(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH- SEE NOTE 16)

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2014

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

	Note	Current Period 31 March 2014 US'000 (*)	(Unaudited) Current Period 31 March 2014 TRY'000	Previous Period 31 December 2013 US'000 (*)	(Audited) Previous Period 31 December 2013 TRY'000
ASSETS					
Current Assets		**3.237.053**	**7.088.497**	**2.815.209**	**6.008.498**
Cash and Cash Equivalents		965.172	2.113.533	356.609	761.111
Other Short Term Financial Assets		2.955	6.471	3.455	7.374
Trade Receivables		754.278	1.651.716	800.515	1.708.538
Due From Related Parties	*3*	*18.836*	*41.246*	*17.193*	*36.694*
Other Trade Receivables		*735.442*	*1.610.470*	*783.322*	*1.671.844*
Other Receivables		1.936	4.240	1.959	4.181
Inventories	4	1.455.043	3.186.254	1.585.104	3.383.087
Prepaid Expenses		11.283	24.708	8.488	18.115
Other Current Assets		46.386	101.575	59.079	126.092
Non Current Assets		**3.748.208**	**8.207.827**	**3.760.478**	**8.025.986**
Other Receivables		10.371	22.711	10.641	22.711
Other Long Term Financial Assets		29.863	65.395	34.043	72.657
Investment Properties		24.879	54.480	24.199	51.647
Property, Plant and Equipment	5	3.582.052	7.843.977	3.595.350	7.673.556
Intangible Assets	5	72.631	159.048	74.568	159.150
Prepaid Expenses		15.522	33.989	13.320	28.429
Deferred Tax Assets	10	12.890	28.227	8.357	17.836
TOTAL ASSETS		**6.985.261**	**15.296.324**	**6.575.687**	**14.034.484**

(*) US Dollar amounts represented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of Republic of Turkey ("CBRT") at 31 March 2014, and therefore do not form part of these interim condensed consolidated financial statements (Note 2.1).

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2014

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

	Note	Current Period 31 March 2014 US'000 (*)	(Unadited) Current Period 31 March 2014 TRY'000	Previous Period 31 December 2013 US'000 (*)	(Adited) Previous Period 31 December 2013 TRY'000
LIABILITIES					
Current Liabilities		**1.770.066**	**3.876.094**	**1.159.820**	**2.475.406**
Financial Liabilities	6	176.075	385.570	93.055	198.608
Short Term Portion of Long Term Financial Liabilities	6	783.468	1.715.639	600.285	1.281.188
Other Current Financial Liabilities		2.674	5.856	6.832	14.582
Trade Payables		177.213	388.062	236.230	504.186
Due to Related Parties	*3*	*5.306*	*11.619*	*6.767*	*14.443*
Other Trade Payables		*171.907*	*376.443*	*229.463*	*489.743*
Other Payables	7	369.208	808.492	2.931	6.256
Deferred Revenue		49.479	108.349	43.568	92.988
Current Tax Liabilities	10	28.711	62.871	21.080	44.990
Short Term Provisions	8	95.505	209.136	96.062	205.026
Payables for Employee Benefits		54.998	120.435	50.974	108.794
Other Current Liabilities		32.735	71.684	8.803	18.788
Non Current Liabilities		**1.304.726**	**2.857.089**	**1.336.390**	**2.852.259**
Financial Liabilities	6	892.126	1.953.578	946.579	2.020.283
Other Non Current Financial Liabilities		6.063	13.276	5.758	12.290
Provisions for Employee Benefits		183.457	401.734	183.775	392.232
Deferred Tax Liabilities	10	222.918	488.146	200.113	427.102
Other Non Current Liabilities		162	355	165	352
EQUITY		**3.910.469**	**8.563.141**	**4.079.477**	**8.706.819**
Equity Attributable to Equity Holders of the Parent		**3.795.569**	**8.311.533**	**3.967.014**	**8.466.789**
Share Capital		1.598.319	3.500.000	1.639.882	3.500.000
Inflation Adjustment to Capital		71.519	156.613	73.379	156.613
Treasury Shares (-)		(53.079)	(116.232)	(54.459)	(116.232)
Share Issue Premium		48.610	106.447	49.874	106.447
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		(20.294)	(44.438)	(20.407)	(43.554)
Revaluation Reserve of Tangible Assets		*10.981*	*24.047*	*10.896*	*23.255*
Actuarial (Loss)/ Gain funds		*(31.275)*	*(68.485)*	*(31.303)*	*(66.809)*
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		478.760	1.043.305	338.789	835.319
Cash Flow Hedging Reserves		*(4.623)*	*(10.124)*	*(4.371)*	*(9.344)*
Foreign Currency Translation Reserves		*483.383*	*1.053.429*	*343.160*	*844.663*
Restricted Reserves Assorted from Profit		281.923	617.355	234.713	500.949
Retained Earnings		1.194.678	2.616.106	1.221.606	2.607.273
Net Profit for the Period		195.133	432.377	483.637	919.974
Non-Controlling Interests		**114.900**	**251.608**	**112.463**	**240.030**
TOTAL LIABILITIES AND EQUITY		**6.985.261**	**15.296.324**	**6.575.687**	**14.034.484**

(*) US Dollar amounts represented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of Republic of Turkey ("CBRT") at 31 March 2014, and therefore do not form part of these interim condensed consolidated financial statements (Note 2.1).

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

CONSOLIDATED STATEMENTS OF INCOME FOR THE INTERIM PERIOD ENDED 31 MARCH 2014

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

	Note	Current Period 1 January- 31 March 2014 US'000 (*)	(Unaudited) Current Period 1 January- 31 March 2014 TRY'000	Previous Period 1 July- 31 March 2013 US'000 (*)	(Unaudited) Previous Period 1 January- 31 March 2013 TRY'000
OPERATING INCOME					
Revenue	11	1.324.414	2.934.637	1.364.344	2.428.942
Cost of Sales (-)	11	(1.052.376)	(2.331.854)	(1.142.871)	(2.034.653)
GROSS PROFIT		**272.038**	**602.783**	**221.473**	**394.289**
Marketing, Sales and Distribution Expenses (-)	12	(12.813)	(28.390)	(14.299)	(25.457)
General Administrative Expenses (-)	12	(21.396)	(47.410)	(24.004)	(42.734)
Research and Development Expenses (-)	12	(627)	(1.389)	(394)	(701)
Other Operating Income	12	12.611	27.944	16.362	29.130
Other Operating Expenses (-)	12	(10.019)	(22.200)	(9.118)	(16.232)
OPERATING PROFIT		**239.794**	**531.338**	**190.020**	**338.295**
Finance Income	13	12.814	28.393	16.665	29.669
Finance Expense (-)	13	(21.232)	(47.790)	(37.774)	(66.827)
PROFIT BEFORE TAX		**231.376**	**511.941**	**168.911**	**301.137**
Tax Expense	10	(27.988)	(61.272)	(33.821)	(60.634)
- Current Corporate Tax Expense		(28.674)	(62.791)	(14.873)	(26.901)
- Deferred Tax Expense		686	1.519	(18.948)	(33.733)
PROFIT FOR THE PERIOD		**203.388**	**450.669**	**135.090**	**240.503**
- Non-Controlling Interests		8.255	18.292	6.884	12.255
- Equity Holders of the Parent		195.133	432.377	128.206	228.248
EARNINGS PER SHARE			0,1235		0,0652
(TRY 1 Nominal value per share)					

(*) US Dollar amounts represented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of Republic of Turkey ("CBRT") at 31 March 2014, and therefore do not form part of these interim condensed consolidated financial statements (Note 2.1).

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD ENDED 31 MARCH 2014

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

		(Unaudited) Current Period		(Unaudited) Previous Period
	1 January- 31 March 2014 US'000 (*)	1 January- 31 March 2014 TRY'000	1 January- 31 March 2013 US'000 (*)	1 January- 31 March 2013 TRY'000
PROFIT FOR THE PERIOD	**203.388**	**450.669**	**135.090**	**240.503**
Other Comprehensive Income/(Expense):				
Not to be reclassified subsequently to profit or loss				
Change in Revaluation Reserve of Tangible Assets	357	792	(76)	(135)
Change in Actuarial (Loss)/ Gain	(1.658)	(3.674)	-	-
Tax Effect of Changes in Actuarial (Loss)/ Gain	332	734	-	-
To be reclassified subsequently to profit or loss				
Change in Cash Flow Hedging Reserves	(460)	(1.020)	(1.449)	(2.579)
Tax Effect of Change in Cash Flow Hedging Reserves	92	203	290	516
Change in Foreign Currency Translation Reserves	97.118	215.193	207	369
OTHER COMPREHENSIVE INCOME/ EXPENSE FOR THE PERIOD (AFTER TAX)	**95.781**	**212.228**	**(1.028)**	**(1.829)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**299.169**	**662.897**	**134.062**	**238.674**
Distribution of Total Comprehensive Income				
- Non-controlling Interests	10.569	23.418	6.800	12.106
- Equity Holders of the Parent	288.600	639.479	127.262	226.568

(*) US Dollar amounts represented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of Republic of Turkey ("CBRT") at 31 March 2014, and therefore do not form part of these interim condensed consolidated financial statements (Note 2.1)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014

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

					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						
	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium	Revaluation Reserve of Tangible Assets	Actuarial loss/ (gain) funds	Cash Flow Hedging Reserves	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings and Net Profit	**Equity Attributable to the Parent**	Non-controlling Interests	**Total Shareholders' Equity**
(Unaudited)													
1 January 2014	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**23.255**	**(66.809)**	**(9.344)**	**844.663**	**500.949**	**3.527.247**	**8.466.789**	**240.030**	**8.706.819**
Net profit for the period	-	-	-	-	-	-	-	-	-	432.377	**432.377**	18.292	**450.669**
Other comprehensive income/ (loss)	-	-	-	-	792	(1.676)	(780)	208.766	-	-	**207.102**	5.126	**212.228**
Total comprehensive income/ (loss)	-	-	-	-	792	(1.676)	(780)	208.766	-	432.377	**639.479**	23.418	**662.897**
Dividends payable (*)	-	-	-	-	-	-	-	-	-	(794.735)	**(794.735)**	(11.840)	**(806.575)**
Transfers from retained earnings	-	-	-	-	-	-	-	-	116.406	(116.406)	**-**	-	**-**
31 March 2014	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**24.047**	**(68.485)**	**(780)**	**1.053.429**	**617.355**	**(478.764)**	**8.311.533**	**251.608**	**8.563.141**
(Unaudited)													
1 January 2013 (previously reported)	**3.090.000**	**342.195**	**(103.600)**	**106.447**	**26.814**	**-**	**(29.878)**	**(315)**	**1.618.843**	**2.154.306**	**7.204.812**	**211.100**	**7.415.912**
Effect of changes in accounting policy	-	-	-	-	-	(57.784)	-	-	-	57.784	**-**	-	-
Restated 1 January 2012 (*)	**3.090.000**	**342.195**	**(103.600)**	**106.447**	**26.814**	**(57.784)**	**(29.878)**	**(315)**	**1.618.843**	**2.212.090**	**7.204.812**	**211.100**	**7.415.912**
Net profit for the period	-	-	-	-	-	-	-	-	-	228.248	**228.248**	12.255	**240.503**
Other comprehensive income/ (loss)	-	-	-	-	(135)	-	(1.914)	369	-	-	**(1.680)**	(149)	**(1.829)**
Total comprehensive income/ (loss)	-	-	-	-	(135)	-	(1.914)	369	-	228.248	**226.568**	12.106	**238.674**
Dividends paid	-	-	-	-	-	-	-	-	-	(116.303)	**(116.303)**	(17.442)	**(133.745)**
Capital increase	410.000	(185.582)	(12.632)	-	-	-	-	-	(205.953)	(5.833)	**-**	-	-
Transfers from retained earnings	-	-	-	-	-	-	-	-	23.071	(23.071)	**-**	-	-
31 March 2013	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**26.679**	**(57.784)**	**(31.792)**	**54**	**1.435.961**	**2.295.131**	**7.315.077**	**205.764**	**7.520.841**

(*) 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 will be complete at 26 May 2014.

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

CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE INTERIM PERIOD ENDED 31 MARCH 2014

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

	Note	Current Period 1 January- 31 March 2014 US'000 (*)	(Unaudited) Current Period 1 January- 31 March 2014 TRY'000	Previous Period 1 January- 31 March 2013 US'000 (*)	(Unaudited) Previous Period 1 January- 31 March 2013 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax and non-controlling interests		231.376	511.941	168.911	301.137
Adjustments to reconcile net profit before tax to net cash provided by operating activities:					
Depreciation and amortization expenses	11/12	47.123	104.416	58.604	104.335
Provision for employee termination benefits		5.978	13.247	6.292	11.202
Provision for seniority incentive premium		408	903	537	956
(Gain)/ loss on sale of property plant and equipment	12	(253)	(560)	(322)	(573)
Loss on write off of property plant and equipment	12	5	11	305	543
Increase in provision for doubtful receivables		301	666	480	855
Decrease in the allowance for inventories	4	(434)	(961)	(1.228)	(2.186)
Increase/ (decrease) in provision for unpaid vacations		673	1.491	(52)	(92)
Increase in provision for pending claims and lawsuits	8	2.007	4.448	8.574	15.264
Increase in penalty provision for obligatory employment shortage of disabled people	8	135	300	169	301
Increase in provision for state right on mining activities	8	314	695	381	679
Interest expenses	13	17.863	39.580	31.862	56.725
Interest income	13	(5.037)	(11.161)	(11.239)	(20.009)
Interest income from overdue sales	12	(5.044)	(11.177)	(6.716)	(11.956)
Unrealized foreign currency (gain) of financial liabilities		341	756	11.183	19.909
Loss/(gain) on fair value changes of derivative financial instruments		(4.257)	(9.432)	(5.426)	(9.660)
Net cash provided by operating activities before changes in working capital		**291.499**	**645.163**	**262.315**	**467.430**
Changes in working capital	16	166.717	365.077	81.783	145.601
Interest income from overdue sales collected		6.335	14.036	2.042	3.636
Lawsuits paid	8	(1.052)	(2.332)	(1.504)	(2.677)
Penalty paid for the employment shortage of disabled people	8	(403)	(892)	-	-
Corporate tax paid	10	(21.420)	(47.462)	(8.258)	(14.702)
Employee termination benefits paid		(2.240)	(4.963)	(5.066)	(9.020)
Unused vacation paid		(556)	(1.231)	(821)	(1.462)
Net cash provided by operating activities		**438.880**	**967.396**	**330.491**	**588.806**
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in financial investments		-	-	(4)	(8)
Payments for investment property		(681)	(1.508)	-	-
Cash used in the purchase of tangible assets	5	(34.832)	(77.180)	(32.383)	(57.653)
Cash used in the purchase of intangible assets	5	(458)	(1.014)	(491)	(874)
Cash provided by sales of tangible assets		2.978	6.599	2.580	4.593
Net cash used in investing activities		**(32.993)**	**(73.103)**	**(30.298)**	**(53.942)**
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings		349.884	766.176	935.318	1.665.172
Repayment of borrowings		(142.520)	(312.090)	(1.124.858)	(2.002.615)
Interest paid		(9.768)	(21.645)	(24.459)	(43.545)
Interest received on bank deposits		4.130	9.151	10.095	17.973
Dividends paid to non-controlling interests		(5.343)	(11.840)	(9.797)	(17.442)
Net cash used in by financing activities		**196.383**	**429.752**	**(213.701)**	**(380.457)**
NET CHANGES IN CASH AND CASH EQUIVALENTS		**602.270**	**1.324.045**	**86.492**	**154.407**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**355.997**	**759.804**	**1.025.299**	**1.827.698**
Currency translation difference, net		5.390	26.367	(15.838)	145
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**963.657**	**2.110.216**	**1.095.953**	**1.982.250**
Accrued interest income		1.515	3.317	1.720	3.111
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD INCLUDING ACCRUED INTEREST INCOME		**965.172**	**2.113.533**	**1.097.673**	**1.985.361**

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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. ("ISDEMIR")	Turkey	Iron and Steel	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	Iron and Steel	100	100
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Iron and Steel	100	100

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

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

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

	Paid Hourly Personnel	Paid Montly Personnel	31-Mar-2014 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.608	1.805	6.413
İskenderun Demir ve Çelik A.Ş.	4.247	1.248	5.495
Erdemir Madencilik San. ve Tic. A.Ş.	123	147	270
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	43	94	137
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	-	156	156
Erdemir Romania S.R.L.	218	51	269
	9.239	**3.501**	**12.740**

	Paid Hourly Personnel	Paid Montly Personnel	31-Dec-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 iron ore and silicon steel used in the production of fixed assets carried on fair value measured at business at acquisiton date (Note 5 and Note 7).

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").

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

2.1 Basis of Presentation (cont'd)

In accordance with the Turkish Accounting Standard No: 34 "Interim Financial Reporting", entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed consolidated financial statements in the interim periods. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013.

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. 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 and Erdemir Romania S.R.L in Euro as in previous periods.

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 and Ersem and 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 2,1898=US $ 1 and TRY 3,0072=EUR 1 on the balance sheet date (31 December 2013: TRY 2,1343= US $ 1, TRY 2,9365=EUR 1).
b) For the interim period 31 March 2014, income statements are translated from the average TRY 2,2158=US $ 1 and TRY 3,0356=EUR 1 rates of 2014 January-March period.
c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
d) Presentation currency translation difference that occurs due to the items of shareholders' equity of the Company in the statutory accounts is recognised as translation differences under equity.

USD amounts presented in the financial statements

US Dollar amounts represented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of Republic of Turkey ("CBRT") at 31 March 2014, and therefore do not form part of these interim condensed consolidated financial statements

Going concern

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

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 24 April 2014 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 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 31 March 2013.

Reclassifications of income statement as of March 31, 2013 are as follows:

Account	(Previously Reported) 1 January - 31 March 2013	(Restated) 1 January - 31 March 2013	(Difference) 1 January - 31 March 2013
Other Operating Income (1) (2)	10.911	29.130	18.219
Financial Income (1) (2) (3) (4)	63.224	29.669	(33.555)
Financial Expense (-) (3) (4)	(82.163)	(66.827)	15.336
			-

(1) Foreign exchange income from trade receivables and payables (net) TRY 6.263 thousand which was reported in "Financial Income" is reclassified to "Other Operating Income"in consolidated income statement as of 31 March 2013.

(2) Interest income from overdue sales TRY 11.956 thousand which was reported in "Financial Income" is reclassified to "Other Operating Income"in consolidated income statement as of 31 March 2013.

(3) Foreign exchange gain from bank deposits (net) TRY 14.056 thousand which was reported in "Financial Income" offsets with "Foreign exchange gain (net)" in "Financial Expenses" in consolidated income statment as of 31 March 2013.

(4) Foreign exchange gain from non-trade operations (net) TRY 1.280 thousand which was reported in "Financial Income" offsets with "Foreign exchange gain (net)" in "Financial Expenses" in consolidated income statment as of 31 March 2013.

2.3 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in the preperation of the consolidated financial statements as at 31 March 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2014 summarized below.

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

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

Standards, amendments and interpretations effective as of 1 January 2014:

- TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)
- TRFS Interpretation 21 Levies
- Amendments to TAS 36 - (Recoverable Amount Disclosures for Non-Financial assets)
- Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting
- TFRS 10 Consolidated Financial Statements (Amendment)

Standards issued but not yet effective and not early adopted

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

- TFRS 9 Financial Instruments – Classification and measurement

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 interim condensed consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

- IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)

Improvements to IFRSs:

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements to IFRSs – 2010–2012 Cycle

- IFRS 2 Share-based Payment:
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

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

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

<u>Improvements to IFRSs (cont'd):</u>

Annual Improvements to IFRSs – 2011–2013 Cycle (cont'd)

- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property
- IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

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

2.4 Summary of Significant Accounting Policies

The interim condensed consolidated financial statements for the period ended 31 March 2014 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these interim condensed consolidated financial statements for the period ended 31 March 2014 are consistent with those used in the preperation of annual consolidated financila statements for the year ended 31 December 2013. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013.

There has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope of consolidation as of 31 March 2014, from the interests reported as of 31 December 2013.

2.5 Segment Reporting

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

NOTE 3 –RELATED PARTY DISCLOSURES

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

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

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

	31 March 2014	31 December 2013
Due from related parties (short term)		
Oyak Renault Otomobil Fab. A.Ş.[2]	30.187	27.443
Bolu Çimento Sanayi A.Ş.[1]	5.268	4.263
Adana Çimento Sanayi T.A.Ş. [1]	4.980	4.689
Other	811	299
	41.246	36.694

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

[1] Subsidiaries of the parent company
[2] Joint venture

Due to related parties (short term)	31 March 2014	31 December 2013
Omsan Lojistik A.Ş.[1]	2.894	2.531
Omsan Denizcilik A.Ş.[1]	2.743	2.469
Oyak Pazarlama Hizmet ve Turizm A.Ş.[1]	1.772	2.894
Oyak Savunma ve Güvenlik Sistemleri A.Ş.[1]	1.871	2.263
Omsan Logistica SRL[1]	422	479
Oyak Teknoloji Bilişim ve Kart Hizmetleri [1]	263	18
OYAK Yatırım Menkul Değerler A.Ş. [1]	-	2.141
Other	1.654	1.648
	11.619	14.443

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

(1) Subsidiaries of the parent company

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

NOTE 3 –RELATED PARTY DISCLOSURES (cont'd)

	1 January – 31 March 2014	1 January – 31 March 2013
Major sales to related parties		
Oyak Renault Otomobil Fab. A.Ş. [2]	30.178	25.111
Adana Çimento Sanayi T.A.Ş. [1]	4.994	3.357
Bolu Çimento Sanayi A.Ş. [1]	4.440	2.215
Aslan Çimento A.Ş. [1]	1.025	-
Ünye Çimento Sanayi ve Ticaret A.Ş. [1]	191	-
Mardin Çimento Sanayi ve Ticaret A.Ş. [1]	320	77
Oyka Kağıt Ambalaj Sanayi ve Ticaret A.Ş. [1]	-	28
	41.148	30.788

[1] Subsidiaries of the parent company
[2] Joint venture

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

	1 January – 31 March 2014	1 January – 31 March 2013
Major purchases from related parties		
Omsan Denizcilik A.Ş. [1]	19.131	9.824
Oyak Pazarlama Hizmet ve Turizm A.Ş. [1]	5.813	3.651
Omsan Lojistik A.Ş. [1]	8.303	4.556
Oyak Savunma ve Güvenlik Sistemleri A.Ş. [1]	6.192	516
Omsan Logistica SRL [1]	1.761	1.879
Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş. [1]	2.666	1.804
Oyak Genel Müdürlüğü	76	3
Omsan Havacılık A.Ş. [1]	101	81
Other	184	182
	44.227	22.496

[1] Subsidiaries of the parent company

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

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

The period end balances are non-secured, interest free and their collections will be done in cash. As of 31 March 2014, the Group provides no provision for the receivables from related parties (31 December 2013: None).

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

NOTE 3 –RELATED PARTY DISCLOSURES (cont'd)

Salaries, bonuses and other benefits of the key management

For the three months period ended 31 March 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 3.133 thousand (31 March 2013: TRY 2.455 thousand).

NOTE 4 – INVENTORIES

	31 March 2014	31 December 2013
Raw materials	792.046	770.493
Work in progress	645.504	586.384
Finished goods	825.599	907.440
Spare parts	453.890	447.941
Goods in transit	365.953	553.101
Other inventories	193.384	206.467
Allowance for impairment on inventories (-)	(90.122)	(88.739)
	3.186.254	3.383.087

The movement of the allowance for impairment on inventories:

	1 January – 31 March 2014	1 January – 31 March 2013
Opening balance	88.739	60.395
Provision for the period (Note 11)	3.625	2.660
Provision released (-) (Note 11)	(4.586)	(4.846)
Translation difference	2.344	-
Closing balance	90.122	58.209

The Group has provided an allowance for the impairment on the inventories of finished goods, work in progress and raw materials in the cases when their net realizable values are lower than their costs or when they are classified as slow moving inventories. The provision released has been recognized under cost of sales (Note 11).

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

NOTE 5 – TANGIBLE AND INTANGIBLE ASSETS

The movement of tangible assets for the periods 1 January – 31 March 2014 and 1 January – 31 March 2013 is as follows:

	31 March 2014	31 March 2013
Opening balance as of 1 January 2013		
Cost	17.487.681	15.568.259
Accumulated depreciation	(9.814.125)	(8.570.361)
Net book value	7.673.556	6.997.898
Net book value at the beginning of the period	7.673.556	6.997.898
Additions (*)	77.180	57.732
Disposals (-)	(6.050)	(4.494)
Transfers (**)	(652)	(125)
Currency translation difference	204.603	(441)
Currenct period depreciation (-)	(104.660)	(89.523)
Net book value at the end of the period	7.843.977	6.961.047
As of 31 March		
Cost	17.993.708	15.613.685
Accumulated depreciation	(10.149.731)	(8.652.638)
Net book value	7.843.977	6.961.047

(*) The amount of capitalized financial expense is TRY 937 thousand for the current period (The capitalized financial expenses for the year ended 31 March 2013 is TRY 79 thousand).

(**) TRY 652 thousand is transferred to intangible assets (31 March 2013: TRY 125 thousand).

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

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

NOTE 5 – TANGIBLE AND INTANGIBLE ASSETS (cont'd)

The movement of tangible assets for the periods 1 January – 31 March 2014 and 1 January – 31 March 2013 is as follows:

	31 March 2014	31 March 2013
Opening balance as of 1 January 2013		
Cost	319.317	284.599
Accumulated depreciation	(160.167)	(131.688)
Net book value	159.150	152.911
Net book value at the beginning of the period	159.150	152.911
Additions (*)	1.014	873
Disposals (-)	-	(69)
Transfers (**)	652	125
Currency translation difference	3.267	-
Currenct period depreciation (-)	(5.035)	(4.810)
Net book value at the end of the period	159.048	149.030
As of 31 March		
Cost	326.843	285.507
Accumulated depreciation	(167.795)	(136.477)
Net book value	159.048	149.030

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

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

	31 March 2014	31 March 2013
Associated with cost of production	103.061	90.340
General administrative expenses	3.169	1.605
Marketing, sales and distribution expenses	3.465	2.388
	109.695	94.333

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

NOTE 6 – FINANCIAL LIABILITIES

Breakdown of financial liabilities is as follows:

	31 March 2014	31 December 2013
Short term financial liabilities	385.570	198.608
Current portion of long term financial liabilities	1.514.802	1.275.113
Corporate bonds issued (*)	200.837	6.075
Total short term financial liabilities	2.101.209	1.479.796
Long term financial liabilities	1.953.578	1.820.381
Corporate bonds issued (*)	-	199.902
Total long term financial liabilities	1.953.578	2.020.283
	4.054.787	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 March 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 March 2014
No interest	TRY	-	31.597	-	31.597
Fixed	TRY	9,65	298.996	249.443	548.439
Fixed	US Dollars	2,81	67.654	49.877	117.531
Fixed	EURO	5,50	1.025	3.507	4.532
Floating	TRY	Trlibor+1,50	200.837	-	200.837
Floating	US Dollars	Libor+2,30	1.351.462	1.279.618	2.631.080
Floating	EURO	Euribor+0,33	120.593	295.401	415.994
Floating	Jap. Yen	JPY Libor+0,22	29.045	75.732	104.777
			2.101.209	1.953.578	4.054.787

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

NOTE 5 – 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	Jap. Yen	JPY Libor+0,22	27.578	70.753	98.331
			1.479.796	2.020.283	3.500.079

As of 31 March 2014, according to their type of original currency and interest rates, the breakdown of floating-interest loans fixed by using financial hedge agreements, is as follows:

Type of Currency	Fixed rate of interest (%)	Short Term Portion	Long Term Portion	31 March 2014
US Dollars	2,38	29.996	15.317	45.313
US Dollars	4,18	27.465	9.446	36.911
US Dollars	3,29	15.959	21.990	37.949
US Dollars	1,09	30.175	15.332	45.507
US Dollars	4,46	15.654	45.389	61.043
US Dollars	1,68	3.106	4.543	7.649
US Dollars	2,01	9.306	-	9.306
US Dollars	4,15	40.785	99.041	139.826
EURO	2,18	7.375	7.270	14.645
EURO	1,82	62.479	-	62.479
EURO	1,75	40.587	-	40.587
EURO	1,79	1.526	755	2.281
EURO	1,80	3.499	10.464	13.963
EURO	4,43	2.829	8.201	11.030
EURO	2,29	7.680	11.206	18.886
EURO	1,66	1.894	2.858	4.752
US Dollars (*)	7,30	10.389	29.869	40.258
EURO (**)	10,65	44.773	113.646	158.419
Turkish Lira (***)	0,92	25.432	30.479	55.911
		380.909	425.806	806.715

(*) The loan amount USD 15.422 thousand will be paid till the maturity date with the floating rates by using 7,30% fixed rate and 1,4560 exchange rate (out of total loan amount USD 51.188 thousand). The maturity of the cross currency swap contract is 2 April 2018. The loan amount USD 15.422 thousand, TRY equivalent TRY 22.454 thousand, will be paid till the maturity of the cross currency swap contract is 3 October 2018.

(**) The loan amount EUR 55.652 thousand, TRY equivalent TRY 115.895 thousand, will be paid till the maturity date with the floating rates by using 10,65% fixed rate and 2,0825 exchange rate. The maturity of the cross currency swap contract is 15 December 2017.

(***) The loan amount TRY 55.556 thousand, US Dollars equivalent USD 25.502 thousand, will be paid till the maturity date with the fixed rates by using 0,92% fixed rate and 2,1785 exchange rate. The maturity of the cross currency swap contract is 30 June 2016.

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

NOTE 6 – FINANCIAL LIABILITIES (cont'd)

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

Type of Currency	Fixed rate of interest (%)	Short Term Portion	Long Term Portion	31 December 2013
US Dollars	2,38	29.182	14.445	43.627
US Dollars	4,18	25.144	9.207	34.351
US Dollars	3,29	15.517	21.066	36.583
US Dollars	3,28	31.719	-	31.719
US Dollars	1,09	29.355	14.511	43.866
US Dollars	4,46	14.802	44.238	59.040
US Dollars	1,68	3.008	4.412	7.420
US Dollars	2,01	9.174	4.564	13.738
US Dollars	4,15	38.610	96.463	135.073
EURO	2,18	7.175	7.065	14.240
EURO	1,82	60.904	-	60.904
EURO	1,75	39.571	-	39.571
EURO	1,79	1.489	706	2.195
EURO	1,80	3.396	10.155	13.551
EURO	4,43	2.680	8.009	10.689
EURO	2,29	7.456	10.896	18.352
EURO	1,66	1.841	2.763	4.604
US Dollars (*)	7,22	22.856	64.868	87.724
EURO (**)	10,65	43.913	109.711	153.624
		387.792	423.079	810.871

(*)The loan amount USD 80.194 thousand, TRY equivalent TRY 116.822 thousand, will be paid till the maturity date with the floating rates by using 7,22% fixed rate and 1,4568 exchange rate. The maturity of the cross currency swap contract is 2 April 2018.

(**) The loan amount EUR 111.305 thousand, TRY equivalent TRY 231.791 thousand, will be paid till the maturity date with the floating rates by using 10,65% fixed rate and 2,0825 exchange rate. The maturity of the cross currency swap contract is 15 December 2017.

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

	31 March 2014	31 December 2013
Within 1 year	2.101.209	1.479.796
Between 1-2 years	679.495	869.087
Between 2-3 years	688.542	577.900
Between 3-4 years	363.023	347.915
Between 4-5 years	128.275	154.698
Five years or more	94.243	70.683
	4.054.787	3.500.079

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

NOTE 7 - OTHER PAYABLES

As of 31 March 2014 and 31 December 2013, other payables the Group is as follows:

	31 March 2014	31 December 2013
Taxes payable	9.243	1.817
Deposits and guarantees received	3.324	3.249
Dividend payables to shareholders (*)	795.925	1.190
	808.492	6.256

(*) The Ordinary General Meeting held on March 31, 2014 it was resolved to distribute TRY 820.000 thousand dividend from 2013 profit in cash. Dividend distribution will be complete until the May 26, 2014. 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 which is TRY 820.000 thousand. Dividend payable is an uncollected dividend by shareholders related to last five years and previous years.

NOTE 8 – PROVISIONS

The Group's short term provisions are as follows:

	31 March 2014	31 December 2013
Provision for lawsuits	198.463	194.475
Penalty provision for employment shortage of disabled personnel	3.995	4.568
Provision for state right on mining activities (*)	3.337	2.642
Provision for civil defense fund (**)	3.341	3.341
	209.136	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" ile "Civil Defense Fund". It is calculated through 2004 revenue of the company.

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

NOTE 8 – PROVISIONS (cont'd)

The movement of the provisions is as follows:

	1 January 2014	Provision for the period	Payments	Provision released (-)	Translation difference	31 March 2014
Provision for lawsuits	194.475	7.925	(2.332)	(3.477)	1.872	198.463
Penalty provision for employment shortage of disabled personnel	4.568	578	(892)	(278)	19	3.995
Provision for state right on mining activities	2.642	695	-	-	-	3.337
Provision for civil defense fund	3.341	-	-	-	-	3.341
	205.026	9.198	(3.224)	(3.755)	1.891	209.136

	1 January 2013	Provision for the period	Payments	Provision released (-)	31 March 2013
Provision for lawsuits	104.472	15.952	(2.677)	(688)	117.059
Penalty provision for employment shortage of disabled personnel	4.945	658	-	(357)	5.246
Provision for state right on mining activities	3.644	679	-	-	4.323
	113.061	17.289	(2.677)	(1.045)	126.628

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

NOTE 8 – PROVISIONS (cont'd)

As of 31 March 2014 and 31 December 2013, lawsuits filed by and against the Group are as follows:

	31 March 2014	31 December 2013
Lawsuits filed by the Group		
TRY	205.662	203.019
US Dollars	111.072	108.256
	316.734	311.275
Provision for lawsuits filed by the Group		
TRY	2.989	2.989
	2.989	2.989

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

	31 March 2014	31 December 2013
Lawsuits filed against the Group		
TRY	67.502	67.124
US Dollars	162.538	158.419
	230.040	225.543
Provision for lawsuits filed against the Group		
TRY	185.429	181.771
US Dollars	13.034	12.704
	198.463	194.475

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

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

NOTE 8 – PROVISIONS (cont'd)

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

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

Meanwhile, Company's Shareholders' General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which were prepared according to IFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit before the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 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).

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 March 2014 and 31 March 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.

NOTE 8 – 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 02.07.2009 and "Additional Terms to the Erdemir-Enerjia Export Protocol No. 68197" drafted by and between Enerjia and the Company. However the process stopped upon the Company's objection to Enerjia's request, and that led Enerjia to file a lawsuit against the Company before the 7th Commercial Court of Ankara on 27.03.2010 claiming that the objection should be overruled and USD 68.313 thousand should be paid to itself (E. 2010/259). The Court dismissed the case, in favor of the Company, on 23.06.2011. 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. 2013/17) and the next court hearing is on 23 September 2014.

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 01 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.

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 29 May 2014.

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 March 2014	31 December 2013
Letters of guarantees received	1.432.451	1.469.209
	1.432.451	1.469.209

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

	31 March 2014	31 December 2013
A. Total CPM given for the Company's own legal entity	74.374	69.757
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	1.376.402	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	-	-
	1.450.776	1.646.883

As of 31 March 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 1.376.401 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 March 2014	31 December 2013
US Dollars	890.088	973.629
TRY	122.715	236.352
EURO	382.137	381.965
Japanese Yen	55.836	52.906
Romanian Lei	-	2.031
	1.450.776	1.646.883

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

NOTE 10 –TAX ASSETS AND LIABILITIES

	31 March 2014	31 December 2013
Corporate tax payable:		
2013 corporate tax	2.552	-
Current corporate tax provision	62.791	195.980
Prepaid taxes and funds (-)	(2.472)	(150.990)
	62.871	44.990

	1 January – 31 March 2014	1 January 31 December 2013
Taxation:		
Current corporate tax expense	62.791	26.901
Deferred tax expense	(1.519)	33.733
	61.272	60.634

Corporate tax

The effective corporate tax rate in Turkey is 20% and 16% in Romania as of 31 March 2014 (31 December 2013: in Turkey 20%, in Romania 16%). The total amount of the corporate tax paid by the Group in 2013 is TRY 47.462 thousand (31 March 2013: TRY 14.702 thousand).

Deferred tax

Tax rate used in the calculation of deferred tax assets and liabilities (excluding land) are 20% for the subsidiaries in Turkey 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.

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

NOTE 10 –TAX ASSETS AND LIABILITIES (cont'd)

	31 March 2014	31 December 2013
Deferred tax assets:		
Carry forward tax losses	1.079	20.626
Provisions for employee benefits	80.345	78.445
Tangible and intangible fixed assets	9.744	10.455
Inventories	12.403	6.519
Investment incentive	46.696	44.253
Provision for lawsuits	39.573	38.895
Fair values of the derivative financial instruments	1.164	2.952
Provision for other doubtful receivables	11.270	11.192
Prepaid expenses	969	1.057
Other	11.371	16.696
	214.614	231.090
Deferred tax liabilities:		
Tangible and intangible fixed assets	(649.918)	(593.509)
Amortized cost adjustment on loans	(8.213)	(8.870)
Fair values of the derivative financial instruments	(10.929)	(13.327)
Inventories	(1.806)	(20.399)
Other	(3.667)	(4.251)
	(674.533)	(640.356)
	(459.919)	(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 March 2014	31 December 2013
Deferred tax assets	28.227	17.836
Deferred tax (liabilities)	(488.146)	(427.102)
	(459.919)	(409.266)

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

NOTE 10 –TAX ASSETS AND LIABILITIES (cont'd)

Maturities of carry forward tax losses are as follows:

	Carry forward tax losses		Deferred tax assets	
	31 March 2014	31 December 2013	31 December 2013	31 December 2012
1 year	295.455	-	5.395	-
2 year	-	511.825	-	51.716
3 year	-	-	-	-
4 year	-	51.411	-	51.411
	295.455	563.236	5.395	103.128

Deferred tax asset/(liability) movements:	1 January – 31 March 2014	1 January – 31 March 2013
Opening balance	(409.266)	(135.970)
Deferred tax expense	1.519	(33.733)
The amount in comprehensive income/(expense)	939	516
Translation difference	(53.111)	154
Closing balance	(459.919)	(169.033)

Reconciliation of tax provision:	1 January – 31 March 2014	1 January – 31 March 2013
Profit before tax	511.941	301.137
Statutory tax rates	20%	20%
Calculated tax acc. to effective tax rate	102.388	60.227
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	3.546	866
- Effect of tax losses written off from deferred tax assets	(41.776)	-
- Effect of currency translation to non taxable assets	(2.107)	-
- Investment incentives	(2.443)	(205)
- Effect of non-taxable adjustments	283	-
- Effect of the different tax rates due to foreign subsidiaries	178	164
- Other	1.203	(418)
Tax expense in income statement	61.272	60.634

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

NOTE 11 – SALES AND COST OF SALES

	1 January – 31 March 2014	1 January- 31 March 2013
Sales Revenue		
Domestic sales	2.514.763	1.958.903
Export sales	334.530	401.278
Other revenues (*)	89.096	73.122
Sales returns (-)	(2.220)	(922)
Sales discounts (-)	(1.532)	(3.439)
	2.934.637	2.428.942
Cost of Sales (-)	(2.331.854)	(2.034.653)
Gross profit	602.783	394.289

(*) The total amount of by product exports in other revenues is TRY 51.579 thousand (31 March 2013: TRY 43.566 thousand).

The breakdown of cost of sales for the periods 1 January – 31 March 2014 and 1 January – 31 March 2013 is as follows:

	1 January – 31 March 2014	1 January- 31 March 2013
Raw material usage	(1.689.900)	(1.458.362)
Personnel expenses	(247.272)	(227.779)
Energy expenses	(147.970)	(151.742)
Depreciation and amortization expenses	(97.782)	(100.342)
Factory overheads	(50.006)	(39.375)
Inventory write-downs within the period (Note 4)	(3.625)	(2.660)
Reversal of inventory write-downs (Note 4)	4.586	4.846
Other cost of goods sold	(36.653)	(21.218)
Non-operating expenses (*)	(23.426)	-
Other	(39.806)	(38.021)
	(2.331.854)	(2.034.653)

(*) Due to the unplanned/ unexpected halt production of plant of the Group's, operations were suspended temporarily. As a result of this, non-operating expenses, TRY (23.426) thousand, has been accounted directly under cost of goods sold.

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

NOTE 12 – OPERATING EXPENSES AND OTHER OPERATING INCOME/ (EXPENSES)

The breakdown of marketing, sales and distribution expenses according to their nature for the periods 1 January – 31 March 2014 and 1 January – 31 March 2013 is as follows:

	1 January – 31 March 2014	1 January- 31 March 2013
Personnel expense (-)	(15.293)	(13.927)
Depreciation and amortization(-)	(3.465)	(2.388)
Outsourced benefits and services (-)	(5.695)	(4.977)
Other (-)	(3.937)	(4.165)
	(28.390)	(25.457)

The breakdown of general administrative expenses for the periods 1 January – 31 March 2014 and 1 January – 31 March 2013 is as follows:

	1 January – 31 March 2014	1 January- 31 March 2013
Personnel expense (-)	(28.012)	(26.747)
Depreciation and amortization (-)	(3.169)	(1.605)
Outsourced benefits and services (-)	(4.536)	(4.407)
Tax, duty and charges (-)	(1.144)	(988)
Other (-)	(10.549)	(8.987)
	(47.410)	(42.734)

The breakdown of other operating income for the periods 1 January – 31 March 2014 and 1 January – 31 March 2013 is as follows:

	1 January – 31 March 2014	1 January- 31 March 2013
Other operating income		
Foreign exchange gain from trade receivables and payables (net)	-	6.262
Interest income from on credit sales	11.177	11.956
Provisions released	3.753	1.185
Service income	3.261	1.795
Maintenance repair and rent income	1.838	1.994
Warehouse income	1.696	130
Indemnity and penalty detention income	1.217	362
Insurance indemnity income	231	608
Gain on sale of tangible assets	560	573
Other income and gains	4.211	4.265
	27.944	29.130

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

NOTE 12 – OPERATING EXPENSES AND OTHER OPERATING INCOME/ (EXPENSES) (cont'd)

The breakdown of other operating expenses for the periods 1 January – 31 March 2014 and 1 January – 31 March 2013 is as follows:

	1 January – 31 March 2014	1 January- 31 March 2013
Other operating expenses (-)		
Provisions expenses	(6.736)	(6.446)
Donations expenses	(6.615)	(248)
Port facility pre-licence expenses	(1.611)	(1.637)
Lawsuit compensation expenses	(1.177)	(507)
Penalty expenses	(908)	(74)
Service expenses	(669)	(437)
Rent expenses	(173)	(148)
Loss on disposal of tangible assets	(11)	(543)
Other expenses and losses	(4.300)	(6.192)
	(22.200)	(16.232)

NOTE 13 – FINANCIAL INCOME/ EXPENSES

Financial incomes	1 January – 31 March 2014	1 January- 31 March 2013
Interest income on bank deposits	11.161	20.009
Foreign exchange gains (net)	1.179	-
Fair value differences of derivative financial instruments (net)	9.432	9.660
Discount income (net)	6.621	-
	28.393	29.669

Financial expenses (-)	1 January – 31 March 2014	1 January- 31 March 2013
Interest expenses on financial liabilities	(39.580)	(56.725)
Foreign exchange loss (net)	-	(4.493)
Interest cost of employee benefits	(7.073)	(5.075)
Discount expenses (net)	-	(136)
Other financial expenses	(1.137)	(398)
	(47.790)	(66.827)

(*) During the period, the interest expenses of TRY 937 thousand have been capitalized as part of the Group's property, plant and equipment (1 January - 31 March 2013: TRY 79 thousand).

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

NOTE 14 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional information about financial instruments

Foreign currency risk management

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Foreign currency position table is expressed other than each entity's functional currency. As of 31 March 2014, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 March 2014					
	TRY (Functional currency)	TRY (Original currency)	US Dollars (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	GB Pound (Original currency)
1. Trade Receivables	103.283	23.475	269	26.325	1.944	3
2a. Monetary financial assets	163.529	34.498	585	42.453	3.405	3
2b. Non- monetary financial assets	-	-	-	-	-	-
3. Other	94.183	94.075	-	36	-	-
4. Current assets (1+2+3)	**360.994**	**152.049**	**854**	**68.814**	**5.348**	**6**
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	52.017	164	-	17.243	-	-
6b. Non- monetary financial assets	-	-	-	-	-	-
7. Other	45.725	26.769	-	6.287	1.666	4
8. Non-current assets (5+6+7)	**97.742**	**26.934**	**-**	**23.530**	**1.666**	**4**
9. Total assets (4+8)	**458.737**	**178.983**	**854**	**92.343**	**7.014**	**10**
10. Trade payables	235.464	206.839	44	4.495	692.760	60
11. Financial liabilities	681.494	530.831	-	40.442	1.360.331	-
12a. Other monetary financial liabilities	1.183.304	1.181.780	-	381	17.785	-
12b. Other non-monetary financial liabilities	106.597	106.597	-	-	-	-
13. Current liabilities (10+11+12)	**2.206.859**	**2.026.048**	**44**	**45.318**	**2.070.876**	**60**
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	624.083	249.443	-	99.397	3.547.001	-
16a. Other monetary financial liabilities	399.988	392.212	-	2.586	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**1.024.071**	**641.655**	**-**	**101.983**	**3.547.001**	**-**
18. Total liabilities (13+17)	**3.230.930**	**2.667.703**	**44**	**147.301**	**5.617.877**	**60**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-	**250.147**	**82.789**	**-**	**55.653**	**-**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	366.042	198.684	-	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)	**(2.522.047)**	**(2.405.931)**	**810**	**695**	**(5.610.863)**	**(50)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(2.805.505)**	**(2.502.968)**	**810**	**(61.280)**	**(5.612.529)**	**(54)**
22. Fair value of derivative financial instruments used in foreign currency hedge	57.149	57.149	-	-	-	-
23. Hedged foreign currency assets	115.895	115.895	-	-	-	-
24. Hedged foreign currency liabilities	366.042	198.684	-	55.653	-	-
25. Exports	386.109	-	170.305	2.882	-	-
26. Imports	1.415.084	-	638.264	270	-	-

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

NOTE 14 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

Foreign currency risk management (cont'd)

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

	31 December 2013					
	TRY (Functional currency)	TRY (Original currency)	US Dollars (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	GB Pound (Original currency)
1. Trade Receivables	91.603	24.567	45	22.656	19.623	3
2a. Monetary financial assets	59.424	48.120	298	3.630	14	2
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**	**6**
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	20
8. Non-current assets (5+6+7)	**89.731**	**26.495**	**-**	**21.201**	**44.924**	**20**
9. Total assets (4+8)	**384.883**	**241.877**	**343**	**47.975**	**64.562**	**25**
10. Trade payables	220.202	177.812	465	8.671	717.437	405
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**	**405**
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)	**1.247.362**	**873.716**	**-**	**103.147**	**3.497.293**	**-**
18. Total liabilities (13+17)	**2.241.258**	**1.676.457**	**465**	**151.180**	**5.854.822**	**405**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**217.341**	**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)**	**(379)**
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)**	**(399)**
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	1.102.944	-	518.695	46.003	-	-
26. Imports	4.891.486	-	2.566.578	3.695	-	-

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

NOTE 14 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

Foreign currency risk management (cont'd)

The following table shows the Group's sensitivity to a 10% (+/-) change in the TRY, 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 March 2014 asset and liability balances are translated by using the following exchange rates: TRY 2,1898 = US $ 1,TRY 3,0072 = EUR 1 and TRY 0, 0214= 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 March 2014	Appreciation of foreign currency against	Depreciation of foreign currency against
1- TRY net asset/liability	(248.872)	248.872
2- Hedged portion from TRY risk (-)	19.868	(19.868)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(229.004)	229.004
5- US Dollars net asset/liability	177	(177)
6- Hedged portion from US Dollars risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- US Dollars net effect (5+6+7)	177	(177)
9- Euro net asset/liability	(16.527)	16.527
10- Hedged portion from Euro risk (-)	16.736	(16.736)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	209	(209)
13- Jap. Yen net asset/liability	(11.980)	11.980
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(11.980)	11.980
17- Other currencies net asset/liability	(18)	18
18- Hedged portion from other currency risk (-)	-	-
19- Effect of capitalization (-)	-	-
20- Other currencies net effect (17+18+19)	(18)	18
TOTAL (4+8+12+16+20)	**(240.616)**	**240.616**

In addition to the Group's foreign currency sensitivity to a 10% (+/-) change in TRY, TRY 125.462 of income/ TRY (104.703) expense will occur due to the decrease/ (increase) in deferred tax base.

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

NOTE 14– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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 against	Depreciation of foreign currency against
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/liability	(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**

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

NOTE 15 – SUBSEQUENT EVENTS

None.

NOTE 16 – ADDITIONAL INFORMATION FOR CASH FLOW STATEMENTS

Changes in working capital are as follows:

	1 January- 31 March 2014	1 January- 31 March 2013
Current trade receivables	89.651	(26.794)
Inventories	290.927	60.092
Other short term receivables / current assets	22.820	(17.185)
Other long term receivables / non current assets	5.985	(7.529)
Current trade payables	(129.235)	(2.953)
Other short term payables / liabilities	84.269	138.857
Other long term payables / liabilities	660	1.113
	365.077	145.601

NOTE 17 – 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

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