 12 January 2015 and numbered 333;

Within the frame of Turkish Commercial Code's provisions related "becoming a shareholder", according to the decision of The Board of Directors of our subsidiary Iskenderun Demir ve Çelik A.Ş. (Isdemir), dated 24 March 2014 and numbered 314, it is decided to record the 7.120 people to Isdemir's shareholders' stock register. By reason of the fact that number of the shareholders becomes more than 500 as of register date 24.03.2014, the Company applied to the Capital Markets Board (CMB) for approval of becoming a public company. The approval of the Capital Markets Board was announced to the public on the Board's Bulletin dated 27.06.2014 by CMB. In accordance with the 2. paragraph of article 16 of Capital Markets Law and CMB's "II-16.1 Communiqué on Principles Pertaining to Removal of Corporations From The Scope of Law and Obligation of Trading of Shares on Exchange"; General Management is authorized for applying to Borsa İstanbul A.Ş. and CMB and fulfilling the requirements to make its own shares tradable on Borsa İstanbul A.Ş. Free Trade Platform in a certain period of time.

NOTE 33 - ADDITIONAL INFORMATION FOR CASH FLOW STATEMENTS

Details of changes in working capital for the periods between 1 January - 31 December 2014 and 1 January - 31 December 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Current trade receivables	102.712	(466.576)
Inventories	412.375	(20.648)
Other short term receivables / current assets	(58)	(1.198)
Other long term receivables / non current assets	28.129	(24.673)
Current trade payables	(130.540)	(8.324)
Other short term payables / liabilities	30.885	22.291
Other long term payables / liabilities	10.472	(5.309)
	453.975	(504.437)

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(Amounts are expressed as Turkish Lira ("TRY Thousand") unless otherwise indicated.)
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NOTE 34 - OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Convenience translation to English:

As at December 31, 2014, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

ERDEMİR GROUP - MILESTONES

1960

1960 Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) established in 1960, pursuant to a special item of legislation for its establishment.

1961 Excavation and construction work started for the Erdemir plant.

1965

Erdemir started production on 15 May with a un-processed steel capacity of 500 thousand tons.

1970

1972 Erdemir's un-processed steel capacity was raised to 800 thousand tons with intermediate extension investments.

1978 Erdemir's un-processed steel capacity was raised to 1.5 million tons following 1st stage expansion investments.

1980

1983 Un-processed steel capacity increased to 1.7 million tons following 2nd stage expansion investments.

1986 Erdemir shares commenced trading on the stock exchange with the opening of the İstanbul Stock Exchange.

1987 Un-processed steel capacity was raised to 2 million tons after the completion of additional investments.

1990

1996 KAM I and KAM II projects were completed, taking Erdemir's un-processed steel capacity to 3 million tons.

1997 The 2nd Rolling Mill facilities entered operation. Yeni Liman, Turkey's biggest port on the Black Sea coast, entered operation.

1999 Erdemir's tin and chrome coating facility was brought into service. (Capacity: 250 thousand tons/year)

2000

2000 Flat steel production exceeded 3 million tons.

2001 Erdemir Mühendislik, Yönetim ve Danışmanlık Hizmetleri A.Ş. was established.

Erdemir Çelik Servis Merkezi San ve Tic. A.Ş. entered operation with an annual capacity of 150 thousand tons/year in Gebze.

Erdemir broke an export record, selling 1.1 million tons of steel products.

2002 İsdemir was acquired.

The LBE steel plant, with an annual capacity of 108 thousand tons, was acquired in Romania.

2004 Divriği-Hekimhan Madenleri San. ve Tic. A.Ş. was acquired and its title changed to Erdemir Madencilik San. ve Tic. A.Ş.

Erdemir achieved the Competency Level in Excellence in the European Quality Award and won the National Quality Award in the Large Scale Companies category.

2005 The tender process regarding the privatization of Erdemir was initiated on May 30, 2005.

2006 Privatization process for Erdemir was completed when publicly owned shares were transferred to OYAK Group on February 27, 2006.

Erdemir was ranked first in the Management Category in the EU Environment Awards, Turkey Program.

The First slab was produced within the scope of modernization and transformation investments in İsdemir.

2008 Erdemir started operations of the no. 1 "Ayşe" New Blast Furnace, which was solely the work of Erdemir engineers and workers right from the project phase through to its construction and commissioning.

İsdemir produced its first flat processed steel coil at its Hot Rolling Mill with an annual capacity of 3.5 million tons, established within the scope of modernization and transformation investments.

2010

2011 İsdemir's 4th blast furnace was commissioned.

The Ermaden, Ekinbaşı plant started operations.

2012 New steel service center entered operation in the Ersem, Ereğli facilities.

Erdemir's Environment Management Process - Environment Performance Index and Sustainability Activities were chosen as one of the best practices in "The Election of Best Practices in the field of Sustainable Development and Green Economy in Turkey competition" carried out within the scope of Support Project to prepare Turkey for the 2012 UN Sustainable Development Conference (Rio+20). Erdemir's environmental practices were among the best practices to represent our country in Rio. These activities were represented in the Rio+20 UN Sustainable Development Conference carried out in Rio de Janeiro in Brazil between June 20-22, 2012.

2013 Erdemir's Head Office relocated to İstanbul.

2014 Erdemir Asia Pacific Pte. Ltd. was established to carry out the procurement, marketing and sales activities in the Asia-Pacific region, as a 100% Erdemir participation.

Erdemir gave the sector its Turkey's first steel R&D center to be approved by the Ministry of Science, Industry and Technology.

Erdemir 2020 vision was determined.

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This report has been published using recycled paper and environment-friendly technologies.

Produced by Tayburn
Tel: (90 212) 227 04 36
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