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

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

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2010 TOGETHER WITH
INDEPENDENCE AUDITOR'S REPORT

(Convenience translation of a report originally issued in Turkish – see additional paragraph below for convenience translation)

Independent auditor's report on
for the period January 1 – December 31, 2010

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

We have audited the accompanying consolidated financial statements of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated balance sheet as at December 31, 2010, and consolidated statement of income, consolidated statement of 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 other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Financial Reporting Standards published by Capital Market Board in Turkey. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Market Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

(Convenience translation of report originally issued in Turkish - see additional paragraph below for convenience translation)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries as at December 31, 2010, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Financial Reporting Standards published by Capital Market Board.

Other matters

The consolidated financial statements of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. and its subsidiaries prepared in accordance with financial reporting standards issued by Capital Market Board as of December 31, 2009, were audited by another audit firm whose independent auditor's report thereon dated February 19, 2010 expressed an unqualified opinion.

Without qualifying our opinion, as explained in detail in note 16 to the accompanying consolidated financial statements, the lawsuits, which were commenced by the Privatization Administration of the Turkish Republic for the cancellation of the resolution of the Company's General Assembly dated March 30, 2006 regarding the dividend distribution and by the CMB's claim that the Company 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, are pending as of the date of this report.

Additional paragraph for convenience translation to English:

As of December 31, 2010, the accounting principles described in Note 2 (defined as CMB Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

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CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2010

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

	Note	(Audited) Current Period 31 December 2010	(Audited) Previous Period 31 December 2009
ASSETS			
Current Assets		**6.324.667.258**	**3.729.502.669**
Cash and Cash Equivalents	4	2.877.790.271	1.065.737.367
Financial Investments	5	5.010.226	22.588
Trade Receivables	8	715.838.070	692.485.126
Due From Related Parties	*30*	*78.337.709*	*64.024.254*
Other Trade Receivables	*8*	*637.500.361*	*628.460.872*
Other Receivables	9	34.197.110	124.456
Inventories	10	2.502.954.372	1.644.880.477
Other Current Assets	19	177.378.552	284.483.978
		6.313.168.601	3.687.733.992
Non Current Assets Held for Sale	27	11.498.657	41.768.677
Non Current Assets		**7.216.305.378**	**7.420.919.878**
Trade Receivables	8	2.621.888	2.360.741
Due From Related Parties	*30*	*1.141.524*	-
Other Trade Receivables	*8*	*1.480.364*	*2.360.741*
Other Receivables	9	26.105.907	26.722.247
Financial Investments	5	1.427.186	41.666
Investment Properties	12	46.577.264	46.577.264
Property, Plant and Equipment	13	6.779.994.776	6.795.323.290
Intangible Assets	14	143.656.814	140.275.624
Deferred Tax Assets	28	150.892.360	353.505.904
Other Non Current Assets	19	65.029.183	56.113.142
TOTAL ASSETS		**13.540.972.636**	**11.150.422.547**

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

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2010

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

	Note	(Audited) Current Period 31 December 2010	(Audited) Previous Period 31 December 2009
LIABILITIES			
Current Liabilities		**3.763.668.823**	**1.620.897.962**
Financial Liabilities	6	3.053.838.952	837.296.086
Other Current Financial Liabilities	7	4.793.603	96.556.326
Trade Payables	8	359.941.902	355.004.343
Due to Related Parties	*30*	*9.911.442*	*5.147.811*
Other Trade Payables	*8*	*350.030.460*	*349.856.532*
Other Payables	9	40.320.600	53.444.045
Due to Related Parties	*30*	*1.715.000*	*1.871.365*
Other Payables	*9*	*38.605.600*	*51.572.680*
Current Tax Liabilities	28	7.115.721	2.385.751
Provisions	16	70.677.783	73.932.797
Other Current Liabilities	19	226.980.262	202.278.614
Non Current Liabilities		**3.086.059.488**	**3.610.830.559**
Financial Liabilities	6	2.797.402.328	3.328.726.727
Other Non Current Financial Liabilities	7	26.468.954	9.414.527
Provisions for Employment Benefits	18	168.289.071	121.870.564
Deferred Tax Liabilities	28	93.065.154	150.606.462
Other Non Current Liabilities	19	833.981	212.279
EQUITY	**20**	**6.691.244.325**	**5.918.694.026**
Equity attributable to equity holders of the parent		**6.511.030.270**	**5.762.058.750**
Share Capital		1.600.000.000	1.600.000.000
Inflation Adjustment to Capital		731.967.735	731.967.735
Treasury Share Adjustment (-)		(57.692.172)	(57.692.172)
Share Issue Premium		231.020.042	231.020.042
Revaluation Reserves of Fixed Assets		25.241.672	25.869.903
Cash Flow Hedging Reserves		(24.396.817)	(7.259.727)
Foreign Currency Translation Reserves		4.845.393	4.108.212
Restricted Reserves Assorted from Profit		1.696.170.542	1.688.196.335
Retained Earnings		1.537.874.215	1.714.538.844
Net Profit/(Loss) for the Period		765.999.660	(168.690.422)
Non-controlling Interests		**180.214.055**	**156.635.276**
TOTAL LIABILITIES AND EQUITY		**13.540.972.636**	**11.150.422.547**

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

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

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

	Note	(Audited) Current Period 1 January- 31 December 2010	(Audited) Previous Period 1 January- 31 December 2009
OPERATING INCOME			
Revenue	21	6.632.827.541	5.265.818.577
Cost of Sales (-)	21	(5.313.245.896)	(5.029.678.758)
GROSS PROFIT		**1.319.581.645**	**236.139.819**
Marketing, Sales and Distribution Expenses (-)	22	(67.064.017)	(68.086.413)
General Administrative Expenses (-)	22	(120.746.438)	(108.248.107)
Research and Development Expenses (-)	22	(2.065.999)	(2.365.699)
Other Operating Income	24	110.960.631	92.127.509
Other Operating Expenses (-)	24	(119.326.058)	(97.821.207)
OPERATING PROFIT		**1.121.339.764**	**51.745.902**
Loss from investments accounted under equity method	11	-	(642.992)
Finance Income	25	148.343.822	142.627.113
Finance Expense (-)	26	(295.799.664)	(417.205.142)
PROFIT/(LOSS) BEFORE TAX		**973.883.922**	**(223.475.119)**
Tax (Expense)/Income	28	(177.536.780)	54.993.561
- Current Tax Expense		(27.784.836)	(16.464.319)
- Deferred Tax (Expense)/Income		(149.751.944)	71.457.880
PROFIT/(LOSS) FOR THE PERIOD		**796.347.142**	**(168.481.558)**
- Non-Controlling Interests		30.347.482	208.864
- Equity Holders of the Parent		765.999.660	(168.690.422)
EARNINGS/(LOSS) PER SHARE (TRY 1 Nominal value per share)	29	0,4787	(0,1054)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

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

	Note	(Audited) Current Period 1 January- 31 December 2010	(Audited) Previous Period 1 January- 31 December 2009
PROFIT/(LOSS) FOR THE PERIOD		**796.347.142**	**(168.481.558)**
Other Comprehensive Income/(Expense):			
Change in Revaluation Reserves of Fixed Assets		(628.231)	(506.938)
Change in Cash Flow Hedging Reserves		(18.345.240)	(6.083.433)
Change in Foreign Currency Translation Reserves		737.181	643.545
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD (AFTER TAX)	28	**(18.236.290)**	**(5.946.826)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**778.110.852**	**(174.428.384)**
Distribution of Total Comprehensive Income/(Loss)			
- Non-controlling Interests		29.139.332	(231.722)
- Equity Holders of the Parent		748.971.520	(174.196.662)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

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

	Note	Share Capital	Inflation Adjustment to Capital	Treasury Share Adjustment (-)	Share Issue Premium	Revaluation Reserves of Fixed Assets	Cash Flow Hedging Reserves	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Net Profit for the Period and Retained Earnings	**Equity Attributable to the Parent**	Non-controlling Interests	**Total Shareholders' Equity**
(Audited)													
1 January 2010		**1.600.000.000**	**731.967.735**	**(57.692.172)**	**231.020.042**	**25.869.903**	**(7.259.727)**	**4.108.212**	**1.688.196.335**	**1.545.848.422**	**5.762.058.750**	**156.635.276**	**5.918.694.026**
Net profit for the period		-	-	-	-	-	-	-	-	765.999.660	**765.999.660**	30.347.482	**796.347.142**
Other comprehensive income/ (loss)		-	-	-	-	(628.231)	(17.137.090)	737.181	-	-	**(17.028.140)**	(1.208.150)	**(18.236.290)**
Total comprehensive income/ (loss)		-	-	-	-	(628.231)	(17.137.090)	737.181	-	765.999.660	**748.971.520**	29.139.332	**778.110.852**
Dividends paid		-	-	-	-	-	-	-	-	-	**-**	(5.560.553)	**(5.560.553)**
Transfers from retained earnings	20	-	-	-	-	-	-	-	7.974.207	(7.974.207)	**-**	-	**-**
31 December 2010	**20**	**1.600.000.000**	**731.967.735**	**(57.692.172)**	**231.020.042**	**25.241.672**	**(24.396.817)**	**4.845.393**	**1.696.170.542**	**2.303.873.875**	**6.511.030.270**	**180.214.055**	**6.691.244.325**
(Audited)													
1 January 2009		**1.148.812.500**	**731.967.735**	**(43.790.843)**	**231.020.042**	**26.376.841**	**(1.616.880)**	**3.464.667**	**1.665.921.924**	**2.174.099.426**	**5.936.255.412**	**167.372.727**	**6.103.628.139**
Net (loss)/profit for the period		-	-	-	-	-	-	-	-	(168.690.422)	**(168.690.422)**	208.864	**(168.481.558)**
Other comprehensive income/ (loss)		-	-	-	-	(506.938)	(5.642.847)	643.545	-	-	**(5.506.240)**	(440.586)	**(5.946.826)**
Total comprehensive income/ (loss)		-	-	-	-	(506.938)	(5.642.847)	643.545	-	(168.690.422)	**(174.196.662)**	(231.722)	**(174.428.384)**
Dividends paid		-	-	-	-	-	-	-	-	-	**-**	(10.505.729)	**(10.505.729)**
Transfers from retained earnings	20	451.187.500	-	(13.901.329)	-	-	-	-	22.274.411	(459.560.582)	**-**	-	**-**
31 December 2009	**20**	**1.600.000.000**	**731.967.735**	**(57.692.172)**	**231.020.042**	**25.869.903**	**(7.259.727)**	**4.108.212**	**1.688.196.335**	**1.545.848.422**	**5.762.058.750**	**156.635.276**	**5.918.694.026**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2010

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

	Not	(Audited) Current Period 1 January- 31 December 2010	(Audited) Previous Period 1 January- 31 December 2009
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax and minority interests		973.883.922	(223.475.119)
Adjustments to reconcile net profit /(loss) before tax to net cash provided by operating activities:			
Depreciation and amortization expenses	21/23	298.585.922	330.029.905
Provision for employee termination benefits	18	51.617.775	32.252.437
Provision for seniority incentive premium	18	3.618.888	4.608.429
Loss from investments accounted for under equity method	11	-	642.992
Loss/(gain) on sale of property plant and equipment	24	(159.277)	(495.470)
Income from sale of financial assets	24	(15.992.680)	-
Loss on write off of property plant and equipment	24	9.710.519	1.877.038
Increase in provision for doubtful receivables	8/9	18.195.409	33.919.850
Increase/(decrease) in the allowance for inventories	10	26.538.233	(976.798.270)
Increase/(decrease) in provision for unpaid vacations	19	7.885.329	(10.009.157)
Increase in provision for pending claims and lawsuits	16	12.562.031	4.138.294
Increase / (decrease) in penalty provision for obligatory employment shortage of disabled people, ex-convicts and terror victims	16	270.756	(50.352.780)
Increase in provision for salaries and wages	16	12.000.000	-
(Decrease) in provisions for tax related contingencies	16	(21.073.070)	(2.006.793)
(Decrease) in provision for purchase commitments	16	-	(101.637.544)
Increase in provision for state right on mining activities	16	1.755.048	-
Finance expense	26	230.123.313	246.298.344
Interest income	25	(133.158.624)	(122.123.232)
Unrealized foreign currency translation (gain)/loss of financial liabilities		11.837.108	(16.516.471)
Loss on fair value changes of derivative financial instruments	25	(7.791.875)	95.512.399
Net cash provided by /(used in) operating activities before changes in working capital		**1.480.408.727**	**(754.135.148)**
Changes in working capital	34	(898.651.187)	1.744.423.759
Interest paid		(237.073.393)	(253.778.518)
Interest received		124.515.439	120.159.608
Lawsuits paid	16	(7.442.765)	(5.927.888)
Penalty paid for the employment shortage of disabled people	16	(1.327.014)	-
Taxes paid	28	(23.054.866)	(15.729.336)
Employee termination benefits paid	18	(8.296.670)	(31.827.647)
Seniority incentive premium paid	18	(521.486)	(450.148)
Net cash provided by operating activities		**428.556.785**	**802.734.682**
CASH FLOWS FROM INVESTING ACTIVITIES			
Changes in marketable securities held for trading	5	22.588	(12.621)
Changes in financial assets held as available for sale	5	(15.015)	(3.546)
Proceeds from sale of financial assets		15.420.900	-
Cash used in the purchase of investment property	12	-	(603.714)
Cash used in the purchase of tangible fixed assets	13	(303.340.519)	(347.673.137)
Cash used in the purchase of intangible assets	14	(1.261.832)	(9.729.050)
Cash provided by fixed asset sales	13/14/24	1.435.601	29.570.605
Net cash used in investing activities		**(287.738.277)**	**(328.451.463)**
FİNANSMAN FAALİYETLERİNE İLİŞKİN NAKİT AKIMLARI			
Proceeds from borrowings		4.477.747.352	3.661.942.324
Repayment of borrowings		(2.811.094.824)	(4.036.759.324)
Dividends paid to non-controlling interest		(5.560.553)	(10.505.729)
Net cash provided/(used in) by financing activities		**1.661.091.975**	**(385.322.729)**
NET CHANGES IN CASH AND CASH EQUIVALENTS		**1.801.910.483**	**88.960.490**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE	4	**1.063.284.367**	**972.980.449**
Currency translation difference, net		1.499.236	1.343.428
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**2.866.694.086**	**1.063.284.367**
Accrued interest income	4	**11.096.185**	**2.453.000**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD INCLUDING ACCRUED INTEREST INCOME	4	**2.877.790.271**	**1.065.737.367**

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

NOTE 1 – GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

Name of the Company	Country of Operation	Operation	2010 Share %	2009 Share %
İskenderun Demir ve Çelik A.Ş. ("ISDEMIR")	Turkey	Iron and Steel	92,91	92,91
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90,00	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Iron and Steel	100,00	100,00
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100,00	100,00
Erdemir Romania S.R.L.	Romania	Iron and Steel	100,00	100,00
Erdemir Çelbor Çelik Çekme Boru San.ve Tic. A.Ş.	Turkey	Iron and Steel	100,00	100,00
Erdemir Lojistik A.Ş.	Turkey	Logistics Services	100,00	100,00

ArcelorMittal Ambalaj Çeliği Tic. A.Ş. which was previously accounted by using the equity pick up method has been disclosed under non-current assets held for sale in the consolidated financial statements starting from 1 April 2009 (Note 27).

According to the decisions taken by the Board of Directors of Erdemir Çelbor Çelik Çekme Boru San. ve Tic. A.Ş. dated 14 July 2010 and numbered 334 and Board of Directors of Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş. dated 14 July 2010 and numbered 22, it is decided to merge the two entities. As of approval date of consolidated financial statements by the Board of Directors, the merger activities have not been concluded yet.

Erdemir Gaz San. ve Tic. A.Ş. as disclosed in non current financial investments is excluded from consolidation, as it has been dormant since its establishment and it does not significantly affect the consolidated financial statements of the Group (Note 5).

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

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

The number of the personnel employed by the Group as at 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010 Personnel	31 December 2009 Personnel
Monthly paid personnel (A)	3.378	3.244
Hourly paid personnel (B)	7.859	8.003
Candidate worker (C)	2.173	1.786
Contractual personnel (D)	18	17
Contractual personnel (SZ)	125	111
Total	13.553	13.161

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The Company and all its subsidiaries in Turkey maintain their legal books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles issued by the Turkish Commercial Code ("TCC") and tax legislation. The subsidiary which operates abroad maintain its books of account and prepare its statutory financial statements denominated in the currency of the foreign country and in compliance with the legislation of the foreign country. The consolidated financial statements include the adjustments and reclassifications applied on the Group's legal books in accordance with the Generally Accepted Accounting Principles issued by Capital Market Board ("CMB").

CMB, in accordance with Communiqué Serial: XI, No: 29 on "Communiqué on Financial Reporting in the Capital Markets", regulates the comprehensive set of principles, procedures and basis of preparation, presentation and announcement of financial statements prepared by the entities. This communiqué is effective for the periods from the first interim financial statements prepared subsequent to1 January 2008 and supersedes the Communiqué Serial XI, No: 25 "Accounting Standards in Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union (EU). However, IAS/IFRS issued by the IASB shall be applied until the differences between IAS/IFRS that are endorsed by the European Union and the standards issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"). Accordingly, Turkish Accounting Standards/ Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards are essential.

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

The Group prepares its consolidated financial statements as of 31 December 2005 and after in accordance with IFRS based on the permission of the CMB's Statement No:017/83-3483, dated 7 March 2006, stating that: "…As explained in your letter, if the disclosure of the financial statements prepared in accordance with IFRS, instead of the CMB's Communiqué Serial: XI, No: 25 is needed, the 2005 financial statements prepared in accordance with IFRS should be revised according to the accounting standards announced by our Board. Hence, these financial statements may be issued to public if only the necessary restatement adjustments in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" are eliminated and the necessary adjustments in the comparative financial statements are made".

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 and reporting currency of the Company's subsidiaries and affiliates operating in Turkey.

Functional and reporting currency for the subsidiary abroad

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

As a result, the differences between closing and average foreign exchange rates and due to the deviation arising from differences between the value of the equity accounts of the consolidated partnership and the subsidiary are followed under the foreign currency translation reserves in equity. The functional and national currency of the subsidiary established in Romania is Romanian Lei.

The foreign subsidiary has been established as a foreign legal entity.

Approval of the consolidated financial statements

The consolidated financial statements have been approved and authorized to be published on 14 March 2011 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

2.2 The Adjustment of the Financial Statements in Hyperinflationary Periods

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

2.3 Changes in Accounting Estimates and Errors

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

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

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

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

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

2.4 Basis of Consolidation

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

Subsidiaries

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

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

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

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

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

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

2.4 Basis of Consolidation (cont'd)

Investments in Associates

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

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

According to the equity method, the investments in associates are carried into the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized.

Unrealized gains resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate, unrealized losses are eliminated except the case when the transferred asset is impaired.

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

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

The Group's consolidated financial statements are presented in comparison with the previous period in order to allow for the determination of the financial position and performance trends. The comparative information is reclassified when necessary in order to be aligned with the current period consolidated financial statements. The detailed information about these restatements are presented in Note 34.

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

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

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

The Group calculates depreciation for the fixed assets by taking into account their useful lives that are stated in Note 2.3 and 2.9.4 (Note 13, Note 14).

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

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

2.6.2 Deferred tax assets

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with IFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and IFRS financial statements. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring, the carry-forward period associated with the deferred tax assets, future reversals of existing taxable temporary differences that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset (Note 28).

2.6.3 Fair values of derivative financial instruments

The Group values its derivative financial instruments by using the foreign exchange and interest rate estimations and based on the valuation estimates of the market values as of the balance sheet date (Note5, Note 7, Note 31).

2.6.4 Provision for doubtful receivables

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

2.6.5 Provision for inventories

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

2.6.6 Provisions for employee benefits

Discount rates are determined using actuarial valuations which involve making assumptions about future salary increases and employee turnover rates. The details related with the defined benefit plans are stated in Note 18.

2.7 Offsetting

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

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

2.8 Adoption of New and Revised International Financial Reporting Standards

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

New standards, amendments and interpretations that will be valid for the yearend financial statements dated 31 December 2010 are as follows. These new standards, amendments and interpretations have no effect on the financial position or the performance of the Group.

IFRS 2 (Amendment) 'Share Based Payment Transactions' - Group cash settled share based payment transactions,

IFRS 3 (Amendment) 'Business Combinations' and IAS 27 (Revised) 'Consolidated and separate financial statements',

IFRIC 17 'Distributions of Non-cash Assets to Owners',

IAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement' - Eligible hedged items

Improvements to IFRSs (issued in 2008),

Improvements to IFRSs (issued in 2009),

New and amended standards and interpretations issued but not effective and not early adopted by the Group as of the date the consolidated financial statements approved are as follows:

IFRS 9 'Financial Instruments: Classification and measurement' (Effective for the periods 1 January 2013 and after): The Group is assessing the effects of the amendment. The standard has not been endorsed by EU yet.

IAS 24 (Revised) 'Related Party Disclosures' (Effective for periods beginning on or after 1 January 2011): The Group will apply the amendment in the notes to the consolidated financial statements for the periods beginning on and after 1 January 2011.

IAS 32 (Amendment) 'Classification of Rights Issues' (Effective for annual periods beginning on or after 1 February 2010): The amendment does not have an impact on Group's financial performance.

IFRIC 14 (Amendment) 'Prepayments of a Minimum Funding Requirement' (Effective for periods beginning on or after 1 January 2011, with earlier application permitted): The amendment does not have an impact on Group's financial performance.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (Effective for periods beginning on or after 1 July 2010, with earlier application permitted). The amendment does not have an impact on Group's financial performance.

UFRS 7 (Amended) 'Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities' (Effective for annual periods beginning or after 1 July 2011). This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

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

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

IAS 12 (Amendment) 'Deferred Tax: Recovery of Underlying Assets' (Mandatory for annual periods beginning or after 1 January 2012). This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

Improvements to IFRSs (issued in May 2010):

In May 2010, International Accounting Standards Board (IASB) made 11 changes in 7 standards. These changes have no impact on the financial performance of the Group. The revised standards are as below. This improvement project has not been endorsed by the EU yet.

IFRS 3: Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised standard
IFRS 3: Measurement of non-controlling interests
IFRS 3: Un-replaced and voluntarily replaced share-based payment awards
IFRS 7: Clarification of disclosures
IAS 1: Clarification of statement of changes in equity
IAS 27: Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements
IAS 34: Significant events and transactions
IFRIC 13: Fair value of award credits

2.9 Valuation Principles Applied / Significant Accounting Policies

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

2.9.1 Revenue recognition

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

Sale of goods

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

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

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

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

2.9.1 Revenue recognition (cont'd)

Dividend and interest revenue

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

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

Rental income

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

2.9.2 Inventories

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

2.9.3 Property, plant and equipment

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

The Group's tangible fixed assets operating in the production of iron ore, flat steel, long steel, seamless steel tube and high silicon flat steel are stated in the balance sheet at their revalued amounts, which is the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

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

2.9.3 Property, plant and equipment (cont'd)

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

2.9.4 Intangible assets

Purchased intangible assets

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

The amortization rates of the intangible assets are stated below:

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

2.9.5 Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization or depreciation and are tested annually for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. 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.

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

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

2.9.6 Leases

The Group as lessee:

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

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the Group is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. By this way, interest is calculated over the remaining principle of the liability.

Finance expenses are recognized immediately in the consolidated income statement, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs detailed in Note 2.9.7. Rent payments related to operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as lessor:

The Group presents assets subject to operating leases in the consolidated balance sheets according to their nature. Lease income from operating leases is recognized as income on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Operating leases are amortized based on their cost after deducting their residual values.

2.9.7 Borrowing costs

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

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

2.9.8 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.

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

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

2.9.8 Financial instruments (cont'd)

Financial assets (cont'd)

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.

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.

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

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

2.9.8 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets

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

For 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.

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.

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

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

2.9.8. Financial instruments (cont'd)

Financial liabilities (cont'd)

Other financial liabilities

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

2.9.9 The effects of foreign exchange rate changes

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

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

2.9.10 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 are computed by taking into consideration of the retrospective effects of the share distributions.

2.9.11 Subsequent events

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

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

2.9.12 Provisions, contingent liabilities and contingent assets

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

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

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

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

2.9.13 Related parties

In the presence of one of the following criteria, parties are considered as related to the Group;

(a) directly, or indirectly through one or more intermediaries, the party:
(i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
(ii) has an interest in the Company that gives it significant influence over the Company; or
(iii) has joint control over the Company;
(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venture;
(d) the party is member of the key management personnel of the Company or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
(g) the party has a defined benefit plan for the employees of the Company or a related party of the Company.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged.

2.9.14 Non current assets held for sale and discontinued operations

Discontinued operations are part of a group which either are classified as assets held-for-sale or have been disposed of and whose activities and cash flow can be treated separable from the Group's whole activities and cash flows. Discontinued operations; represent separate business or geographical segment, are parts of the plans to sell or dispose thereof, or is a subsidiary acquired for selling. The Group's discontinued operations have been valued with the lower of the book values of related asset and liabilities of the discontinued operations, or fair value less costs to sell (Note 27).

2.9.15 Investment properties

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

Investment properties are 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.

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

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

2.9.16 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.

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.

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

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

2.9.16 Taxation and deferred income taxes (cont'd)

Current and deferred tax for the period

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

2.9.17 Provisions for employment benefits

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

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

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.

2.9.18 Statement of cash flows

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

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

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

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

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

2.9.19 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.

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

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

2.9.20 Treasury shares

Article IV-K of Articles of Association "According to Turkish Commercial Code Article 329, transactions of an entity's own shares" allows Erdemir to purchase, hold, sell or transfer its own shares, without voting rights. As of 31 December 2010, the Company holds its own shares with a nominal value of TRY 49.296.859 (31 December 2009 : TRY 49.296.859). The Company's own shares have been reclassified with its indexed value in the consolidated balance sheet as a deduction under equity.

NOTE 3 – OPERATING SEGMENTS

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

NOTE 4 – CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents as of 31 December 2010 and 31 December 2009 is as follows:

	31 December 2010	31 December 2009
Cash	31.355	24.725
Banks – demand deposits	24.553.743	57.474.534
Banks – time deposits	2.853.205.173	1.008.238.108
	2.877.790.271	1.065.737.367
Time deposit interest accruals (-)	(11.096.185)	(2.453.000)
Cash and cash equivalents excluding interest accruals	2.866.694.086	1.063.284.367

The breakdown of demand deposits is presented below:

	31 December 2010	31 December 2009
EURO	9.669.081	7.594.427
TRY	7.020.913	4.538.501
US Dollars	6.936.301	40.342.507
Romanian Lei	907.542	4.949.386
GB Pound	19.624	27.229
Japanese Yen	282	22.484
	24.553.743	57.474.534

NOTE 4 – CASH AND CASH EQUIVALENTS (cont'd)

The breakdown of time deposits is presented below:

	31 December 2010	31 December 2009
TRY	1.703.861.484	294.414.407
US Dollars	1.130.764.952	648.714.606
EURO	18.023.995	65.109.095
Romanian Lei	554.742	-
	2.853.205.173	1.008.238.108

NOTE 5 – FINANCIAL INVESTMENTS

Current financial investments:

	31 December 2010	31 December 2009
Financial assets at fair value through profit/loss:		
Financial assets held for trading	-	22.588
Derivative financial assets (*)	5.010.226	-
Total	5.010.226	22.588

Non-current financial investments:

	31 December 2010	31 December 2009
Available for sale financial assets:	56.681	41.666
Derivative financial assets at fair value through other comprehensive income/expense (*)	1.370.505	-
Total	1.427.186	41.666

(*) As explained in Note 31, the derivative financial assets comprise of forward agreements and cross currency and interest rate swap agreements.

As of 31 December 2010 and 31 December 2009 the Group's subsidiaries, their percentage shares and amounts of the ownership interest are as follows:

Company	Rate %	31 December 2010	Rate %	31 December 2009
Erdemir Gaz San. ve Tic. A.Ş. (*)	100	56.681	100	41.666

(*) The financial statements of Erdemir Gaz San. ve Tic. A.Ş., which has a total asset of TRY 1.841 and has been dormant since its establishment, are not consolidated as their effects on the consolidated financial statements are immaterial and disclosed at cost. There are no off balance sheet liabilities and contingencies given between the Group companies and Erdemir Gaz in favor of each other.

NOTE 6 – FINANCIAL LIABILITIES

Breakdown of financial liabilities is as follows:

	31 December 2010	31 December 2009
Short term financial liabilities	939.424.278	29.393.986
Current portion of long term financial liabilities	2.114.414.674	807.880.899
Finance lease payables	-	21.201
Total short term financial liabilities	3.053.838.952	837.296.086
Long term financial liabilities	2.797.402.328	3.328.726.727
Total long term financial liabilities	2.797.402.328	3.328.726.727
	5.851.241.280	4.166.022.813

As of 31 December 2010, 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 2010
No interest	TRY	-	28.018.364	-	28.018.364
Fixed	TRY	8,84	801.299.040	450.000.000	1.251.299.040
Floating	TRY	TL Libor+1,77	909.932.197	-	909.932.197
Fixed	US Dollars	2,01	282.614.009	5.101.800	287.715.809
Floating	US Dollars	Libor+2,39	931.650.491	1.785.717.211	2.717.367.702
Floating	EURO	Euribor+0,27	77.399.320	419.233.684	496.633.004
Floating	Jap. Yen	JPY Libor+0,22	22.925.531	137.349.633	160.275.164
			3.053.838.952	2.797.402.328	5.851.241.280

As of 31 December 2009, 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 2009
No interest	TRY	-	8.515.490	-	8.515.490
Floating	TRY	TL Libor+1,86	54.204.186	855.668.943	909.873.129
Fixed rate	US Dollars	5,78	2.088.306	-	2.088.306
Floating	US Dollars	Libor+1,42	660.458.727	1.814.150.946	2.474.609.673
Floating	EURO	Euribor+0,28	89.870.176	520.438.669	610.308.845
Floating	Jap. Yen	JPY Libor+0,22	22.138.000	138.468.169	160.606.169
			837.274.885	3.328.726.727	4.166.001.612

NOTE 6 – FINANCIAL LIABILITIES (cont'd)

As of 31 December 2010, according to their type of original currency and interest rates, the breakdown of the fixed-interest loans by using financial hedge agreements, is as follows:

Type of Currency	Fixed rate of interest (%)	Short Term Portion	Long Term Portion	31 December 2010
US Dollars	2,38	20.555.923	71.726.449	92.282.372
US Dollars	3,29	10.346.016	46.534.827	56.880.843
US Dollars (*)	7,22	14.576.847	93.330.665	107.907.512
US Dollars	4,30	31.031.414	-	31.031.414
US Dollars	4,32	15.508.324	-	15.508.324
US Dollars	4,65	58.139.143	-	58.139.143
US Dollars	2,40	61.878.166	-	61.878.166
US Dollars	3,34	78.073.281	-	78.073.281
US Dollars	3,28	22.335.495	32.940.081	55.275.576
EURO (**)	10,65	26.161.469	156.234.666	182.396.135
		338.606.078	400.766.688	739.372.766

(*) As described in Note 31 (f) and Note 31 (g), it is the interest rate of the TRY valued cross currency swap contract resulted from the sale of TRY and purchase of USD. The maturity of the cross currency swap contract is 3 October 2016. The amount represents TRY equivalent of the portion of the loan amount of USD 92.531.078, with maturity of 3 April 2018, that is hedged till 2016.

(**) As described in Note 31 (f) and Note 31 (g), it is the interest rate of the TRY valued cross currency swap contract resulted from the sale of TRY and purchase of Euro.

As of 31 December 2009, according to their type of original currency and interest rates, the breakdown of the fixed-interest loans by using financial hedge agreements, is as follows:

Type of Currency	Fixed rate of interest (%)	Short Term Portion	Long Term Portion	31 December 2009
US Dollars	3,69	29.851.889	-	29.851.889
US Dollars	4,30	30.636.967	29.799.941	60.436.908
US Dollars	4,32	15.328.004	14.879.863	30.207.867
US Dollars	4,65	57.270.085	55.827.519	113.097.604
US Dollars	2,40	61.348.704	59.137.410	120.486.114
US Dollars	3,34	153.341.601	74.467.306	227.808.907
US Dollars	3,28	22.444.722	52.909.326	75.354.048
		370.221.972	287.021.365	657.243.337

NOTE 6 – FINANCIAL LIABILITIES (cont'd)

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

	31 December 2010	31 December 2009
Within 1 year	3.053.838.952	837.274.885
Between 1-2 years	521.002.564	2.264.672.684
Between 2-3 years	568.846.604	286.718.788
Between 3-4 years	522.902.322	238.613.532
Between 4-5 years	475.092.682	189.605.453
Five years or more	709.558.156	349.116.270
	5.851.241.280	4.166.001.612

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

	31 December 2010	31 December 2009
Within 1 year	-	21.201
	-	21.201

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

	31 December 2010	31 December 2009
EURO	-	21.201
	-	21.201

As of 31 December 2010 the net book value of the assets acquired by using finance lease is TRY 575.147 (31 December 2009: TRY 673.259).

NOTE 7 - OTHER FINANCIAL LIABILITIES

	31 December 2010	31 December 2009
Other current financial liabilities		
Derivative financial liabilities at fair value through other comprehensive income/loss(*)	2.955.109	327.622
Derivative financial liabilities at fair value through profit/loss (*)	1.838.494	96.228.704
	4.793.603	96.556.326
Other non-current financial liabilities		
Derivative financial liabilities at fair value through other comprehensive income/loss(*)	26.468.954	9.414.527
	26.468.954	9.414.527

(*) As explained in Note 31, the derivative financial liabilities comprise of forward agreements, interest rate swap agreements and cross currency and interest rate swap agreements.

NOTE 8 – TRADE RECEIVABLES AND PAYABLES

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

	31 December 2010	31 December 2009
Short term trade receivables		
Trade receivables	663.335.351	597.041.977
Due from related parties (Note 30)	78.337.709	64.024.254
Notes receivables	1.871.477	34.649.069
Other trade receivables	14.347.574	25.571.526
Discount on receivables (-)	(959.830)	(1.852.179)
Provision for doubtful trade receivables (-)	(41.094.211)	(26.949.521)
	715.838.070	692.485.126

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

	1 January – 31 December 2010	1 January – 31 December 2009
Opening balance	26.949.521	19.616.118
Provision for the period	28.947.072	10.467.942
Doubtful receivables collected (-)	(3.921.085)	(8.120)
Provision released (-)	(10.881.297)	(3.126.419)
Closing balance	41.094.211	26.949.521

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

Long term trade receivables	31 December 2010	31 December 2009
Trade receivables	3.402.087	4.660.859
Due from related parties (Note 30)	1.141.524	-
Discount on receivables (-)	(301.930)	(680.325)
Provision for doubtful trade receivables (-)	(1.619.793)	(1.619.793)
	2.621.888	2.360.741

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

	1 January – 31 December 2010	1 January – 31 December 2009
Opening balance	1.619.793	1.619.793
Closing balance	1.619.793	1.619.793

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

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 31.

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

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

Short term trade payables	31 December 2010	31 December 2009
Trade payables	350.708.057	350.429.587
Due to related parties (Note 30)	9.911.442	5.147.811
Discount on trade payables (-)	(677.597)	(573.055)
	359.941.902	355.004.343

NOTE 9 – OTHER RECEIVABLES AND PAYABLES

Other current receivables

	31 December 2010	31 December 2009
Receivable from sale of financial assets (Note 27)	34.012.000	-
Deposits and guarantees given	185.110	124.456
	34.197.110	124.456

Other explanatory notes related to the Group's credit risk are disclosed in Note 31.

Other non-current receivables

	31 December 2010	31 December 2009
Receivables from Privatization Authority	51.708.110	53.156.654
Provision for other doubtful receivables (-)	(25.854.055)	(26.578.327)
Deposits and guarantees given	251.852	143.920
	26.105.907	26.722.247

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

	1 January-31 December 2010	1 January-31 December 2009
Opening balance	26.578.327	-
Provision for the period	456.531	26.578.327
Other doubtful receivables collected (-)	(853.906)	-
Provision released (-)	(326.897)	-
Closing balance	25.854.055	26.578.327

Other current payables

	31 December 2010	31 December 2009
Social security deductions payable	16.851.054	11.772.583
Taxes and funds payable	16.191.374	12.365.506
Deposits and guarantees received	5.049.640	4.161.720
Non trade payables to related parties (Note 30)	1.715.000	1.871.365
Deferred and installed payables to public institutions	513.532	23.272.871
	40.320.600	53.444.045

NOTE 10 – INVENTORIES

	31 December 2010	31 December 2009
Raw materials	587.683.913	379.101.687
Work in progress	452.894.395	405.266.704
Finished goods	536.598.546	225.490.145
Spare parts	314.505.754	251.488.002
Goods in transit	507.020.136	290.758.465
Other inventories	143.032.674	105.018.287
Allowance for impairment on inventories (-)	(38.781.046)	(12.242.813)
	2.502.954.372	1.644.880.477

The movement of the allowance for impairment on inventories:

	1 January – 31 December 2010	1 January – 31 December 2009
Opening balance	12.242.813	989.041.083
Provision for the period (Note 21)	32.266.202	106.832.060
Provision released (-)	(5.727.969)	(1.083.630.330)
Closing balance	38.781.046	12.242.813

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 recognised under cost of sales (Note 21).

NOTE 11 – ASSOCIATES ACCOUNTED UNDER EQUITY METHOD

Name of the associate:	Country of incorporation	Share in capital %	Voting right %	Nature of business
ArcelorMittal Ambalaj Çeliği San. ve Tic. A.Ş.	Turkey	25,00	25,00	Packaging steel

The details of the Group's financial assets that were consolidated by the equity method are summarized below:

	1 January – 31 March 2009
Revenue	40.904.945
Net loss for the period	(2.571.969)
Group's share in net loss	(642.992)

The Group's financial asset which was previously consolidated by using the equity method has been reclassified to "Non-current assets held for sale" as of 1 April 2009 (Note 27). Starting from this date, the increase in the equity of the associate is not recognized in the consolidated financial statements. The sale of the Company's shares at ArcelorMittal Ambalaj Çeliği San. ve Tic. A.Ş. to ArcelorMittal France S.A. is completed on 28 February 2011.

NOTE 12 – INVESTMENT PROPERTIES

	1 January – 31 December 2010	1 January – 31 December 2009
Cost		
As of 1 January	46.577.264	45.973.550
Additions	-	603.714
As of 31 December	46.577.264	46.577.264
Book value	46.577.264	46.577.264

As of 31 December 2010, according to the valuation report dated December 2009, the fair value of the Group's investment properties with a total carrying value of TRY 46.577.264 is, TRY 203.749.000. The fair value of the investment properties has been determined in reference to the valuation of an independent valuation firm. Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş. is the independent valuation firm that is authorized by the CMB. The valuation is undertaken predominantly by using the precedent values of similar properties as references.

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

For year ended 31 December 2010, the Group recognized rent income amounting to TRY 79.907 (31 December 2009: TRY 82.169) under other operating income.

NOTE 13 – 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 2010	95.165.072	1.458.251.499	2.358.203.767	9.277.136.660	656.431.800	309.769.657	14.646.852	623.238.544	14.792.843.851
Translation difference	(431.033)	-	(534.239)	(1.225.163)	(44.727)	-	(108.743)	(97.230)	(2.441.135)
Additions (*)	10.034	718.923	922.084	24.977.356	1.592.868	3.613.609	436.639	284.747.917	317.019.430
Disposals	-	(7.931.547)	(248.574.852)	(9.289.549)	(2.394.466)	(5.883.487)	(575.305)	-	(274.649.206)
Transfers from CIP (**)	-	2.665.356	471.432	41.447.459	1.819.704	2.781.352	407.145	(65.854.163)	(16.261.715)
Closing balance as of 31 December 2010	94.744.073	1.453.704.231	2.110.488.192	9.333.046.763	657.405.179	310.281.131	14.806.588	842.035.068	14.816.511.225
Accumulated Depreciation									
Opening balance as of 1 January 2010	-	(978.573.598)	(1.678.082.627)	(4.870.606.725)	(322.161.994)	(135.320.203)	(12.775.414)	-	(7.997.520.561)
Translation difference	-	-	144.998	790.087	28.342	-	66.465	-	1.029.892
Charge for the period	-	(21.792.463)	(63.883.526)	(187.175.527)	(17.016.352)	(13.219.825)	(864.341)	-	(303.952.034)
Disposals	-	7.799.280	240.210.898	8.376.654	2.068.565	5.272.017	198.840	-	263.926.254
Closing balance as of 31 December 2010	-	(992.566.781)	(1.501.610.257)	(5.048.615.511)	(337.081.439)	(143.268.011)	(13.374.450)	-	(8.036.516.449)
Net book value as of 31 December 2009	95.165.072	479.677.901	680.121.140	4.406.529.935	334.269.806	174.449.454	1.871.438	623.238.544	6.795.323.290
Net book value as of 31 December 2010	94.744.073	461.137.450	608.877.935	4.284.431.252	320.323.740	167.013.120	1.432.138	842.035.068	6.779.994.776

(*) The amount of capitalized financial expense is TRY 13.678.911 for the current period (The capitalized financial expenses for the year ended 31 December 2009 is: TRY 30.519.676).
(**) TRY 16.261.715 is transferred to intangible assets (Note 14).

NOTE 13 – 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 2009	95.435.452	1.420.508.894	2.117.904.966	8.828.843.282	597.767.332	267.285.408	14.628.397	1.477.565.472	14.819.939.203
Translation difference	(345.920)	-	(370.411)	(958.024)	(35.920)	(58.806)	-	(80.204)	(1.849.285)
Additions	75.540	565.125	1.286.241	10.387.745	1.770.136	1.907.288	322.100	361.878.638	378.192.813
Disposals	-	(16.650.436)	(33.232.507)	(311.776.963)	(7.376.175)	(8.283.729)	(497.731)	(24.847.668)	(402.665.209)
Transfer from CIP (*)	-	53.827.916	272.615.478	750.640.620	64.306.427	48.919.496	194.086	(1.191.277.694)	(773.671)
Closing balance as of 31 December 2009	95.165.072	1.458.251.499	2.358.203.767	9.277.136.660	656.431.800	309.769.657	14.646.852	623.238.544	14.792.843.851
Accumulated Depreciation									
Opening balance as of 1 January 2009	-	(976.715.844)	(1.639.740.716)	(5.010.906.051)	(314.908.831)	(129.764.453)	(12.424.075)	-	(8.084.459.970)
Translation difference	-	-	33.342	585.600	18.582	32.482	-	-	670.006
Charge for the period	-	(18.506.803)	(68.947.818)	(170.677.212)	(14.343.634)	(12.432.439)	(552.850)	-	(285.460.756)
Disposals	-	16.649.049	30.572.565	310.390.938	7.071.889	6.844.207	201.511	-	371.730.159
Closing balance as of 31 December 2009	-	(978.573.598)	(1.678.082.627)	(4.870.606.725)	(322.161.994)	(135.320.203)	(12.775.414)	-	(7.997.520.561)
Net book value as of 31 December 2008	95.435.452	443.793.050	478.164.250	3.817.937.231	282.858.501	137.520.955	2.204.322	1.477.565.472	6.735.479.233
Net book value as of 31 December 2009	95.165.072	479.677.901	680.121.140	4.406.529.935	334.269.806	174.449.454	1.871.438	623.238.544	6.795.323.290

(*) TRY 773.671 is transferred to intangible assets (Note 14).

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

	31 December 2010	31 December 2009
Cost of sales	253.412.014	258.738.073
Capitalized on inventories	34.278.145	15.459.746
General administration expenses	15.577.691	10.672.510
Marketing, sales and distribution expenses	684.184	586.948
Research and development expenses	-	3.479
	303.952.034	285.460.756

NOTE 14 – INTANGIBLE ASSETS

	Rights	Exploration costs and other assets with specific useful life	Other intangible fixed assets	Total
Cost				
Opening balance as of 1 January 2010	150.893.966	61.949.696	4.073.415	216.917.077
Translation difference	(18.776)	-	(68.061)	(86.837)
Additions	143.516	-	1.118.316	1.261.832
Disposals	-	(355.811)	-	(355.811)
Transfers from CIP	16.261.715	-	-	16.261.715
Closing balance as of 31 December 2010	167.280.421	61.593.885	5.123.670	233.997.976
Accumulated amortization				
Opening balance as of 1 January 2010	(37.560.044)	(36.049.539)	(3.031.870)	(76.641.453)
Translation difference	3.976	-	10.421	14.397
Charge for the period	(10.265.489)	(2.707.863)	(832.674)	(13.806.026)
Disposals	-	91.920	-	91.920
Closing balance as of 31 December 2010	(47.821.557)	(38.665.482)	(3.854.123)	(90.341.162)
Net book value as of 31 December 2009	113.333.922	25.900.157	1.041.545	140.275.624
Net book value as of 31 December 2010	119.458.864	22.928.403	1.269.547	143.656.814

NOTE 14 – INTANGIBLE ASSETS (cont'd)

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

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

	31 December 2010	31 December 2009
Cost of sales	12.227.639	10.214.554
Capitalized on inventories	537.555	183.816
General administration expenses	1.035.390	776.049
Marketing, sales and distribution expenses	5.442	57.973
	13.806.026	11.232.392

NOTE 15 – GOVERNMENT GRANTS AND INCENTIVES

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

	1 January- 31 December 2010	1 January- 31 December 2009
Social security grants	424.401	502.765
Research and development grants	368.210	808.035
Energy grants	-	5.018.685
Tax grants	-	57.401
	792.611	6.386.886

These grants and incentives can be used by all companies who meet the related legislative requirements.

There is an investment incentive right of the Group amounting to TRY 40.604.341, deductable in the next periods within the concept of the law numbered 5479, article 2 which repealed the 19th article of Income Tax Law (ITL) as of 1 January 2006.

NOTE 16 – PROVISIONS

	31 December 2010	31 December 2009
Provision for lawsuits	29.398.275	24.279.009
Provision for tax exposures	21.556.149	42.629.219
Provision for salaries and wages	12.000.000	-
Penalty provision for employment shortage of disabled personnel	5.968.311	7.024.569
Provision for state right on mining activities	1.755.048	-
	70.677.783	73.932.797

Movement of provisions during the period:

The movement of the provision for tax exposures are as follows:

	1 January – 31 December 2010	1 January – 31 December 2009
Opening balance	42.629.219	44.636.012
Provision for the period	-	3.167.479
Provision released (-)	(21.073.070)	(5.174.272)
Closing balance	21.556.149	42.629.219

The movement of the provision for the pending lawsuits are as follows:

	1 January – 31 December 2010	1 January – 31 December 2009
Opening balance	24.279.009	26.068.603
Provision for the period	15.550.196	8.034.248
Paid lawsuits amount (-)	(7.442.765)	(5.927.888)
Provision released (-)	(2.988.165)	(3.895.954)
Closing balance	29.398.275	24.279.009

NOTE 16 – PROVISIONS (cont'd)

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

	1 January – 31 December 2010	1 January – 31 December 2009
Opening balance	7.024.569	57.377.349
Provision for the period	2.078.128	2.144.828
Paid penalty for the employment shortage of disabled personnel (-)	(1.327.014)	-
Provisions released (-)	(1.807.372)	(52.497.608)
Closing balance	5.968.311	7.024.569

The Group is exempt from the obligatory employment of ex-convicts and terror victims in line with the amendments to the legislation by the "Law Amending Employment Law and Certain Other Laws" dated 26 May 2008 and numbered 5763 and regulation on "Domestic Work Placement Services" published and put in force in the Official Gazette, numbered 27210 on 25 April 2009.

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

	1 January – 31 December 2010	1 January – 31 December 2009
Opening balance	-	101.637.544
Provision released (-)	-	(101.637.544)
Closing balance	-	-

The movement of the provision for state right on mining activities are as follows:

	1 January – 31 December 2010	1 January – 31 December 2009
Provision for the period	1.755.048	-
Closing balance	1.755.048	-

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 stope sale prices of related year. %50 of the state right is paid to Special Provincial Administration while remaining %50 of it is paid to Government Treasury.

The movement of the provision for the salaries and wages are as follows:

	1 Ocak – 31 Aralık 2010	1 Ocak – 31 Aralık 2009
Provision for the period	12.000.000	-
Closing balance	12.000.000	-

NOTE 16 – PROVISIONS (cont'd)

As of 31 December 2010 and 31 December 2009, lawsuits filed by and against the Group are as follows:

	31 December 2010	31 December 2009
Lawsuits filed by the Group		
TRY	51.747.049	56.205.828
US Dollars	81.795.465	82.990.942
	133.542.514	139.196.770
Provision for lawsuits filed by the Group		
TRY	6.264.631	12.921.691
US Dollars	4.495.465	7.705.942
	10.760.096	20.627.633

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

	31 December 2010	31 December 2009
Lawsuits filed against the Group		
TRY	78.871.445	78.248.219
US Dollars	108.640.318	4.664.410
	187.511.763	82.912.629
Provision for lawsuits filed against the Group		
TRY	18.948.314	19.010.920
US Dollars	10.449.961	5.268.089
	29.398.275	24.279.009

As of 31 December 2010 and 31 December 2009, USD 25.000.000 (TRY 38.650.000) of the lawsuits filed by the Group is against the insurance company for the compensation of the losses of a crane destructed due to a shipping accident in 2005, for which the value of the crane was recognized over scrap value in the consolidated financial statements. Again for the same accident, ship owner, captain and indemnity insurance company of the ship is sued by the Group and the amount of this lawsuit is USD 25.000.000 (TRY 38.650.000).

NOTE 16 – PROVISIONS (cont'd)

At the end of the Competition Authority's investigation to determine whether the Article 4 of the "The Act on the Protection of Competition" (No. 4054) had been violated in iron and steel products market, commenced by the decision of the Competition Board dated 2 April 2008 no. 08-27/313-M taken on the meeting dated 2 April 2008, no. 08-27, on ArcelorMittal Ambalaj Çeliği San. ve Tic. A.Ş., ArcelorMittal FCE Çelik ve Ticaret A.Ş., Borçelik Çelik San. ve Tic. A.Ş. and the Company, it has been concluded that the stock transfer agreement between the Company and ArcelorMittal Group regarding the transfer of 25% of shares from ArcelorMittal Ambalaj Çeliği San. ve Tic. A.Ş. and accompanying Commercial Agreement and the applications related to the agreements were against article 4 of Act: 4054 and a fine of TRY 10.057.232,49, which is 0,2% of the Company's annual gross revenues generated by the end of the fiscal year of 2008 amounting to TRY 5.028.616.243,94 shall be applied to the Company because the Share Purchase Agreement between ArcelorMittal Group and the Company, and the Commercial Agreement annexed thereto are inconsistent with the Article 4 of the Act on the Protection of Competition No. 4054 together with the practices conducted there under; additionally another fine of TRY 10.057.232,49, which is 0,2% of the Company's annual gross revenues generated by the end of the fiscal year of 2008 amounting to TRY 5.028.616.243,94 shall be given to the Company because the Company's partnership with Borçelik is violating the Article 4 of the Act on the Protection of Competition No. 4054 and the partnership of the Company both with the ArcelorMittal and Borçelik shall be dissolved.

Reasoned decision of the Competition Board dated 16 June 2009 no. 09-28/600-141 was communicated to the Company on 29 September 2009 and the Company filed an annulment lawsuit before the Council of State against that decision with an additional claim to get the execution of this decision be suspended by an interim decision until the end of the adjudication process. This lawsuit is still pending before the 13th Chamber of the Council of State (File No. 2009/7029E). However, Erdemir paid those fines as TRY 15.085.848 on 26 October 2009 by benefiting an early payment discount. Company's partnership with Borçelik Çelik San. ve Tic. A.Ş. and ArcelorMittal Ambalaj Çeliği San ve Tic. A.Ş. resolved on 04 November 2010 and 28 February 2011 respectively.

As of 31 December 2010 and 31 December 2009, the lawsuit which amounts to TRY 35.673.249 among the lawsuits initiated against the Group was filed by the Privatization Administration (PA). In this lawsuit PA asked the court to declare the Company's General Assembly Decision as to the dividend distribution for the year 2005 void. However, 3rd Commercial Court of Ankara rejected the case by its decision dated 23 September 2008 no. 2006/218 E., 2008/480 K. as explained below.

Information about the stages of the cases is given below:

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

NOTE 16 – PROVISIONS (cont'd)

However, Erdemir prepared its consolidated financial statements as of 31 December 2005 in accordance with a new set of accounting standards (IFRS) instead of the standard applied in the interim periods of 2005 (Communiqué Serial: XI No: 25) net profit for the year 2005 has been affected by (TRY 152.329.914) CMB, through a letter sent to Erdemir numbered B.02.1.SPK.0.13-855-7484 of 5 May 2006 notifying its decision No: 21/526 also made on 5 May 2006, decided that, Erdemir's consolidated financial statements as of 31 December 2005 should be revised in accordance with the set of accounting standards that were used in the interim periods (standards regulated in the "Communiqué"), publicly disclosed and should be immediately presented to the General Assembly for approval.

Erdemir filed an annulment lawsuit before 11th Administrative Court of Ankara against that decision (CMB's decision No: B.02.1.SPK.0.13-855-7484 of 5 May 2006 made at the meeting No. 21/526 of 5 May 2006) which was rejected by the court with a decision numbered E. 2006/1396; K. 2007/494 dated 29 March 2007. Erdemir appealed to this decision on 11 October 2007 before the 13th Chamber of the State Council (File number 2007/13762). The Chamber, ratified the first instance court's decision by its judgement dated 12.05.2010 no. 2007/13762 E.; 2010/3984 K. However the Company appealed the Chamber's decision on 2 September 2010. The case is still pending before State Council.

On the other hand, the Privatization Administration (PA) had filed a lawsuit before the 3rd Commercial Court of First Instance of Ankara against Erdemir on 1 May 2006 (E. 2006/218) asking the Court to cancel Erdemir's General Assembly Resolution of 30 March 2006 regarding the dividend distribution which was also rejected by the Court by a decision dated 23 October 2008 and numbered E. 2006/218; K.2008/480. PA appealed this decision on 7 January 2009 before the 11th Chamber of the Supreme Court of Appeals (E. 2009/1319). The Chamber reversed the first instance court's decision upon PA'a appeal by it judgment No. E. 2009/1319; K. 2010/12257 of 30 November 2010. However, this time, Erdemir has appealed the Chamber's decision on 18 February 2011, so the case is still pending before the Supreme Court of Appeals.

Due to the Erdemir's considerations that there was a permission of CMB about "Application of IFRS on consolidated financial statements prepared in 2005" numbered B.02.1.SPK.0.17/83-3483 dated 7 March 2006 and the related lawsuits are also pending, Erdemir has not fulfilled CMB's request and consequently CMB restated the Erdemir's consolidated financial statements as of 31 December 2005 by adding negative goodwill of TRY 152.329.914, which was previously classified into the retained earnings, to the profit for the year ended 31 December 2005 on its own initiative, and published them in the Istanbul Stock Exchange (ISE) bulletin dated 15 August 2006.

Therefore the Company has also filed a new annulment lawsuit in 10th Administrative Court of Ankara on 10 October 2006 against CMB's restatement of consolidated financial statements as of 31 December 2005 on 15 August 2006. Later, the lawsuit has been forwarded to the 11th Administrative Court of Ankara. The 11th Administrative Court of Ankara has rejected this lawsuit with the decision numbered E.2006/2548; K.2007/1071 dated 25 June 2007. This decision has been declared to the Company on 18 September 2007 and the Company appealed this decision on 11 October 2007 with a motion to suspend the execution of this decision. Accordingly, the Chamber decided to suspend the execution of the decision of 11th Administrative Court of Ankara numbered E.2006/2548; K.2007/1071 dated 25 June 2007 and CMB's related action no. B.02.1.SPK.0.13-855-7484 taken on the meeting dated 5 May 2006 and numbered 21/526, by its decision numbered 2007/13724 and dated 4 December 2007 and consequently abolished the first instance court's decision by its judgment dated 12 May 2010, no. 2007/13724; K. 2010/3985. CMB has appealed the Chamber's decision on 06 September 2010, so the case is still pending before the state Council.

NOTE 16 – PROVISIONS (cont'd)

If the Company had started to prepare its consolidated financial statements in accordance with IFRS after 31 December 2005, it would also have to present the comparative 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 2010 and 31 December 2009 will not be affected from the above mentioned disputes.

The Company, based on the above mentioned reasons, did not make any adjustments in the accompanying consolidated financial statements according to the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above and expects the resolution of these pending lawsuits.

Enerjia Metal Maden Sanayi ve Ticaret A.Ş. has filed a lawsuit in the 7th Commercial Court of First Instance against the Company on 27 March 2010 asking for the Company's bankruptcy and indemnity amounting to US Dollars 68.312.520. Final agreement was not settled on the technical qualifications of the product, such as dimensions and main features that must be assessed to fulfill the Export Protocol numbered 69187 dated 2 July 2009 ("Protocol") and "Additional Requirements to Erdemir-Enerjia Export Protocol numbered 69187" ("Additional Requirements") and Energia Metal Maden Sanayi ve Ticaret A.Ş. asked for indemnity claiming that the Company did not deliver the goods as committed. Energia Metal Maden Sanayi ve Ticaret A.Ş. applied to Ankara Bankruptcy Directorate and started execution with a bankcrupcy request against the Company. In response to the Company's opposition, Energia Metal Maden Sanayi ve Ticaret A.Ş. filed bankruptcy lawsuit numbered 2010/259 E. in the 7th Commercial Court of First Instance against the Company .

General procedures regarding preparation of the petition and collection of evidences has been completed. The Company's request for the postponement of exploration on sight, submission of evidences and expert assessment has been rejected and the court experts started to investigate the case. At the first court trial on 27 January 2011, the court rejected the request of Enerjia Metal Maden Sanayi ve Ticaret A.Ş. to send the legal opinion they have obtained to the court experts and the court decided the case file to be submitted to the court experts ten days before next trial which shall be held on 31 March 2011. The Company does not allocate any provision for that lawsuit as of 31 December 2010.

In relation to the other lawsuits that are filed against the Group, as of 31 December 2010 a total of TRY 29.398.275 (31 December 2009: TRY 24.279.009) provision is allocated.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 December 2010	31 December 2009
Letters of guarantees received	865.668.485	952.654.202
	865.668.485	952.654.202

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

	31 December 2010	31 December 2009
A. Total CPM given for the Company's own legal entity	99.285.751	70.876.259
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	3.105.933.822	2.858.040.065
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	-	-
	3.205.219.573	2.928.916.324

As of 31 December 2010, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2009: 0%). Total CPM given in favour of subsidiaries consolidated on line-by-line basis amounting to TRY 3.105.933.822 has been given as collateral for financial liabilities explained in Note 6.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

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

	31 December 2010	31 December 2009
US Dollars	1.958.447.651	1.975.880.815
TRY	704.068.880	314.694.461
EURO	454.938.549	551.898.588
Japanese Yen	86.645.822	85.263.083
Romaian Lei	1.118.671	1.179.377
	3.205.219.573	2.928.916.324

NOTE 18 – PROVISIONS FOR EMPLOYMENT BENEFITS

	31 December 2010	31 December 2009
Provisions for employee termination benefits	161.033.388	117.712.283
Provisions for seniority incentive premium	7.255.683	4.158.281
	168.289.071	121.870.564

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 2010, the amount payable consists of one month's salary limited to a maximum of TRY 2.517,00 (31 December 2009: TRY 2.365,16).

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

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

The principal assumption is that, the maximum liability for each employment year will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. In the consolidated financial statements as of 31 December 2010, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5,10% and a discount rate of 10% (31 December 2009: the annual inflation rate 4,80% and the discount rate 11%). The probability of retirement is assumed as 99,43%. (31 December 2009 : 99,67%).

The anticipated rate of resignations which do not result in the payment of employee benefits is also considered in the calculation. As the maximum liability is revised semi annually, the maximum amount of TRY 2.623,23 effective from 1 January 2011 has been taken into consideration in calculating the provision for employee termination benefits of the Group (31 December 2009: TRY 2.427,04 effective as of 1 January 2010).

NOTE 18 – PROVISIONS FOR EMPLOYMENT BENEFITS (cont'd)

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

	1 January- 31 December 2010	1 January- 31 December 2009
Opening balance	117.712.283	117.287.493
Service cost	28.290.256	20.979.286
Interest cost	5.469.835	7.317.478
Actuarial loss	17.857.684	3.955.673
Termination benefits paid	(8.296.670)	(31.827.647)
Closing balance	161.033.388	117.712.283

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 are as follows:

	1 January- 31 December 2010	1 January- 31 December 2009
Opening balance	4.158.281	-
Provision for the period	3.775.870	4.608.429
Incentive premium paid	(521.486)	(450.148)
Provision released (-)	(156.982)	-
Dönem sonu itibariyle karşılık	7.255.683	4.158.281

NOTE 19 – OTHER ASSETS AND LIABILITIES

Other current assets

	31 December 2010	31 December 2009
Other VAT Receivable	104.236.142	121.519.926
Advances given	42.025.211	20.676.146
Prepaid expenses	16.673.349	19.866.609
VAT carried forward	4.163.009	113.531.395
Prepaid taxes and funds	2.945.856	1.684.548
Income accruals	1.184.826	3.942.238
Due from personnel	902.704	245.841
Job advances given	129.693	117.856
Other current assets	5.117.762	2.899.419
	177.378.552	284.483.978

NOTE 19 – OTHER ASSETS AND LIABILITIES (cont'd)

Other non-current assets

	31 December 2010	31 December 2009
Prepaid expenses	51.418.209	34.260.652
Advances given	13.248.585	21.852.490
Other non-current assets	362.389	-
	65.029.183	56.113.142

Other current liabilities

	31 December 2010	31 December 2009
Advances received	137.846.609	55.895.729
Provision for unpaid vacations	47.690.347	39.805.018
Due to personnel	23.338.388	12.928.323
VAT payable	13.776.894	69.064.860
Expense accruals	618.788	1.524.371
Deferred income	317.518	279.781
Other VAT payable	301.866	8.812.583
Accrual for insurance premium	-	8.218.785
Other current liabilities	3.089.852	5.749.164
	226.980.262	202.278.614

Other non-current liabilities

	31 December 2010	31 December 2009
Deferred income	85.019	212.279
Other non-current liabilities	748.962	-
	833.981	212.279

NOTE 20 – EQUITY

As of 31 December 2010 and 31 December 2009, the capital structure is as follows:

Shareholders	(%)	31 December 2010	(%)	31 December 2009
Ataer Holding A.Ş.	49,29	788.563.515	49,29	788.563.515
Held by public	47,63	762.139.626	47,63	762.139.626
Erdemir's own shares	3,08	49.296.859	3,08	49.296.859
Historical capital	100,00	1.600.000.000	100,00	1.600.000.000
Effect of inflation		731.967.735		731.967.735
Restated capital		2.331.967.735		2.331.967.735
Treasury shares		(57.692.172)		(57.692.172)
		2.274.275.563		2.274.275.563

The issued capital of the Company in 2010 consists of 160.000.000.000 lots of shares (2009: 160.000.000.000 lots). The nominal value of each share is 1 Kr (Turkish cent) (2009: 1 Kr). This capital is split between A and B group shares. Group A shares consist of 1 share with a share value of 1 Kr and Group B shares consist of 1.599.999.999,99 shares representing TRY 159.999.999.999 of the issued capital.

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

NOTE 20 – EQUITY (cont'd)

Other equity items	31 December 2010	31 December 2009
Share premium	231.020.042	231.020.042
Revaluation reserves	25.241.672	25.869.903
-Revaluation reserves of fixed assets	*25.241.672*	*25.869.903*
Cash flow hedging reserves	(24.396.817)	(7.259.727)
Foreign currency translation reserves	4.845.393	4.108.212
Restricted reserves assorted from profit	1.696.170.542	1.688.196.335
-Legal reserves	*489.243.225*	*481.269.018*
-Statutory reserves	*1.206.927.317*	*1.206.927.317*
Retained earnings	1.537.874.215	1.714.538.844
-Extraordinary reserves	*537.873.352*	*537.873.352*
-Accumulated profit	*1.000.000.863*	*1.176.665.492*
	3.470.755.047	3.656.473.609

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

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

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

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

NOTE 20 – EQUITY (cont'd)

Listed companies perform dividend distributions as envisaged by Turkish Capital Market Board as explained below:

In accordance with the CMB Communiqué IV No:27 Clause:5 and other several decisions of CMB, in case of dividend distribution the rate of first dividend could not be less than %20 of remaining distributable profit after deducting the prior year losses if any. Depending on the decisions taken by General Assemblies, publicly traded joint stock companies are free to distribute dividends in cash, in share certificates, in partial distribution within cash or share certificates while retaining a portion within the company or retain as a whole with distributing neither cash nor stocks.

As required by CMB decision numbered 7/242 dated February 25, 2005; amount of distributable profit, calculated from net distributable profit in accordance with CMB regulations related to minimum dividend distribution requirements shall be fully distributed, wherein the amount could be compensated by net distributable profit per statutory books, otherwise full amount of net distributable profit per statutory books will be distributed. No profit distribution shall be made in the case of net loss in either statutory books or the financial statements prepared in accordance with CMB regulations.

In accordance with the Capital Market Board decision dated January 27, 2010, concerning with distribution of dividends for publicly traded joint stock companies, it was decided that no minimum dividend distribution requirement will be applied for publicly traded joint stock companies.
Complying with the decision related to the profit distribution principles for the operating profits made in 2008 by the publicly traded companies; which is announced in the CMB communiqué numbered 1/6 and dated January 9, 2009; the companies which are obliged to prepare consolidated financial statements are allowed to calculate the profits to be distributed by considering the net profit amount included in the financial statements which are prepared according to the CMB communiqué Serial:XI, No:29 – Communiqué on Principles of Financial Reporting in Capital Markets; regardless of the decision taken by the general assembly to distribute the profit, as long as the profit portions transferred from the subsidiaries, joint managing companies and affiliates shown under the profit presented in the consolidated financial statements, to the parent's consolidated financial statements are afforded by the companies' sources according to legal bookings.

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.

Remaining portion of the current year profit after deduction of prior periods' losses and other sources which might be used in dividend distribution in statutory books of the Company are equal to TL 3.143.063.948 as of December 31, 2010.

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

NOTE 20 – EQUITY (cont’d)

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

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

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

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

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

NOTE 21 – SALES AND COST OF SALES

	1 January – 31 December 2010	1 January – 31 December 2009
Sales Revenue		
Domestic sales	5.675.999.524	3.911.876.422
Export sales	875.921.137	1.207.385.381
Other revenues (*)	97.705.782	151.419.498
Sales returns (-)	(3.076.564)	(3.428.632)
Sales discounts (-)	(12.621.588)	(199.586)
Other discounts (-)	(1.100.750)	(1.234.506)
	6.632.827.541	5.265.818.577
Cost of Sales (-)	(5.313.245.896)	(5.029.678.758)
Gross profit	1.319.581.645	236.139.819

(*) The total amount of by product exports in other revenues is TRY 13.799.921 (31 December 2009: TRY 9.303.911).

The breakdown of cost of sales for the periods 1 January – 31 December 2010 and 1 January – 31 December 2009 is as follows:

	1 January – 31 December 2010	1 January – 31 December 2009
Raw material usage	(3.774.205.925)	(3.217.390.500)
Personnel expenses	(649.381.276)	(625.085.540)
Auxiliary material expenses	(374.586.690)	(301.229.721)
Energy expenses	(342.322.916)	(377.826.113)
Depreciation and amortization expenses	(281.283.215)	(317.932.946)
Inventory write-downs within the period (Note 10)	(32.266.202)	(106.832.060)
Change of finished goods and work in progress inventories	339.563.954	(1.145.246.634)
Reversal of inventory write-downs	5.727.969	1.014.074.780
Reversal of provision for purchase commitments	-	101.637.544
Other	(204.491.595)	(53.847.568)
	(5.313.245.896)	(5.029.678.758)

NOTE 22 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

The breakdown of operating expenses for the periods 1 January – 31 December 2010 and 1 January – 31 December 2009 is as follows:

	1 January – 31 December 2010	1 January – 31 December 2009
Marketing, sales and distribution expenses (-)	(67.064.017)	(68.086.413)
General administrative expenses (-)	(120.746.438)	(108.248.107)
Research and development expenses (-)	(2.065.999)	(2.365.699)
	(189.876.454)	(178.700.219)

NOTE 23 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

The breakdown of marketing, sales and distribution expenses according to their nature for the periods 1 January – 31 December 2010 and 1 January – 31 December 2009 is as follows:

	1 January – 31 December 2010	1 January – 31 December 2009
Personnel expense (-)	(22.521.985)	(23.993.635)
Depreciation and amortization(-)	(689.626)	(644.921)
Other (-)	(43.852.406)	(43.447.857)
	(67.064.017)	(68.086.413)

The breakdown of general administration expenses for the periods 1 January – 31 December 2010 and 1 January – 31 December 2009 is as follows:

	1 January – 31 December 2010	1 January – 31 December 2009
Personnel expense (-)	(73.586.021)	(62.569.487)
Depreciation and amortization (-)	(16.613.081)	(11.448.559)
Other (-)	(30.547.336)	(34.230.061)
	(120.746.438)	(108.248.107)

The breakdown of research and development expenses for the periods ended 1 January – 31 December 2010 and 1 January – 31 December 2009 is as follows:

	1 January – 31 December 2010	1 January – 31 December 2009
Personnel expense (-)	(927.481)	(1.162.577)
Depreciation and amortization (-)	-	(3.479)
Other (-)	(1.138.518)	(1.199.643)
	(2.065.999)	(2.365.699)

NOTE 24 – OTHER OPERATING INCOME/(EXPENSE)

	1 January – 31 December 2010	1 January – 31 December 2009
Other operating income		
Provisions released	39.606.349	62.445.377
Income from water line construction	19.596.651	-
Revenue from sale of financal assets (Note 27)	15.992.680	-
Insurance indemnity income	5.052.237	1.589.167
Rent income	3.528.586	3.733.257
Service income	3.547.087	2.959.136
Indemnity and penalty detention income	2.691.190	5.348.389
Client deposits income	2.477.181	1.245.725
Maintenance and repair income	2.230.721	2.745.679
Dispatch income	1.083.831	265.765
Gain on sale of fixed assets	230.224	1.324.908
Other income and gains	14.923.894	10.470.106
	110.960.631	92.127.509

	1 January – 31 December 2010	1 January – 31 December 2009
Other operating expenses (-)		
Provisions expenses	(46.603.149)	(64.898.020)
Penalty expenses	(15.496.192)	(4.762.373)
Lawsuit compensation expenses	(13.641.013)	(2.723.465)
Loss on disposal of fixed assets	(9.710.519)	(1.877.038)
Service expenses	(6.292.302)	(5.127.853)
Rent expenses	(1.959.382)	(762.128)
Demuragge expense	(1.938.074)	(4.499.404)
Loss on sale of fixed assets	(70.947)	(829.438)
Other expenses and losses	(23.614.480)	(12.341.488)
	(119.326.058)	(97.821.207)

NOTE 25 – FINANCE INCOME

	1 January – 31 December 2010	1 January – 31 December 2009
Interest income	88.555.387	49.702.883
Interest income from sales with maturity	44.603.237	72.420.349
Fair value differences of derivative financial instruments	7.791.875	-
Discount income	1.727.664	3.838.908
Foreign exchange gains from financial liabilities (net)	-	10.206.187
Dividend income	-	2.808.166
Other financial income	5.665.659	3.650.620
	148.343.822	142.627.113

NOTE 26 – FINANCE EXPENSES

	1 January – 31 December 2010	1 January – 31 December 2009
Interest expenses	(230.123.313)	(220.443.621)
Foreign exchange loss from bank deposits (net)	(34.010.427)	(24.079.166)
Foreign exchange loss from trade receivables and payables (net)	(8.351.712)	(11.794.235)
Foreign exchange loss from financial liabilities (net)	(5.462.063)	-
Foreign exchange loss from forward contracts	(3.695.859)	(26.536.477)
Interest expense from related parties	-	(25.854.723)
Fair value differences of derivative financial instruments	-	(95.512.399)
Other financial expenses	(14.156.290)	(12.984.521)
	(295.799.664)	(417.205.142)

During the period, TRY 9.461.902 of financial expenses related to foreign currency translation losses and TRY 4.217.009 of interest expenses in total TRY 13.678.911, have been capitalized as part of the Group's property, plant and equipment (1 January – 31 December 2009: the foreign currency translation losses of TRY 24.445.899, the interest expenses of TRY 6.073.777, in total TRY 30.519.676 has been capitalized).

NOTE 27 –NON CURRENT ASSETS HELD FOR SALE

Company	Ratio %	31 December 2010	Ratio %	31 December 2009
ArcelorMittal Ambalaj Çeliği Tic. A.Ş.	25	11.498.657	25	11.498.657
Borçelik Çelik San. Tic. A.Ş. (*)	-	-	9,34	48.415.165
Allowance for impairment		-		(18.145.145)
		11.498.657		41.768.677

(*) The sale of Borçelik Çelik San. Tic. A.Ş. shares was completed on 4 November 2010 with the sale price of TRY 46.262.700 (TRY equivalent of US Dollars 33.000.000). The gain from the sale of the shares is TRY 15.992.680 and recognised under other operating income (Note 24).

NOTE 27 –NON CURRENT ASSETS HELD FOR SALE (cont’d)

In accordance with the decision taken by the Board of Directors of Ereğli Demir ve Çelik Fabrikaları T.A.Ş., ArcelorMittal Ambalaj Çeliği Tic. A.Ş. which was previously accounted by using the equity pick up method was reclassified as non-current assets held for sale as of 1 April 2009 as their sales are highly probable within the next twelve months. The sales of shares are completed on 28 February 2011.

NOTE 28 –TAX ASSETS AND LIABILITIES

	31 December 2010	31 December 2009
Corporate tax payable:		
Current corporate tax provision	27.784.836	16.464.319
Prepaid taxes and funds (-)	(20.669.115)	(14.078.568)
	7.115.721	2.385.751

	1 January – 31 December 2010	1 January – 31 December 2009
Taxation:		
Current corporate tax expense	27.784.836	16.464.319
Deferred tax expense/(income)	149.751.944	(71.457.880)
	177.536.780	(54.993.561)

Corporate tax

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

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

The effective corporate tax rate in Turkey is 20% and 16% in Romania as of 31 December 2010 (31 December 2009: in Turkey 20%, in Romania 16%). The total amount of the corporate tax paid by the Group in 2010 is TRY 23.054.866 (31 December 2009: TRY 15.729.336).

In Turkey, advance tax returns are filed on a quarterly basis. The temporary tax of 2010 has been calculated over the corporate earnings using the rate 20%, during the temporary taxation period. (2009: 20%).

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

In Turkey, a definite and distinct reconciliation procedure for tax assessment does not exist. Companies file their tax returns between 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.

NOTE 28 –TAX ASSETS AND LIABILITIES (cont'd)

Income withholding tax

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

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

Investment allowance application

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

Regarding the cancellation decision taken by the Constitutional Court, an amendment was made in the 69th article in Income Tax Regulation using the regulation numbered 6009 and dated 23 July 2010. Consequently, in compliance with the cancellation decision of the Constitutional Court, the year limitation has been abolished and investment allowance has been limited to 25% of the profit. 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. (2010: 20%)

NOTE 28 –TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax

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

Tax rate used in the calculation of deferred tax assets and liabilities (excluding land) is 20% for the subsidiaries in Turkey and, 16% for the subsidiary in Romania (31 December 2009: 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 2009: 5%).

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

	31 December 2010	31 December 2009
Deferred tax assets:		
Carry forward tax losses(*)	(152.001.407)	(248.555.949)
Provision for employee benefits	(33.657.814)	(24.358.517)
Tangible and intangible assets	(15.529.249)	(12.638.949)
Inventories	(14.136.332)	(6.153.079)
Provision for unpaid vacations	(9.538.069)	(7.961.004)
Investment incentive	(8.120.868)	(7.459.235)
Provision for lawsuits	(5.879.655)	(4.855.800)
Fair values of the derivative financial instruments	(4.976.365)	(21.194.170)
Provision for other doubtful receivables	(5.170.811)	(5.315.665)
Prepaid expenses	(1.686.290)	(2.115.284)
Amortized cost adjustment on loans	-	(10.315.636)
Other	(6.324.608)	(2.582.616)
	(257.021.468)	(353.505.904)
Deferred tax liabilities:		
Property, plant, equipment and intangible assets	178.603.233	121.918.357
Amortized cost adjustment on loans	15.452.593	23.671.943
Insurance expenses	1.965.207	2.276.625
Other	3.173.229	2.739.537
	199.194.262	150.606.462
	(57.827.206)	(202.899.442)

(*) As almost all of the carry forward tax losses occurred in 2009, the Group has the right to deduct the carry forward losses from taxable profit until 31 December 2014. According to the projections made, the Group's Management recorded deferred tax asset for the portion of carry forward tax losses which is projected to be used within the future taxable income.

NOTE 28 –TAX ASSETS AND LIABILITIES (cont'd)

In the financial stataments which are prepared according to the CMB Financial Reporting Standards, of Ereğli Demir ve Çelik Fabrikaları T.A.Ş.and its affiliates that are seperate taxpayer entities, the net deferred tax assets and liabilites of the related companies are classified seperately within the accounts of deferred tax assets and liabilites 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 liabilites, have been prepared on the basis of the gross values and show the net deffered tax position.

Presentation of deferred tax (assets)/liabilities:	31 December 2010	31 December 2009
Deferred tax (assets)	(150.892.360)	(353.505.904)
Deferred tax liabilities	93.065.154	150.606.462
	(57.827.206)	(202.899.442)

Deferred tax (asset)/ liability movements:	1 January – 31 December 2010	1 January – 31 December 2009
Opening balance	(202.899.442)	(129.845.457)
Deferred tax expense/(income)	149.751.944	(71.457.880)
The amount netted under equity	(4.586.311)	(1.596.105)
Translation difference	(93.397)	-
Closing balance	(57.827.206)	(202.899.442)

Reconciliation of tax provision:	1 January – 31 December 2010	1 January – 31 December 2009
Profit/ (loss) before tax	973.883.922	(223.475.119)
Effective tax rate	20%	20%
Calculated tax	194.776.784	(44.695.024)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	6.279.573	6.844.799
- Non-taxable income	(2.201.130)	(9.971.843)
- Effect of non-taxable adjustments	(23.367.830)	(3.084.760)
- Investment incentive	(661.633)	(7.459.235)
- Effect of unused deferred tax assets	1.921.682	2.609.473
- Effect of the different tax rates due to foreign subsidiaries	817.517	769.271
- Other	(28.183)	(6.242)
Tax expense/(income) in income statement	177.536.780	(54.993.561)

NOTE 28 –TAX ASSETS AND LIABILITIES (cont'd)

As of 1 January - 31 December 2010 and 2009, the details of the tax gains/(losses) of the other comprehensive income/(expense) are as follows:

	1 January – 31 December 2010			1 January – 31 December 2009		
Other comprehensive income in the current period	Amount before tax	Tax income/ (expense)	Amount after tax	Amount before tax	Tax income/ (expense)	Amount after tax
Change in revaluation reserves of fixed assets	(628.231)	-	(628.231)	(582.185)	75.247	(506.938)
Change in cash flow hedging reserves	(22.931.551)	4.586.311	(18.345.240)	(7.604.291)	1.520.858	(6.083.433)
Change in foreign currency translation reserves	737.181	-	737.181	643.545	-	643.545
	(22.822.601)	4.586.311	(18.236.290)	(7.542.931)	1.596.105	(5.946.826)

NOTE 29 – EARNINGS/ (LOSS) PER SHARE

	1 January – 31 December 2010	1 January – 31 December 2009
Number of shares outstanding(*)	160.000.000.000	160.000.000.000
Net profit/(loss) attributable to equity holders – TRY	765.999.660	(168.690.422)
Profit/(loss) per share with 1 TRY nominal value TRY %	0,4787 / %47,87	(0,1054) / (%10,54)

(*)The issued capital of the Company in 2010 consists of 160.000.000.000 lots of shares (2009: 160.000.000.000 lots). The nominal value of each share is 1 Kr (Turkish cent) (2009: 1 Kr).

NOTE 30 –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 trade payables to related parties mainly arise from purchased service transactions.

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

	31 December 2010	31 December 2009
Due from related parties (short term)		
ArcelorMittal Amb. Çel. San. ve Tic. A.Ş. (1)(*)	72.010.724	61.746.999
Oyak Renault Otomobil Fab. A.Ş. (5)	6.017.296	1.241.900
Adana Çimento Sanayi T.A.Ş. (3)	-	783.325
Oyak Beton A.Ş. (3)	-	250.680
Other	309.689	1.350
	78.337.709	64.024.254

	31 December 2010	31 December 2009
Due from related parties (long term)		
Oyak Savunma ve Güvenlik Sistemleri A.Ş. (3)	1.141.524	-
	1.141.524	-

Due to related parties (short term)	31 December 2010	31 December 2009
Omsan Lojistik A.Ş. (3)	1.748.199	1.750.319
Oyak Pazarlama Hizmet ve Turizm A.Ş. (3)	1.763.229	1.069.752
Adana Çimento Sanayi T.A.Ş (3)	1.222.847	-
Omsan Logistica SRL (3)	590.783	493.637
Omsan Denizcilik A.Ş. (3)	581.339	26.389
Oyak Beton A.Ş. (3)	182.930	-
Oyak Telekomünikasyon A.Ş. (3)	144.886	-
Other	3.677.229	1.807.714
	9.911.442	5.147.811

(1) Investment in associate
(2) Payables to shareholders are the liabilities for dividend distributions outstanding.
(3) Subsidiaries of the parent company
(5) Investment in associates of the parent company

(*) The Group sold its shares in ArcelorMittal Ambalaj Çeliği San ve Tic. A.Ş. on 28 February 2011.

NOTE 30 –RELATED PARTY DISCLOSURES (cont'd)

Non trade payables due to related parties (short term)	31 December 2010	31 December 2009
Payables to shareholders [2]	1.709.879	1.789.615
Other	5.121	81.750
	1.715.000	1.871.365

Major sales to related parties	1 January – 31 December 2010	1 January – 31 December 2009
ArcelorMittal Amb.Çel. San. ve Tic. A.Ş. [1][*]	149.992.805	98.490.031
Borçelik Çelik San. Tic. A.Ş. [4][*]	70.369.054	88.573.499
Oyak Renault Otomobil Fab. A.Ş. [5]	27.387.464	1.380.388
Adana Çimento Sanayi T.A.Ş. [3]	13.159.343	19.207.226
Ünye Çimento Sanayi ve Ticaret A.Ş. [3]	2.027.136	1.561.270
Oytaş İç ve Dış Ticaret A.Ş. [3]	1.679.086	1.615.623
Bolu Çimento Sanayi A.Ş. [3]	1.645.789	1.343.712
Aslan Çimento A.Ş. [3]	1.169.355	-
Oyak Beton A.Ş. [3]	-	988.271
Other	-	5.593
	267.430.032	213.165.613

[1] Investment in associate
[2] Payables to shareholders are the liabilities for dividend distributions outstanding.
[3] Subsidiaries of the parent company
[4] Financial asset
[5] Investment in associates of the parent company

[*] The Group sold its shares in Borçelik Çelik San. ve Tic. A.Ş. on 4 November 2010. The related party sales amount stems from the transactions till the share transfer date. The Group sold its shares in ArcelorMittal Ambalaj Çeliği San ve Tic. A.Ş. on 28 February 2011.

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

NOTE 30 –RELATED PARTY DISCLOSURES (cont'd)

	1 January – 31 December 2010	1 January – 31 December 2009
Major purchases from related parties		
Oyak Pazarlama Hizmet ve Turizm A.Ş.(3)	15.748.997	10.467.101
Innovation Resources B.V.(3)	8.783.034	-
Omsan Logistica SRL(3)	8.209.431	1.908.342
Omsan Lojistik A.Ş.(3)	6.290.701	7.963.159
Oyak Savunma ve Güvenlik Sistemleri A.Ş.(3)	4.374.529	4.949.101
Omsan Telekomünikasyon A.Ş.(3)	1.433.724	-
Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş.(3)	778.284	7.762.102
Oyak Genel Müdürlüğü(3)	641.900	-
Other	1.123.471	671.692
	47.384.071	33.721.497

(3) 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 year end balances are unsecured, interest free and their collections will be done in cash. As of 31 December 2010, the Group provides no provision for the receivables from related parties (31 December 2009: nil).

For the period ended 31 December 2010, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 7.220.654 (31 December 2009: TRY 7.519.780).

NOTE 31 – 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 analyze the capital structure in regular meetings. During these analysis, the Board of Directors also evaluates the risks associated with each class of capital together with the cost of capital. The Group, by considering the decisions of the Board of Directors, aims to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

As of 31 December 2010 and 31 December 2009 the net debt/equity ratio is as follows:

	Not	31 December 2010	31 December 2009
Total financial liabilities	6	5.851.241.280	4.166.022.813
Less: Cash and cash equivalents	4	2.877.790.271	1.065.737.367
Net debt		2.973.451.009	3.100.285.446
Total adjusted equity (*)		6.715.641.142	5.925.953.753
Total resources		9.689.092.151	9.026.239.199
Net debt/Total adjusted equity ratio	20	44%	52%
Distribution of net debt/ total adjusted equity		31/69	34/66

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

(b) Significant accounting policies

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

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(c) Financial risk management objectives

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

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

(d) Market risk

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

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

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

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit risk management

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

Credit risk of financial instruments	**Receivables**					
	Trade receivables		**Other receivables**			
31 December 2010	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Bank Deposits**	**Derivative financial instruments**
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	79.479.233	638.980.725	-	60.303.017	2.877.758.916	6.380.731
- Secured part of the maximum credit risk exposure via collateral etc.	73.374.880	510.674.641	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	79.479.233	634.946.885	-	34.448.962	2.877.758.916	6.380.731
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	-	4.033.840	-	25.854.055	-	-
- secured part via collateral etc.	-	3.806.398	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	42.714.004	-	25.854.055	-	-
- Impairment (-)	-	(42.714.004)	-	(25.854.055)	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

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

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit risk management (cont'd)

Credit risk of financial instruments	**Receivables**					
	Trade receivables		**Other receivables**			
31 Aralık 2009	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Bank Deposits**	**Derivative financial instruments**
Maximum credit risk exposure as of balance sheet date (*) (A+B+C+D+E)	64.024.254	630.821.613	-	26.846.703	1.065.712.642	-
- Secured part of the maximum credit risk exposure via collateral etc.	61.746.999	502.520.675	-	-	-	-
A. Net book value of the financial assets that are neither overdue nor impaired	64.024.254	591.479.696	-	268.376	1.065.712.642	-
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	39.341.917	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired	-	-	-	26.578.327	-	-
- secured part via collateral etc.	-	-	-	-	-	-
D. Net book value of impaired financial assets	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	28.569.314	-	26.578.327	-	-
- Impairment (-)	-	(28.569.314)	-	(26.578.327)	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
- Not overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured part via collateral etc.	-	-	-	-	-	-
E. Off-balance sheet financial assets exposed to credit risk	-	-	-	-	-	-

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

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

Additional information about financial instruments (cont’d)

(e) Credit risk management (cont’d)

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

	Receivables					
31 December 2010	**Trade receivables**	**Other receivables**	**Bank deposits**	**Derivative financial instruments**	**Other**	**Total**
Overdue 1-30 days	4.033.840	-	-	-	-	4.033.840
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-12 months	-	-	-	-	-	-
Overdue 1-5 years	-	25.854.055	-	-	-	25.854.055
Overdue 5 years or more	-	-	-	-	-	-
Total overdue receivables	4.033.840	25.854.055	-	-	-	29.887.895
Secured part via collateral etc.	3.806.398	-	-	-	-	3.806.398

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(e) Credit risk management (cont'd)

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

	Receivables					
31 December 2009	**Trade receivables**	**Other receivables**	**Bank deposits**	**Derivative financial instruments**	**Other**	**Total**
Overdue 1-30 days	-	-	-	-	-	-
Overdue 1-3 months	-	-	-	-	-	-
Overdue 3-12 months	-	-	-	-	-	-
Overdue 1-5 years	-	26.578.327	-	-	-	26.578.327
Overdue 5 years or more	-	-	-	-	-	-
Total overdue receivables	-	26.578.327	-	-	-	26.578.327
Secured part via collateral etc.	-	-	-	-	-	-

NOTE 31 – 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 2010, the foreign currency position of the Group in terms of original currency is as follows:

	31 December 2010				
	TRY (Functional currency)	US Dollars (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	GB Pound (Original currency)
1. Trade Receivables	607.232.660	380.971.391	8.874.251	3.520.873	-
2a. Monetary financial assets	1.165.423.290	735.904.698	13.515.554	14.895	8.216
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	81.459.746	52.206.574	361.134	-	3.510
4. Current assets (1+2+3)	**1.854.115.696**	**1.169.082.663**	**22.750.939**	**3.535.768**	**11.726**
5. Trade receivables	-	-	-	-	-
6a. Monetary trade receivables	-	-	-	-	-
6b. Non-monetary trade receivables	-	-	-	-	-
7. Other	8.420.261	2.936.026	1.747.172	15.900.000	-
8. Non-current assets (5+6+7)	**8.420.261**	**2.936.026**	**1.747.172**	**15.900.000**	**-**
9. Total assets (4+8)	**1.862.535.957**	**1.172.018.689**	**24.498.111**	**19.435.768**	**11.726**
10. Trade payables	205.031.840	113.518.117	7.108.880	788.065.850	19.080
11. Financial liabilities	1.314.589.351	785.423.351	37.772.349	1.210.876.831	-
12a. Other monetary financial liabilities	69.500.369	39.834.137	3.863.547	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	**1.589.121.560**	**938.775.605**	**48.744.776**	**1.998.942.681**	**19.080**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	2.347.402.328	1.158.356.411	204.594.058	7.254.509.745	-
16a. Other monetary financial liabilities	748.962	484.452	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**2.348.151.290**	**1.158.840.863**	**204.594.058**	**7.254.509.745**	**-**
18. Total liabilities (13+17)	**3.937.272.850**	**2.097.616.468**	**253.338.834**	**9.253.452.426**	**19.080**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-	**314.008.128**	**74.024.862**	**97.391.875**	**-**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	314.008.128	74.024.862	97.391.875	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	-	-	-	-	-
20. Net foreign currency asset/liability position (9-18+19)	**(1.760.728.765)**	**(851.572.917)**	**(131.448.848)**	**(9.234.016.658)**	**(7.354)**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(2.164.616.900)**	**(980.740.379)**	**(230.949.029)**	**(9.249.916.658)**	**(10.864)**
22. Fair value of derivative financial instruments used in foreign currency hedge	(17.663.649)	2.924.151	(10.826.405)	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	314.008.128	74.024.862	97.391.875	-	-
25. Exports	889.721.058	491.514.103	77.036.379	-	-
26. Imports	3.959.868.035	2.596.001.755	35.165.959	-	-

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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

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

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

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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

Foreign currency sensitivity

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

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

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

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

	31 December 2010	31 December 2009
Foreign Currency Position Parametric VaR	27.931.843	37.320.644

The Value at Risk results are in line with the open foreign currency position and the fluctuations in currencies.

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

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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

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

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

As of 31 December 2010 asset and liability balances are translated by using the following exchange rates: TRY 1,5460 = US $ 1,TRY 2,0491 = EUR 1 and TRY 0,0189 = JPY 1 (31 December 2009: TRY 1,5057 = US $ 1,TRY 2,1603 = EUR 1 and TRY 0,0163 = JPY 1)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2010	Appreciation of foreign currency against	Depreciation of foreign currency against
1- US Dollars net asset/liability	(143.097.417)	143.097.417
2- Hedged portion from US Dollars risk (-)	11.444.244	(11.444.244)
3- Effect of capitalization (-)	13.506.594	(13.506.594)
4- US Dollars net effect (1+2+3)	(118.146.579)	118.146.579
5- EURO net asset/liability	(46.891.753)	46.891.753
6- Hedged portion from EURO risk (-)	19.956.569	(19.956.569)
7- Effect of capitalization (-)	-	-
8- EURO net effect (5+6+7)	(26.935.184)	26.935.184
9- Jap. Yen net asset/liability	(17.482.764)	17.482.764
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	1.458.324	(1.458.324)
12- Jap. Yen net effect (9+10+11)	(16.024.440)	16.024.440
13- Other currencies net asset/liability	(1.757)	1.757
14- Hedged portion from other currency risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Other currencies net effect (13+14+15)	(1.757)	1.757
TOTAL (4+8+12+16)	**(161.107.960)**	**161.107.960**

NOTE 31 – 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 2009	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interests	
	Appreciation of foreign currency against	Depreciation of foreign currency against
1- US Dollars net asset/liability	(147.114.568)	147.114.568
2- Hedged portion from US Dollars risk (-)	40.202.190	(40.202.190)
3- Effect of capitalization (-)	32.740.492	(32.740.492)
4- US Dollars net effect (1+2+3)	(74.171.886)	74.171.886
5- EURO net asset/liability	(58.601.621)	58.601.621
6- Hedged portion from EURO risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- EURO net effect (5+6+7)	(58.601.621)	58.601.621
9- Jap.Yen net asset/liability	(16.504.940)	16.504.940
10- Hedged portion from Jap. Yen risk (-)	-	-
11- Effect of capitalization (-)	1.458.955	(1.458.955)
12- Jap. Yen net effect (9+10+11)	(15.045.985)	15.045.985
13- Other currencies net asset/liability	(2.873)	2.873
14- Hedged portion from other currency risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Other currencies net effect (13+14+15)	(2.873)	2.873
TOTAL (4+8+12+16)	**(147.822.365)**	**147.822.365**

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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

Cross currency and interest rate swap agreements:

As of 31 December 2010 the details of the cross currency and interest rate swap agreements are provided in the table below:

31 December 2010	**Average agreement exchange rate**	**Sales with original currency**	**Purchases with original currency**	**Original currency (TRY equivalent)**	**Agreement value (TRY equivalent)**	**Fair value**
Cross currency and interest rate swap agreements:						
TRY sale/ US Dollars purchase	1,4568	107.835.718	74.024.862	107.835.718	106.486.712	1.349.006
TRY sale/ EURO purchase	2,0820	202.817.020	97.391.875	202.817.020	225.001.406	(22.184.386)
More than 5 years						
						(20.835.380)

Forward agreements

As of 31 December 2010 and 31 December 2009 the details of the forward agreements of the Group are provided in the table below:

31 December 2010	**Average agreement exchange rate**	**Sales with original currency**	**Purchases with original currency**	**Original currency (TRY equivalent)**	**Agreement value (TRY equivalent)**	**Fair value**
Forward agreements:						
TRY sale/ US Dollars purchase	1,4827	111.202.500	75.000.000	111.202.500	106.255.344	4.947.156
US Dollars sale/ TRY purchase	1,5310	75.000.000	114.354.500	115.950.000	117.752.445	(1.802.445)
EURO sale/ US Dollars purchase	1,3380	2.410.000	3.224.580	4.938.331	4.911.310	27.021
Less than 3 months						
						3.171.732

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

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

Forward agreements(cont'd)

31 December 2009	**Average agreement exchange rate**	**Sales with original currency**	**Purchases with original currency**	**Original currency (TRY equivalent)**	**Agreement value (TRY equivalent)**	**Fair value**
Forward agreements:						
TRY sale/ US Dollars purchase						
Less than 3 months	1,8673	498.582.400	267.000.000	498.582.400	594.811.104	(96.228.704)
						(96.228.704)

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(g) Interest rate risk management

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

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

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

Interest rate sensitivity

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

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

Interest position table

	31 December 2010	31 December 2009
Floating interest rate financial instruments		
Financial liabilities	3.544.835.301	3.498.154.479

In addition to these, as of 31 December 2010, the amount of the Group's financial loans is TRY 739.372.766 of which the floating interest rates have been fixed by the hedge purposed agreements (31 December 2009: TRY 657.243.337) (Note 6).

For the year round, if the US Dollars, EURO and Jap. Yen denominated interest rates increase/decrease by 100 base points in TRY, 50 base points in US Dollars and EURO and 25 base points in Jap.Yen respectively ceteris paribus, the profit before taxation and non-controlling interest after considering the effect of capitalization and hedging would be lower/higher TRY 21.811.516 (31 December 2009: TRY 19.028.635).

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(g) Interest rate risk management (cont'd)

Interest rate swap agreements

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

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

31 December 2010

Unrealized agreements with fixed payments and floating interest receipts	Average fixed interest rate of the agreements	Nominal amount(*)	Fair Value
Less than 3 months	1,84%	77.300.000	(450.865)
Between 1-5 years	2,55%	331.837.857	(5.536.430)
Over 5 years	2,39%	62.008.772	(1.230.883)
		471.146.629	(7.218.178)

31 December 2009

Unrealized agreements with fixed payments and floating interest receipts	Average fixed interest rate of the agreements	Nominal amount(*)	Fair Value
Between 3-6 months	3,19%	29.720.653	(327.622)
Between 1-4 years	2,55%	624.865.500	(9.414.527)
		654.586.153	(9.742.149)

(*) In order to hedge against the interest rate risk of the borrowings with floating rates, the Group trades floating interest rates with fixed rates by making swap agreements. The fair value of the interest rate swap agreements with a nominal amount of TRY 471.146.629 (31 December 2009: TRY 654.586.153) is found to be effective. The fair value of such agreements which is categorized as cash flow hedges, is recognized under equity with its deferred tax effect and non-controlling interest deducted as TRY (5.476.236) (31 December 2009: TRY (7.259.727).

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(g) Interest rate risk management (cont'd)

Cross currency and interest rate swap agreements

31 December 2010

Unrealized agreements with fixed payments and floating interest receipts	Average fixed interest rate of the agreements	Nominal amount(*)	Fair Value
TRY sale / US Dollars purchase	7,22%	107.835.718	1.349.006
Over 5 years			
TRY sale / EURO purchase	10,65%	202.817.020	(22.184.386)
Over 5 years			
		310.652.738	(20.835.380)

(*) In order to hedge against the interest and foreign exchange rate risk of the Euro and US Dollars borrowings, the Group trades floating interest rates with fixed rates and Euro and US Dollars amounts with TRY amounts by making cross currency swap agreements. The fair value of such agreements which are categorized as cash flow hedges and found to be effective, with nominal amount of TRY 310.652.738 is recognized under equity net off its deferred tax effect, unrealized foreign exchange gain/losses and non-controlling interests as TRY (18.920.581).

(h) Liquidity risk management

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

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

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

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

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(h) Liquidity risk management (cont'd)

31 December 2010

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	5.851.241.280	6.415.179.491	1.474.980.774	1.724.757.494	2.468.055.946	747.385.277
Trade payables	359.941.902	360.619.499	208.373.082	152.246.417	-	-
Other financial liabilities (*)	170.533.176	170.533.176	168.703.852	1.829.324	-	-
Total liabilities	**6.381.716.358**	**6.946.332.166**	**1.852.057.708**	**1.878.833.235**	**2.468.055.946**	**747.385.277**
Derivative financial liabilities						
Derivative cash inflows	6.380.731	574.471.379	236.693.369	55.725.598	253.224.204	28.828.208
Derivative cash outflows	(31.262.557)	(683.373.395)	(234.331.034)	(87.227.193)	(330.497.021)	(31.318.147)
	(24.881.826)	**(108.902.016)**	**2.362.335**	**(31.501.595)**	**(77.272.817)**	**(2.489.939)**

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

NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

(h) Liquidity risk management (cont'd)

31 December 2009

Contractual maturity analysis	Book value	Total cash outflow per agreement (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Borrowings from banks	4.166.001.612	4.393.228.578	187.624.741	660.570.786	3.139.056.417	405.976.634
Finance leasing liabilities	21.201	21.370	-	21.370	-	-
Trade payables	355.004.343	355.577.398	152.303.618	203.273.780	-	-
Other financial liabilities (*)	79.247.300	79.247.300	78.512.051	735.249	-	-
Total liabilities	**4.600.274.456**	**4.828.074.646**	**418.440.410**	**864.601.185**	**3.139.056.417**	**405.976.634**
Derivative financial liabilities						
Derivative cash outflows	(105.970.853)	(106.811.528)	(97.314.299)	(6.104.016)	(3.393.213)	-
	(105.970.853)	**(106.811.528)**	**(97.314.299)**	**(6.104.016)**	**(3.393.213)**	**-**

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

NOTE 32 – 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 2010	Cash and cash equivalent	Loans and receivables	Available for sale financial assets	Held for trading financial instruments	Financial liabilities at amortized cost	Derivative financial instruments through other comprehensive income/loss	Derivative financial instruments through profit/loss	Carrying value	Note
Financial Assets									
Cash and cash equivalents	2.877.790.271	-	-	-	-	-	-	2.877.790.271	4
Trade receivables	-	718.459.958	-	-	-	-	-	718.459.958	8
Financial investments	-	-	56.681	-	-	-	-	56.681	5
Other financial assets	-	60.303.017	-	-	-	-	-	60.303.017	9
Derivative financial instruments	-	-	-	-	-	1.370.505	5.010.226	6.380.731	5
Financial Liabilities									
Financial liabilities	-	-	-	-	5.851.241.280	-	-	5.851.241.280	6
Trade payables	-	-	-	-	359.941.902	-	-	359.941.902	8
Other liabilities	-	-	-	-	170.533.176	-	-	170.533.176	9/19
Derivative financial instruments	-	-	-	-	-	29.424.063	1.838.494	31.262.557	7
31 December 2009									
Financial Assets									
Cash and cash equivalents	1.065.737.367	-	-	-	-	-	-	1.065.737.367	4
Trade receivables	-	694.845.867	-	-	-	-	-	694.845.867	8
Financial investments	-	-	41.666	22.588	-	-	-	64.254	5
Other financial assets	-	26.846.703	-	-	-	-	-	26.846.703	9
Derivative financial instruments	-	-	-	-	-	-	-	-	7
Financial Liabilities									
Financial liabilities	-	-	-	-	4.166.022.813	-	-	4.166.022.813	6
Trade payables	-	-	-	-	355.004.343	-	-	355.004.343	8
Other liabilities	-	-	-	-	79.247.300	-	-	79.247.300	9/19
Derivative financial instruments	-	-	-	-	-	9.742.149	96.228.704	105.970.853	7

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

NOTE 32 – FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (cont'd)

Additional information about financial instruments (cont'd)

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

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	31 December 2010	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Financial assets held for trading	-	-	-	-
Derivative financial assets	5.010.226	-	5.010.226	-
Derivative financial liabilities	(1.838.494)	-	(1.838.494)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	1.370.505	-	1.370.505	-
Derivative financial liabilities	(29.424.063)	-	(29.424.063)	-
Total	(24.881.826)	-	(24.881.826)	-

Financial asset and liabilities at fair value		Fair value level as of reporting date		
	31 December 2009	Level 1	Level 2	Level 3
Financial assets and liabilities at fair value through profit/loss				
Financial assets held for trading	22.588	22.588	-	-
Derivative financial assets	-	-	-	-
Derivative financial liabilities	(96.228.704)	-	(96.228.704)	-
Financial assets and liabilities at fair value through other comprehensive income/expense				
Derivative financial assets	-	-	-	-
Derivative financial liabilities	(9.742.149)	-	(9.742.149)	-
Total	(105.948.265)	22.588	(105.970.853)	-

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

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

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

NOTE 33 – SUBSEQUENT EVENTS

According to the decisions of the Board of Directors of Ereğli Demir ve Çelik Fabrikaları T.A.Ş. (Erdemir) dated 25 January 2011, numbered 9071, the registered capital was decided to be increased by 34,375% from retained earnings in total TRY 550.000.000 from TRY 1.600.000.000 to TRY 2.150.000.000 within the registered authorized capital, TRY 5.000.000.000. New shares resulting from non-cash capital increase will be registered to shareholders in accordance with percentage of ownership on current shares. The capital increase procedure was completed by the registration and announcement of the certificate of registry dated 28 February 2011, issued by Capital Market Board.

The sale of ArcelorMittal Ambalaj Çeliği Sanayi ve Ticaret. A.Ş. shares to ArcelorMittal France S.A. has been completed on 28 February 2011 with the sale price of USD 10.500.000.

On 7 December 2010, negotiations on the 23 rd Labour Agreement started between Turkish Employers' Association of Metal Industries, which Ereğli Demir ve Çelik Fabrikaları T.A.Ş from Erdemir Group is a member of and represents the Company during labour agreements, and Turkish Metal Union. On 1 February 2011, the negotiations between both parties have suspended with minutes of dispute.

NOTE 34 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Changes in working capital are as follows:

	1 January-31 December 2010	1 January-31 December 2009
Current trade receivables	(41.418.719)	(10.452.495)
Inventories	(865.439.990)	1.852.115.364
Other short term receivables / current assets	98.864.346	148.287.718
Non current trade receivables	(261.147)	228.852
Other long term receivables / non current assets	(9.799.840)	(24.137.285)
Current trade payables	4.937.559	(38.353.131)
Other short term payables / liabilities	(103.209.525)	(192.293.801)
Other long term trade payables / liabilities	17.676.129	9.028.537
	(898.651.187)	1.744.423.759

NOTE 34 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION (cont'd)

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

Provision for doubtful receivables of TRY 6.884.571 reported in "Provision for Other Doubtful Receivables" in consolidated balance sheet as of 31 December 2009, is reclassified to "Provision for Doubtful Trade Receivables".

"VAT Receivable" and "Other VAT" which are seperately reported in the consolidated balance sheet as of 31 December 2009 are reported in total as "Other VAT Receivable"; "VAT Deductable" and "VAT Transferred" which are seperately reported in the consolidated balance sheet as of 31 December 2009 are reported in total as "VAT Transferred".

According to the Group consideration of inventories, inventories of TRY 11.830.878 reported in "Finished Goods", inventories of TRY 27.094.295 reported in "Raw Materials" in the consolidated balance sheet as of 31 December 2009; inventories of TRY 38.925.173 in total in are reclassified to "Work in Progress Goods". Inventories of TRY 13.564.281 reported in "Work in Progress Goods" in the consolidated balance sheet as of 31 December 2009 are reclassified to "Finished Goods". Inventories of TRY 41.240.455 reported in "Other Inventories", inventories of TRY 17.530.920 reported in "Raw Materials", inventories of TRY 248.056 reported in "Work in Progress" in the consolidated balance sheet as of 31 December 2009, inventories of TRY 59.019.431 in total are reclassified to "Goods in Transit".

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

Account	(Previously reported) 1 January- 31 December 2009	(Restated) 1 January- 31 December 2009	Difference
Revenues [(1) (3) (5)]	5.235.709.736	5.265.818.577	(30.108.841)
Cost of sales (-) [(1) (2) (3) (4) (5)]	(4.990.985.007)	(5.029.678.758)	38.693.751
Other operating income [(2) (7)]	96.877.548	92.127.509	4.750.039
Other operating expense (-) [(2) (4) (7)]	(111.156.156)	(97.821.207)	(13.334.949)
Financial income [(6)]	142.944.425	142.627.113	317.312
Financial expense (-) [(6)]	(417.522.454)	(417.205.142)	(317.312)
Total			-

(1) Income from electricity sales of TRY 25.856.626 which is previously netted off under "Cost of sales (-)" is reclassified to "Revenues".

(2) Dispatch income of TRY 265.765 which is previously netted off under "Cost of sales (-)" is reclassified to "Other Operating Income" and demurrage expense of TRY 4.360.624 which is previously reported in "Cost of sales (-)" is reclassified to "Other operating expenses (-)".

(3) Excess scrap and raw material sales income of TRY 715.712 which is previously netted off under "Cost of sales(-) " is reclassified to "Revenue".

(4) Company housing expenses of TRY 12.679.769 which is previously reported in "Other operating expenses (-)" is reclassified to "Cost of sales (-)".

(5) Raw material sales revenue of TRY 3.536.503 which is previously netted off under "Cost of Sales(-)" is reclassified to "Revenue".

NOTE 34 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION (cont'd)

The details and the amounts of the reclassifications made of the income statement are as follows (cont'd):

(6) Raw material foreign exchange gain of TRY 317.312 which was previously reported in "Financial income" is netted from "Financial expenses (-)"

(7) Lawsuit compensation expenses related to the lawsuits already provided for, of TRY 5.015.804 are netted off under "Other Operating income".

Convenience translation to English:

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