(CONVENIENCE TRANSLATION OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 19)

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 MARCH 2018

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 MARCH 2018

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

ASSETS	Note	(Unaudited) Current Period 31 March 2018 USD'000	(Unaudited) Current Period 31 March 2018 TRY'000	(Audited) Previous Period 31 December 2017 USD'000	(Audited) Previous Period 31 December 2017 TRY'000
Current Assets		**4.295.361**	**16.961.950**	**3.934.814**	**14.841.725**
Cash and Cash Equivalents		2.223.570	8.780.656	1.865.224	7.035.440
Financial Derivative Instruments		1.800	7.108	915	3.452
Trade Receivables		635.927	2.511.211	684.564	2.582.106
Due From Related Parties	*3*	*21.450*	*84.703*	*21.988*	*82.936*
Other Trade Receivables		*614.477*	*2.426.508*	*662.576*	*2.499.170*
Other Receivables		520	2.054	530	2.000
Inventories	4	1.386.221	5.474.048	1.336.066	5.039.509
Prepaid Expenses		19.408	76.640	14.047	52.982
Other Current Assets		27.915	110.233	33.468	126.236
Non Current Assets		**3.596.666**	**14.202.874**	**3.588.147**	**13.534.130**
Other Receivables		3.449	13.621	3.617	13.643
Financial Investments		27	107	3.562	13.437
Financial Derivative Instruments		1.723	6.803	1.298	4.896
Investments Accounted by Using Equity Method	5	26.824	105.925	-	-
Investment Properties		26.961	106.468	26.961	101.695
Property, Plant and Equipment	6	3.453.334	13.636.869	3.465.591	13.071.862
Intangible Assets	6	55.104	217.602	56.022	211.311
Prepaid Expenses		16.821	66.423	15.787	59.543
Deferred Tax Assets	12	12.423	49.056	15.309	57.743
TOTAL ASSETS		**7.892.027**	**31.164.824**	**7.522.961**	**28.375.855**

The details of presentation currency translation to TRY explained in Note 2.1.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 MARCH 2018

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

LIABILITIES	**Note**	**(Unaudited) Current Period 31 March 2018 USD'000**	**(Unaudited) Current Period 31 March 2018 TRY'000**	**(Audited) Previous Period 31 December 2017 USD'000**	**(Audited) Previous Period 31 December 2017 TRY'000**
Current Liabilities		**2.267.697**	**8.954.909**	**1.464.605**	**5.524.344**
Short Term Borrowings	7	536.203	2.117.412	594.801	2.243.529
Short Term Portion of Long Term Borrowings	7	216.788	856.076	233.890	882.211
Financial Derivative Instruments		15.208	60.054	11.064	41.734
Trade Payables		295.123	1.165.412	249.951	942.791
Due to Related Parties	*3*	*13.109*	*51.766*	*14.289*	*53.897*
Other Trade Payables		*282.014*	*1.113.646*	*235.662*	*888.894*
Other Payables	8	772.380	3.050.051	11.124	41.958
Deferred Revenue		63.696	251.529	39.842	150.280
Current Tax Liabilities	12	263.142	1.039.120	211.554	797.961
Short Term Provisions	9	37.325	147.391	35.636	134.414
Payables for Employee Benefits	10	30.321	119.736	47.175	177.938
Other Current Liabilities		37.511	148.128	29.568	111.528
Non Current Liabilities		**989.350**	**3.906.844**	**960.618**	**3.623.354**
Long Term Borrowings	7	376.191	1.485.539	361.804	1.364.688
Financial Derivative Instruments		927	3.661	453	1.707
Provisions for Employee Benefits	10	163.774	646.726	168.831	636.813
Deferred Tax Liabilities	12	448.349	1.770.484	429.417	1.619.718
Other Non Current Liabilities		109	434	113	428
EQUITY		**4.634.980**	**18.303.071**	**5.097.738**	**19.228.157**
Equity Attributable to Equity Holders of the Parent		**4.512.166**	**17.818.090**	**4.953.574**	**18.684.383**
Share Capital	13	1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital		81.366	156.613	81.366	156.613
Treasury Shares (-)		(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium (Discounts)		55.303	106.447	55.303	106.447
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		(39.545)	(74.788)	(39.612)	(77.330)
Revaluation Reserve of Tangible Assets		*11.174*	*36.459*	*11.107*	*33.917*
Actuarial (Loss)/ Gain funds		*(50.719)*	*(111.247)*	*(50.719)*	*(111.247)*
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		(58.699)	8.577.951	(54.474)	7.649.204
Cash Flow Hedging Gain (Loss)		*(7.094)*	*(28.014)*	*(4.314)*	*(16.272)*
Foreign Currency Translation Reserves		*(51.605)*	*8.605.965*	*(50.160)*	*7.665.476*
Restricted Reserves Assorted from Profit		805.774	2.287.528	625.450	1.567.280
Retained Earnings		1.630.945	2.317.324	1.497.692	2.144.646
Net Profit for the Period		279.038	1.063.247	1.029.865	3.753.755
Non-Controlling Interests		**122.814**	**484.981**	**144.164**	**543.774**
TOTAL LIABILITIES AND EQUITY		**7.892.027**	**31.164.824**	**7.522.961**	**28.375.855**

The details of presentation currency translation to TRY explained in Note 2.1.

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

CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

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

	Note	(Unaudited) Current Period 1 January - 31 March 2018 USD'000	(Unaudited) Current Period 1 January - 31 March 2018 TRY'000	(Unaudited) Previous Period 1 January - 31 March 2017 USD'000	(Unaudited) Previous Period 1 January - 31 March 2017 TRY'000
Revenue	14	1.422.388	5.419.869	1.141.676	4.214.041
Cost of Sales	14	(979.508)	(3.732.319)	(794.156)	(2.931.308)
GROSS PROFIT		**442.880**	**1.687.550**	**347.520**	**1.282.733**
Marketing Expenses	15	(11.021)	(41.993)	(10.789)	(39.824)
General Administrative Expenses	15	(29.138)	(111.026)	(21.953)	(81.031)
Research and Development Expenses		(1.035)	(3.943)	(730)	(2.693)
Other Operating Income	15	8.147	31.044	26.898	99.285
Other Operating Expenses	15	(6.377)	(24.301)	(9.852)	(36.366)
OPERATING PROFIT		**403.456**	**1.537.331**	**331.094**	**1.222.104**
Income from Investing Activities		35	132	122	450
Expenses from Investing Activities		(2.865)	(10.916)	(1.524)	(5.625)
Share of Investments' Profit Accounted by Using The Equity Method	5	360	1.371	-	-
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSES)		**400.986**	**1.527.918**	**329.692**	**1.216.929**
Finance Income	16	24.445	106.740	11.982	44.226
Finance Expense	16	(13.400)	(51.058)	(10.404)	(42.737)
PROFIT BEFORE TAX		**412.031**	**1.583.600**	**331.270**	**1.218.418**
Tax (Expense) Income	12	(121.094)	(475.014)	(79.283)	(288.308)
Current Corporate Tax Expense (Income)		(98.155)	(387.606)	(82.596)	(300.535)
Deferred Tax (Expense) Income		(22.939)	(87.408)	3.313	12.227
NET PROFIT FOR THE PERIOD		**290.937**	**1.108.586**	**251.987**	**930.110**
Non-Controlling Interests		11.899	45.339	7.611	28.093
Equity Holders of the Parent		279.038	1.063.247	244.376	902.017
EARNINGS PER SHARE			0,3038		0,2577
(TRY 1 Nominal value per share)					

The details of presentation currency translation to TRY explained in Note 2.1.

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

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSİVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

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

	(Unaudited) Current Period 1 January - 31 March 2018 USD'000	(Unaudited) Current Period 1 January - 31 March 2018 TRY'000	(Unaudited) Previous Period 1 January - 31 March 2017 USD'000	(Unaudited) Previous Period 1 January - 31 March 2017 TRY'000
PROFIT FOR THE PERIOD	**290.937**	**1.108.586**	**251.987**	**930.110**
OTHER COMPREHENSIVE INCOME				
Not to be reclassified subsequently to profit or loss				
Increase (Decrease) in Revaluation Reserve of Tangible Assets	64	2.542	113	1.905
To be reclassified subsequently to profit or loss				
Gain (Loss) in Cash Flow Hedging Reserves	(3.564)	(15.054)	(2.789)	(9.622)
Tax Effect of Gain (Loss) in Cash Flow Hedging Reserves	784	3.312	558	1.924
Foreign Currency Translation Gain (Loss)	(2.110)	966.454	(2.990)	505.333
OTHER COMPRHENSIVE INCOME (LOSS)	**(4.826)**	**957.254**	**(5.108)**	**499.540**
TOTAL COMPREHENSIVE INCOME	**286.111**	**2.065.840**	**246.879**	**1.429.650**
Distribution of Total Comprehensive Income				
Non-controlling Interests	11.230	71.304	7.303	41.959
Equity Holders of the Parent	274.881	1.994.536	239.576	1.387.691

The details of presentation currency translation to TRY explained in Note 2.1.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

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

					Other comprehensive income (expense) not to be reclassified subsequently to profit or loss		Other comprehensive income (expense) to be reclassified subsequently to profit or loss			Retained Earnings				
(Unaudited)	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium / Discounts	Revaluation Reserve of Tangible Assets	Actuarial Gain/(Loss) Funds	Cash Flow Hedging Gain/(Loss)	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period	**Equity Attributable to the Parent**	Non-controlling Interests	**Total Shareholders' Equity**
1 January 2018 (Previously reported)	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**33.917**	**(111.247)**	**(16.272)**	**7.665.476**	**1.567.280**	**2.144.646**	**3.753.755**	**18.684.383**	**543.774**	**19.228.157**
Effect of change in accounting principle	-	-	-	-	-	-	-	-	-	(11.412)	-	**(11.412)**	-	**(11.412)**
1 January 2018 (Restated)	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**33.917**	**(111.247)**	**(16.272)**	**7.665.476**	**1.567.280**	**2.133.234**	**3.753.755**	**18.672.971**	**543.774**	**19.216.745**
Net profit for the period	-	-	-	-	-	-	-	-	-	-	1.063.247	**1.063.247**	45.339	**1.108.586**
Other comprehensive income/(loss)	-	-	-	-	2.542	-	(11.742)	940.489	-	-	-	**931.289**	25.965	**957.254**
Total comprehensive income/(loss)	-	-	-	-	2.542	-	(11.742)	940.489	-	-	1.063.247	**1.994.536**	71.304	**2.065.840**
Dividends (*)	-	-	-	-	-	-	-	-	-	(2.849.417)	-	**(2.849.417)**	(130.097)	**(2.979.514)**
Transfers	-	-	-	-	-	-	-	-	720.248	3.033.507	(3.753.755)	-	-	-
31 March 2018	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**36.459**	**(111.247)**	**(28.014)**	**8.605.965**	**2.287.528**	**2.317.324**	**1.063.247**	**17.818.090**	**484.981**	**18.303.071**
(Unaudited)														
1 January 2017	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**29.437**	**(101.527)**	**8.013**	**6.522.205**	**1.166.197**	**2.420.078**	**1.516.438**	**15.207.669**	**452.364**	**15.660.033**
Net profit for the period	-	-	-	-	-	-	-	-	-	-	902.017	**902.017**	28.093	**930.110**
Other comprehensive income/(loss)	-	-	-	-	1.605	-	(7.894)	491.963	-	-	-	**485.674**	13.866	**499.540**
Total comprehensive income/(loss)	-	-	-	-	1.605	-	(7.894)	491.963	-	-	902.017	**1.387.691**	41.959	**1.429.650**
Dividends (*)	-	-	-	-	-	-	-	-	-	(1.390.787)	-	**(1.390.787)**	(48.069)	**(1.438.856)**
Transfers	-	-	-	-	-	-	-	-	326.644	1.189.794	(1.516.438)	-	-	-
31 March 2017	**3.500.000**	**156.613**	**(116.232)**	**106.447**	**31.042**	**(101.527)**	**119**	**7.014.168**	**1.492.841**	**2.219.085**	**902.017**	**15.204.573**	**446.254**	**15.650.827**

(*) Annual General Assembly dated 30 March 2018, dividend distribution (gross dividend per share: TRY 0,84 (2017: TRY 0,41)) amounting to TRY 2.940.000 thousand (31 March 2017: TRY 1.435.000 thousand) from 2017 net profit was approved. As the Company holds 3,08% of its shares with a nominal value of TRY 1 as of 30 March 2018, dividends for treasury shares are netted off under dividends paid. The dividend payment will start at 29 May 2018. The Group will pay TRY 130.097 thousand divident to non-controlling interests on İsdemir and Erdemir Maden apart from the Equity holders of the Parent in current year (2017: TRY 48.069 thousand).

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

	Note	(Unaudited) Current Period 1 January- 31 March 2018 USD'000	(Unaudited) Current Period 1 January- 31 March 2018 TRY'000	(Unaudited) Previous Period 1 January- 31 March 2017 USD'000	(Unaudited) Previous Period 1 January- 31 March 2017 TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES		**473.948**	**1.507.639**	**123.968**	**481.258**
Profit (Loss) for The Period		**290.937**	**1.108.586**	**251.987**	**930.110**
Adjustments to Reconcile Profit (Loss)		**166.205**	**647.306**	**119.036**	**435.043**
Adjustments for Depreciation and Amortisation Expenses	6/14	47.213	179.899	47.911	176.844
Adjustments for Impairment Loss (Reversal of Impairment Loss)		8.612	32.829	(2.161)	(7.975)
Adjustments for Provision (Reversal of Provision) for Receivables		*7.197*	*27.437*	*355*	*1.311*
Adjustments for Provision (Reversal of Provision) for Inventories	4	*1.415*	*5.392*	*(2.516)*	*(9.286)*
Adjustments for Provisions		5.736	22.244	9.870	36.430
Adjustments for Provision (Reversal of Provision) for Employee Termination Benefits	10	*6.878*	*26.206*	*7.273*	*26.844*
Adjustments for Provision (Reversal of Provision) for Pending Claims and/or Lawsuits	9	*2.728*	*10.668*	*2.597*	*9.586*
Adjustments for Free Provision (Reversal of Provision) for Possible Risks		*(3.870)*	*(14.630)*	-	-
Adjustments for Interest (Income) and Expenses		(19.386)	(73.867)	(10.142)	(37.436)
Adjustments for Interest Income	16	*(20.734)*	*(79.005)*	*(11.434)*	*(42.205)*
Adjustments for Interest Expense	16	*8.308*	*31.657*	*7.528*	*27.787*
Unearned Financial Income from Credit Sales		*(6.960)*	*(26.519)*	*(6.236)*	*(23.018)*
Adjustments for Unrealised Foreign Exchange Differences		(352)	(1.340)	(6.610)	(24.397)
Adjustments for Fair Value (Gains) Losses		925	3.523	(548)	(2.021)
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments	16	*925*	*3.523*	*(548)*	*(2.021)*
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	5	(360)	(1.371)	-	-
Adjustments for Tax (Income) Expenses	12	121.094	475.014	79.283	288.308
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		2.723	10.375	1.433	5.290
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment	15	*2.723*	*10.375*	*1.433*	*5.290*
Changes in Working Capital		**68.317**	**(82.974)**	**(193.328)**	**(703.443)**
Adjustments for Decrease (Increase) in Trade Receivables		41.187	36.851	(5.211)	(18.961)
Decrease (Increase) in Trade Receivables from Related Parties		*538*	*(1.767)*	*(1.059)*	*(3.852)*
Decrease (Increase) in Trade Receivables from Third Parties		*40.649*	*38.618*	*(4.152)*	*(15.109)*
Adjustments for Decrease (Increase) in Other Receivables Related from Operations		901	(627)	412	1.500
Decrease (Increase) in Other Receivables from Operations from Third Parties		*901*	*(627)*	*412*	*1.500*
Decrease (Increase) in Derivative Financial Instruments		(1.310)	(5.563)	5.332	19.401
Adjustments for Decrease (Increase) in Inventories		(48.999)	(441.039)	(182.524)	(664.133)
Decrease (Increase) in Prepaid Expenses		(4.667)	(21.149)	1.455	5.295
Adjustments for Increase (Decrease) in Trade Payables		45.172	222.621	(17.278)	(62.868)
Increase (Decrease) in Trade Payable to Related Parties		*(1.180)*	*(2.131)*	*(889)*	*(3.236)*
Increase (Decrease) in Trade Payable to Third Parties		*46.352*	*224.752*	*(16.389)*	*(59.632)*
Adjustments for Increase (Decrease) in Other Payables Related from Operations		(1.442)	(29.623)	(5.665)	(20.614)
Increase (Decrease) in Other Payables to Third Parties Related from Operations		*(1.442)*	*(29.623)*	*(5.665)*	*(20.614)*
Increase (Decrease) in Derivative Liabilities		129	1.697	(879)	(3.197)
Adjustments for Other Increase (Decrease) in Working Capital		37.346	153.858	11.030	40.134
Decrease (Increase) in Other Assets Related from Operations		*5.553*	*16.003*	*(3.786)*	*(13.776)*
Increase (Decrease) in Other Payables Related from Operations		*31.793*	*137.855*	*14.816*	*53.910*
Cash Flows Provided by Operating Activities		**525.459**	**1.672.918**	**177.695**	**661.710**
Payments Related to Provisions for Employee Termination Benefits	10	(4.365)	(16.630)	(5.330)	(19.671)
Payments Related to Other Provisions	9	(578)	(2.202)	(2.684)	(9.907)
Income Taxes Refund (Paid)	12	(46.568)	(146.447)	(45.713)	(150.874)
CASH FLOWS FROM INVESTING ACTIVITIES		**(63.977)**	**(250.436)**	**(37.416)**	**(137.754)**
Cash Outflows Arising From Purchase of Shares or Capital Increase of Associates and/or Joint Ventures		(22.929)	(91.224)	(3.529)	(12.840)
Cash Inflow from Sales of Property, Plant, Equipment and Intangible Assets		138	527	102	378
Cash Inflow from Sales of Property, Plant and Equipment	6/15	*138*	*527*	*102*	*378*
Cash Outflow from Purchase of Property, Plant, Equipment and Intangible Assets		(39.458)	(150.350)	(30.828)	(113.790)
Cash Outflow from Purchase of Property, Plant and Equipment	6	*(39.426)*	*(150.229)*	*(30.563)*	*(112.811)*
Cash Outflow from Purchase of Intangible Assets	6	*(32)*	*(121)*	*(265)*	*(979)*
Cash Advances and Debts Given		(1.728)	(9.389)	(3.161)	(11.502)
Other Cash Advances and Debts Given		*(1.728)*	*(9.389)*	*(3.161)*	*(11.502)*
CASH FLOWS FROM FINANCING ACTIVITIES		**(42.283)**	**41.108**	**(67.468)**	**(244.709)**
Cash Inflow from Borrowings		291.859	1.101.402	169.197	615.639
Cash Inflow from Loans		*291.859*	*1.101.402*	*169.197*	*615.639*
Cash Outflow from Repayments of Borrowings		(353.360)	(1.133.519)	(246.058)	(895.322)
Cash Outflow from Loan Repayments		*(353.360)*	*(1.133.519)*	*(246.058)*	*(895.322)*
Interest Paid		(8.476)	(32.299)	(7.798)	(28.779)
Interest Received		27.694	105.524	17.191	63.753
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**367.688**	**1.298.311**	**19.084**	**98.795**
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(9.342)	446.905	(9.786)	90.664
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**358.346**	**1.745.216**	**9.298**	**189.459**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.865.224	7.035.440	1.303.396	4.586.911
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**2.223.570**	**8.780.656**	**1.312.694**	**4.776.370**

In accodance with IFRS 9, the Group recorded impaiment amounting to TRY 14.630 thousand for the loan losses related with cash and cash equivalents.

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

NOTE 1 – GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

The immediate parent and ultimate controlling party of the Group are Ataer Holding A.Ş. and Ordu Yardımlaşma Kurumu (OYAK/Armed Forces Pension Fund), respectively.

OYAK 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 direct and indirect subsidiaries in industry, finance and service sectors. The detailed information about OYAK can be found on its official website (www.oyak.com.tr).

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

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

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

Name of the Company	Country of Operation	Operation	2018 Share %	2017 Share %
İskenderun Demir ve Çelik A.Ş.	Turkey	Integrated Steel Production	95,07	95,07
Erdemir Madencilik San. ve Tic. A.Ş.	Turkey	Iron Ore and Pellet	90	90
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	Turkey	Steel Service Center	100	100
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100
İsdemir Linde Gaz Ortaklığı A.Ş.	Turkey	Energy	50	50

The registered address of the Company is Barbaros Mahallesi Ardıç Sokak No:6 Ataşehir / İstanbul.

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

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

The number of the personnel employed by the Group as at 31 March 2018 and 31 December 2017 are as follows:

	Paid Hourly Personnel	Paid Montly Personnel	31 March 2018 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.258	1.703	5.961
İskenderun Demir ve Çelik A.Ş.	3.064	1.745	4.809
Erdemir Madencilik San. ve Tic. A.Ş.	151	127	278
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	238	74	312
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	224	224
Erdemir Romania S.R.L.	214	44	258
Erdemir Asia Pacific Private Limited	-	2	2
	7.925	3.919	11.844

	Paid Hourly Personnel	Paid Monthly Personnel	31 December 2017 Personnel
Ereğli Demir ve Çelik Fab.T.A.Ş.	4.305	1.730	6.035
İskenderun Demir ve Çelik A.Ş.	3.107	1.756	4.863
Erdemir Madencilik San. ve Tic. A.Ş.	146	121	267
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	239	81	320
Erdemir Mühendislik Yön. ve Dan. Hiz. A.Ş.	-	228	228
Erdemir Romania S.R.L.	215	45	260
Erdemir Asia Pacific Private Limited	-	2	2
	8.012	3.963	11.975

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

The Group's condensed consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676. The financial statements are prepared on cost basis, except the derivative financial instruments and iron ore and silicon steel used in the production of fixed assets carried on fair value measured at business at acquisition date.

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

In accordance with the Turkish Accounting Standard No: 34 "Interim Financial Reporting", entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed interim consolidated financial statements in the interim period. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017.

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

2.1 Basis of Presentation (cont'd)

Functional and reporting currency

The functional currency of the Company and its subsidiaries' İskenderun Demir ve Çelik A.Ş. "İsdemir" and Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş "Ersem" are US Dollars; Erdemir Madencilik San. ve Tic. A.Ş. "Ermaden" and Erdemir Mühendislik Yönetim ve Danışmanlık Hizmetleri A.Ş. are TRY.

Functional currency for the subsidiary abroad

The functional currency of the foreign subsidiaries Erdemir Asia Pacific Private Limited "EAPPL" and Erdemir Romania S.R.L is US Dollars and EUR respectively.

Presentation currency translation

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

a) The assets and liabilities on financial position as of 31 March 2018 are translated from US Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 3,9489=US $ 1 and TRY 4,8673=EUR 1 on the balance sheet date (31 December 2017: TRY 3,7719= US $ 1, TRY 4,5155=EUR 1).
b) For the three months period ended 31 March 2018, income statements are translated from the average TRY 3,8104 = US $ 1 and TRY 4,6822=EUR 1 rates of 2018 January - March period (31 March 2017: TRY 3,6911 = US $ 1 TRY 3,9308 = 1 EUR).
c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
d) The differences between presentation of statutory and historical figures are recognised as translation differences under equity. All capital, capital measures and other measures are represented with their statutory figures, other equity accounts are represented with their historic cost figures in the accompanying financial statements.

USD amounts presented in the condensed interim financial statements

The figures in USD amounts presented in the accompanying condensed interim consolidated financial statements comprising the statements of financial position as of 31 March 2018 and 31 December 2017, condensed consolidated statement of income and other comprehensive income and consolidated statement of cash flows for the interim period ended 31 March 2018 represent the consolidated financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of July 1, 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

Going concern

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

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

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

2.1 Basis of Presentation (cont'd)

Approval of the consolidated financial statements

The condensed interim consolidated financial statements have been approved and authorized to be published on 26 April 2018 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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

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

Reclassification of profit and loss statement is as follows:

Account	(Previously Reported) 1 January - 31 March 2017	(Restated) 1 January - 31 March 2017	(Difference) 1 January - 31 March 2017
Revenue (1)	4.191.023	4.214.041	23.018
Other Operating Income (1) (2) (4)	76.398	99.285	22.887
Other Operating Expenses (-) (3)	(41.991)	(36.366)	5.625
Income from Investing Activities (2)	-	450	450
Expenses from Investing Activities (-) (3)	-	(5.625)	(5.625)
Finance Income (4) (5)	88.821	44.226	(44.595)
Finance Expenses (-) (5)	(40.977)	(42.737)	(1.760)
			-

(1) Interest income from sales with maturities amounting to TRY 23.018 thousand reported in "Other Operating Income" was reclassified to "Revenue" on the profit and loss statement for the three months period ended 31 March 2017.

(2) Gain on sales of tangible assets amounting to TRY 322 thousand and rent income amounting to TRY 128 thousand from investment properties reported as "Other Operating Income" before, was reclassified to "Income from Investing Activities" on the profit and loss statement for the three months period ended 31 March 2017.

(3) Losses on sales of tangible assets amounting to TRY (13) thousand and losses on disposal of tangible assets amounting to TRY (5.612) thousand reported as "Other Operating Expenses (-)" before, was reclassified to "Expenses from Investing Activities (-)" on the profit and loss statement for the three months period ended 31 March 2017.

(4) Foreign exchange gains from trade receivables and payables (net) amounting to TRY 46.355 thousand reported as "Finance Income" before, was reclassified to "Other Operating Income" on the profit and loss statement for the three months period ended 31 March 2017.

(5) Foreign exchange gains (net) amounting to TRY (1.760) thousand reported as "Finance Income" before, was reclassified to "Finance Expenses (-)" on the profit and loss statement for the three months period ended 31 March 2017.

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

2.3 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at March 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018 summarized below.

i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018. The standard did not have a significant impact on the financial position or performance of the Group.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018.

The impact of standard on all three aspects of TFRS 9 is as follows:

Classification and Measurement of Financial Assets:

There is no significant impact on the Group's balance sheet or equity on applying the classification and measurement requirements of TFRS 9. The Group continues measuring at fair value all financial assets currently held at fair value.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under TFRS 9. Therefore, reclassification for these instruments is not required.

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

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

i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows (cont'd)

TFRS 9 Financial Instruments (cont'd)

Impairment:

TFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on all financial assets. As a result of recognition of the impairment, loss allowance is increased by TRY 14.630 thousand with corresponding related decrease in the deferred tax liability of TRY 3.218 thousand.

Hedge accounting:

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under TFRS 9. As TFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of TFRS 9 will not have a significant impact on Group's financial statements.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation did not have a significant impact on the financial position or performance of the Group.

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

b. share-based payment transactions with a net settlement feature for withholding tax obligations; and

c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

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

i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows (cont'd)

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are applied for annual periods beginning on or after 1 January 2018.

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

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

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

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

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

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify that a company applies TFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

Overall, the Group expects no significant impact on its statement of financial position and equity.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

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

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

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

Annual Improvements – 2011–2013 Cycle

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. Overall, the Group expects no significant impact on its statement of financial position and equity.

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

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

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

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

Overall, the Group expects no significant impact on its statement of financial position and equity.

Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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

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

2.4 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements for the three months period ended 31 March 2018 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements for the period ended 31 March 2018 are consistent with those used in the preperation of annual consolidated financial statements for the year ended 31 December 2017. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017.

There has been no change in total ownership interests and effective interests of the subsidiaries, included in the scope of consolidation as of 31 March 2018, from the interests reported as of 31 December 2017.

2.5 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new standards is made either retrospectively or prospectively in accordance with the transition requirements of the standards. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

Based on the changes in IFRS 9 "Financial Instruments (version 2017) and accounting principle change effective from 1 January 2018, effects from impairment of monetary assets as a result of evaluation of credit risk summarized below:

Account	Before change in accounting principle 1 January 2018	Before change in accounting principle 1 January 2018	(Difference) 1 January 2018
Cash and Cash Equivalents	7.035.440	7.020.810	(14.630)
Deffered Tax Asset	57.743	60.961	3.218
Retained Earnings	5.898.401	5.886.989	(11.412)

2.6 Segment Reporting

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

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

NOTE 3 –RELATED PARTY DISCLOSURES

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

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

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

Due from related parties (short term)	31 March 2018	31 December 2017
Oyak Renault Otomobil Fab. A.Ş.(2)	68.562	59.622
Bolu Çimento Sanayi A.Ş.(1)	4.457	7.507
Adana Çimento Sanayi T.A.Ş. (1)	9.091	10.195
İsdemir Linde Gaz Ortaklığı A.Ş.(3)	216	3.820
Other	2.377	1.792
	84.703	82.936

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

Due to related parties (short term)	31 March 2018	31 December 2017
Omsan Lojistik A.Ş.(1)	20.827	14.466
Omsan Denizcilik A.Ş.(1)	1.942	11.696
Oyak Pazarlama Hizmet ve Turizm A.Ş.(1)	10.006	7.846
Oyak Savunma ve Güvenlik Sistemleri A.Ş.(1)	8.154	8.156
Oyak Denizcilik ve Liman İşletmeleri A.Ş.(1)	6.610	7.322
Oyak Grup Sigorta ve Reasürans Brokerliği A.Ş. (1)	616	1.980
Other	3.611	2.431
	51.766	53.897

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

Major sales to related parties	1 January - 31 March 2018	1 January - 31 March 2017
Oyak Renault Otomobil Fab. A.Ş.(2)	74.855	49.378
Adana Çimento Sanayi T.A.Ş.(1)	6.715	4.393
Bolu Çimento Sanayi A.Ş.(1)	3.381	2.536
İsdemir Linde Gaz Ortaklığı A.Ş.(3)	9.862	-
Other	1.964	1.289
	96.777	57.596

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

(1) Subsidiaries of the parent company
(2) Joint venture of the parent company
(3) Joint venture of the subsidiary

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

NOTE 3 –RELATED PARTY DISCLOSURES (cont'd)

Major purchases from related parties	1 January - 31 March 2018	1 January - 31 March 2017
Omsan Denizcilik A.Ş.(1)	30.978	27.356
Oyak Pazarlama Hizmet ve Turizm A.Ş.(1)	25.606	26.156
Omsan Lojistik A.Ş.(1)	45.250	17.129
Oyak Savunma ve Güvenlik Sistemleri A.Ş.(1)	9.820	7.945
Omsan Logistica SRL(1)	3.747	2.842
Oyak Denizcilik ve Liman İşletmeleri A.Ş.(1)	20.266	1.344
Oyak Grup Sigorta ve Reasürans Brokerliği A.Ş. (1)	1.045	-
İsdemir Linde Gaz Ortaklığı A.Ş.(3)	14.207	-
Other	7.396	6.119
	158.315	88.891

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

(1) Subsidiaries of the parent company
(2) Joint venture of the parent company
(3) Joint venture of the subsidiary

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

The period end balances are un-secured and their collections will be in cash. For the three months period ended 31 March 2018, the Group provides no provision for the receivables from related parties (31 December 2017: None).

Salaries, bonuses and other benefits of the key management:

For the three months period ended 31 March 2018, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 10.419 thousand (31 March 2017: TRY 10.199 thousand).

NOTE 4 – INVENTORIES

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

	31 March 2018	31 December 2017
Raw materials	1.054.517	1.184.596
Work in progress	1.126.673	921.580
Finished goods	1.245.962	1.143.812
Spare parts	812.712	781.590
Goods in transit	1.115.144	895.153
Other inventories	363.635	341.025
Allowance for impairment on inventories (-)	(244.595)	(228.247)
	5.474.048	5.039.509

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

NOTE 4 – INVENTORIES (cont'd)

The movement of the allowance for impairment on inventories:

	1 January - 31 March 2018	1 January - 31 March 2017
Opening balance	228.247	208.787
Provision for the period	5.418	12.920
Provision released (-)	(26)	(22.206)
Translation difference	10.956	7.246
Closing balance	244.595	206.747

The Group has provided an allowance for the impairment on the inventories of finished goods, work in progress and raw materials within the scope of aging reports in the cases when their net realizable values are lower than their costs or for slow moving inventories. The provision released has been recognized under cost of sales (Note 14).

NOTE 5 – INVESTMETS ACCOUNTED FOR USING EQUITY METHOD

The detail of the investments accounted for using equity method is follows:

Company	Right to vote ratio %	Effective shareholder ratio %	31 March 2018	Business segment
Joint Venture				
İsdemir Linde Gaz Ortaklığı A.Ş.	50	48	105.925	Energy

	31 March 2018	31 December 2017
Total assets	283.345	278.444
Total liabilities	71.495	246.568
Net assets	211.850	31.876
Group's share on net assets	105.925	15.938

	31 March 2018	31 December 2017
Share capital	201.667	27.000

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

NOTE 5 – INVESTMETS ACCOUNTED FOR USING EQUITY METHOD (cont'd)

Group's share on profit of investments accounted for using equity method as follows:

	1 January – 31 March 2018	1 January – 31 March 2017
Revenue	15.260	-
Net profit (loss) for the period	2.743	(390)
Group's share on net profit	1.371	(195)

As of 18 November 2016, İsdemir Linde Gas Partnership A.Ş. has been established through 50%-50% partnership with the German Linde Group in order to supply the additional industrial gases required for our subsidiary İsdemir's production and to reduce the costs with an effective and efficient management. Isdemir Linde Gaz Ortaklığı A.Ş, which will be recognised by using the equity pick-up method is not included in the consolidation as of the reporting period, by reason of not functioning, and that the financial statements weren't affected significantly as of 2017.

NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS

The movement of tangible assets for the periods 1 January – 31 March 2018 and 1 January – 31 March 2017 is as follows:

	31 March 2018	31 March 2017
Opening balance as of 1 January		
Cost	33.090.796	30.252.777
Accumulated depreciation	(20.018.934)	(18.100.805)
Net book value	13.071.862	12.151.972
Net book value at the begin.of the period	13.071.862	12.151.972
Additions (*)	152.927	113.724
Disposals (-)	(10.902)	(5.668)
Cost of disposals	*(68.781)*	*(19.794)*
Accumulated depreciation of disposals	*57.879*	*14.126*
Transfers to intangible assets	(2.853)	(46)
Currency translation difference	609.174	411.657
Cost currency translation difference	*1.536.167*	*1.011.843*
Accumulated depreciation currency translation difference	*(926.993)*	*(600.186)*
Current period depreciation (-)	(183.339)	(173.099)
Net book value at the end of the period	13.636.869	12.498.540
Closing balance as of		
Cost	34.708.256	31.358.504
Accumulated depreciation	(21.071.387)	(18.859.964)
Net book value	13.636.869	12.498.540

(*) The amount of capitalized borrowing cost is TRY 2.698 thousand for the current period (31 March 2017: TRY 913 thousand).

As of 31 March 2018, the Group has no collaterals or pledges upon its tangible assets (31 March 2017: None).

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

NOTE 6 – TANGIBLE AND INTANGIBLE ASSETS (cont'd)

The movement of intangible assets for the periods 1 January – 31 March 2018 and 1 January – 31 March 2017 is as follows:

	31 March 2018	31 March 2017
Opening balance as of 1 January		
Cost	487.752	439.937
Accumulated amortisation	(276.441)	(234.458)
Net book value	211.311	205.479
Net book value at the begin.of the period	211.311	205.479
Additions	121	979
Transfers from tangible assets	2.853	46
Currency translation difference	9.725	6.966
Cost currency translation difference	*22.791*	*14.742*
Accumulated depreciation currency translation difference	*(13.066)*	*(7.776)*
Current period amortisation (-)	(6.408)	(6.071)
Net book value at the end of the period	217.602	207.399
Closing balance end of period		
Cost	513.517	455.704
Accumulated amortisation	(295.915)	(248.305)
Net book value	217.602	207.399

As of 31 March 2018, the Group has no collaterals or pledges upon its intangible assets (31 March 2017: None).

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

	31 March 2018	31 March 2017
Associated with cost of production	177.269	167.278
General administrative expenses	5.117	4.646
Marketing expenses	6.720	6.761
Research and development expenses	641	485
	189.747	179.170

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

NOTE 7 – BORROWINGS

Breakdown of borrowings is as follows:

	31 March 2018	31 December 2017
Short term borrowings	2.117.412	2.243.529
Current portion of long term borrowings	856.076	882.211
Total short term borrowings	2.973.488	3.125.740
Long term borrowings	1.485.539	1.364.688
Total long term borrowings	1.485.539	1.364.688
	4.459.027	4.490.428

As of 31 March 2018, the breakdown of the Group's loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	31 March 2018
No interest	TRY	-	20.027	-	20.027
Fixed	US Dollars	2,54	1.754.209	77.981	1.832.190
Fixed	EURO	2,83	9.999	34.218	44.217
Floating	US Dollars	Libor+1,698	1.061.701	1.108.456	2.170.157
Floating	EURO	Euribor+2,13	127.552	264.884	392.436
			2.973.488	1.485.539	4.459.027

As of 31 December 2017, 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 2017
No interest	TRY	-	3.386	-	3.386
Fixed	TRY	14,48	195.422	-	195.422
Fixed	US Dollars	2,32	1.717.216	79.635	1.796.851
Fixed	EURO	3,01	74.063	32.129	106.192
Floating	US Dollars	Libor+1,67	1.002.212	976.479	1.978.691
Floating	EURO	Euribor+2,08	133.441	276.445	409.886
			3.125.740	1.364.688	4.490.428

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

NOTE 7 – BORROWINGS (cont'd)

Breakdown of loan repayment is as follows:

	31 March 2018	31 December 2017
Within 1 year	2.973.488	3.125.740
Between 1-2 years	604.072	537.186
Between 2-3 years	453.711	487.084
Between 3-4 years	181.538	130.335
Between 4-5 years	108.787	117.133
Five years or more	137.431	92.950
	4.459.027	4.490.428

As of 31 March 2018 and 31 December 2017 the movement of net financial borrowings as follows:

	31 March 2018	31 March 2017
Opening balance	4.490.428	3.919.488
Interest expenses	31.657	27.787
Interest paid	(32.299)	(28.779)
Unrealised foreign exchange differences	(1.340)	(24.397)
Net present value differences	(2.938)	(1.137)
Cash inflow from loans	1.101.402	615.639
Cash outflow from loan repayments	(1.127.883)	(759.934)
Closing balance	4.459.027	3.748.667

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

NOTE 8 – OTHER PAYABLES

Group's short term other payables as follows:

Short term other payables	31 March 2018	31 December 2017
Taxes payable	27.488	2.863
Employee's income tax payables	30.357	27.343
Deposits and guarantees received	8.712	8.745
Dividend payables to shareholders (*)	2.983.494	3.007
	3.050.051	41.958

(*)The Ordinary General Meeting which held on 30 March 2018, it was decided by the majority of votes to distribute TRY 2.940.000 thousand dividend from 2017 profit in cash. Dividend payables to shareholders is the sum of total dividend decided to be distributed after dividends for treasury shares are netted off, dividend payables to non-controlling interests and uncollected dividend by shareholders related to previous periods. Divident distribution will start on 29 May 2018.

NOTE 9 – PROVISIONS

The Group's short term provisions are as follows:

	31 March 2018	31 December 2017
Provision for lawsuits	109.577	103.689
Penalty prov. for employment shortage of disabled pers.	7.081	6.374
Provision for state right on mining activities	6.344	5.102
Provision for land occupation	16.214	11.665
Provision for the potential tax penalty	8.175	7.584
	147.391	134.414

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

NOTE 9 – PROVISIONS (cont'd)

The movement of the provisions is as follows:

	1 January 2018	Change for the period	Payments	Provision released	Translation difference	31 March 2018
Provision for lawsuits	103.689	7.376	(1.822)	(3.541)	3.875	109.577
Penalty prov. for employment shortage of disabled pers.	6.374	698	-	-	9	7.081
Provision for state right on mining activities	5.102	1.242	-	-	-	6.344
Provision for land occupation	11.665	4.893	(380)	-	36	16.214
Provision for the tax penalty	7.584	-	-	-	591	8.175
	134.414	14.209	(2.202)	(3.541)	4.511	147.391

	1 January 2017	Change for the period	Payments	Provision released	Translation difference	31 March 2017
Provision for lawsuits	105.448	12.925	(2.531)	(9.575)	2.867	109.134
Penalty prov. for employment shortage of disabled pers.	7.488	1.035	-	-	(4)	8.519
Provision for state right on mining activities	2.650	753	-	-	-	3.403
Provision for land occupation	16.602	4.239	-	-	(8)	20.833
Provision for the tax penalty	13.398	209	(7.376)	-	334	6.565
	145.586	19.161	(9.907)	(9.575)	3.189	148.454

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

NOTE 9 – PROVISIONS (cont'd)

Provision for lawsuits

As of 31 March 2018 and 31 December 2017, lawsuits filed by and against the Group are as follows:

	31 March 2018	31 December 2017
Lawsuits filed by the Group	635.188	581.107
Provision for lawsuits filed by the Group	112.936	79.933

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

	31 March 2018	31 December 2017
Lawsuits filed against the Group	393.347	377.793
Provision for lawsuits filed against the Group	109.577	103.689

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

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

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

NOTE 9 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

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

Had the Company started to prepare its consolidated financial statements in accordance with IFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with IFRS based on "IFRS 1: First-time adoption of International Financial Reporting Standards" and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated income statement in accordance with "IFRS 3: Business Combinations". Therefore, the net profit for the periods ended 31 March 2018 and 31 December 2017 will not be affected from the above mentioned disputes.

Company's Shareholders' General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to IFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals' 11th Chamber reversed this rejection judgment on 30 November 2010; this time the Company appealed the Chamber's decision on 18 February 2011. However, the Chamber rejected the Company's appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. The case was dismissed at the hearing held on 26 June 2015. Decision of the local court has been reversed by the Supreme Court 11th Civil Chamber with the decision dated 24 May 2017 and 2015/15771 Docket; 2017/3040 Decision number. The decision of reversal has been notified to the Company on 2 August 2017. Erdemir has applied for revision of the decision against the Supreme Court 11th Civil Chamber's decision dated 24.05.2017 and 2015/15771 Docket; 2017/3040 Decision number. Conclusion of the application for revision of the decision is expected.

The Company, based on the above mentioned reasons, doesn't expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 31 March 2018 and 31 December 2017.

NOTE 9 – PROVISIONS (cont'd)

Provision for lawsuits (cont'd)

Enerjia Metal Maden Sanayi ve Ticaret A.Ş. initiated a debt collection proceeding that might end with a bankruptcy judgment against the Company based on the Export Protocol No. 69187 of 2 July 2009 and "Additional Terms to the Erdemir-Enerjia Export Protocol No. 68197" drafted by and between Enerjia and the Company. However the process stopped upon the Company's objection to Enerjia's request, and that led Enerjia to file a lawsuit against the Company before the 7th Commercial Court of Ankara on 27 March 2010 claiming that the objection should be overruled and USD 68.312.520 should be paid to itself (E. 2010/259). The Court dismissed the case, in favor of the Company, on 23 June 2011.

Enerjia appealed this rejection. 23rd Chamber of the Court of Appeals accepted this rejection on 6 April 2012 (E. 2011/2915, K.2012/2675) and after this, the case file was sent back to the 7th Commercial Court of Ankara and received case file number E. 2013/17. The case file was sent to the 4th Commercial Court of Ankara due to the case shall seen by delegation according to the regulatory framework regarding the commercial courts. The Court has dismissed the case at the hearing held on 9 September 2015. The case is at the stage of appeal. No possible material cash outflow expected according to the evaluations of Company management and expert's reports, as a result no provision recognised on financial statements for related lawsuit.

An action of debt was instituted by Bor-San Isı Sistemleri Üretim ve Pazarlama A.Ş. against our Company of Kdz. Ereğli on 17 April 2013 for the compensation of the loss arising from the sales contract has been dismissed in favor of the Company at the stages of appeal and revision of decision.

Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.). located at Illinois state of United States of America and the Company executed a contract in 2008. The company fulfilled all its performances arisen from this contract in January and February in 2009. Corus International Trading Ltd. Co. sold to third parties the products supplied from our company but thereafter alleged that they directed claim to some compensation and that these claims must be covered by Erdemir. Parties could not reach an exact agreement about this matter and then Corus International Trading Ltd. Co filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company in Illinois State District Court of USA. It is learnt through a notified made to the Company on 21 July 2010. After the subject case is dismissed by the court from jurisdiction aspect; this time a lawsuit is re-filed by Tata Steel International (North America) Ltd.) in Texas State District Court. This case is also dismissed by the court from jurisdiction aspect.

It is learnt through a notified made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of USD 4.800 thousand together with accessory against the Company before Ankara 14th Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgment becomes definite and in case of request. The case continued on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. At the hearing of the ongoing case dated 28 November 2017, Kdz. Ereğli 2. Civil Court of First Instance has decided to partially accept the case against our Company. Our company has applied for the appeal against the decision. A provision amounting to TRY 32.561 thousand recognised on financial statements for related lawsuit

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

NOTE 9 – PROVISIONS (cont'd)

Provision for state right on mining activities

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

Land occupation

There is a land property within the Erdemir factory area of The Group being the property of the treasury within the provision and possession of the state. General Communique of National Estate with the series number 336 lays down the methods and principles of designation, estimation and collection of land occupation to be undertaken by the administration in respect of the land properties within the private possession of the treasury. In accordance with the communique, the land occupation is going to be designated and estimated by the relevant value designation commission with the condition of not being less than 3 % of the minimum value which is the basis for the property tax of the land property.

In current period, land occupation provision recognised on balance sheet, considering property fair values presented land occupation notifications and yearly probable increases.

Tax Penalty Provision

As a result of the comprehensive corporate tax audit carried out by the relevant tax administration for the period 2009-2014 for one of the Group's subsidiaries, Erdemir Romania SRL in Romania, a total payment of TRY 8.175 thousand (RON 7.579 thousand) was notified for all tax and tax penalties. Provision recognised in the accompanying financial statements for the amount to be paid.

NOTE 10 – EMPLOYEE BENEFITS

Short term payables of the employee termination benefits of the Group is as follows:

	31 March 2018	31 December 2017
Due to personnel	48.433	113.687
Social security premiums payable	71.303	64.251
	119.736	177.938

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

	31 March 2018	31 December 2017
Provisions for employee termination benefits	522.282	511.971
Provisions for seniority incentive premium	45.753	43.468
Provision for unpaid vacations	78.691	81.374
	646.726	636.813

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

NOTE 10 – EMPLOYEE BENEFITS (cont'd)

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 March 2018, the employee termination benefit has been updated to a maximum of TRY 5.001,76 (31 December 2017: TRY 4.732,48).

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. The obligation as of 31 March 2018 has been calculated by an independent actuary. The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

	31 March 2018	31 December 2017
Discount rate	%11,50	%11,50
Inflation rate	%8,30	%8,30
Salary increase	real 1,5%	real 1,5%
Maximum liability increase	%8,30	%8,30

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 31 March 2018, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

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

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

NOTE 10 – EMPLOYEE BENEFITS (cont'd)

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

	1 January - 31 March 2018	1 January - 31 March 2017
Opening balance	511.971	448.932
Service cost	11.081	10.766
Interest cost	13.719	11.579
Termination benefits paid	(14.638)	(16.992)
Translation difference	149	(26)
Closing balance	522.282	454.259

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

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

	1 January - 31 March 2018	1 January - 31 March 2017
Opening balance	43.468	38.884
Service cost	1.105	992
Interest cost	1.165	954
Translation difference	15	(4)
Closing balance	45.753	40.826

The movement of the provision for unused vacation is as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Opening balance	81.374	79.603
Provision for the period	9.128	9.558
Vacation paid during the period (-)	(1.992)	(2.679)
Provisions released (-)	(9.992)	(7.005)
Translation difference	173	(199)
Closing balance	78.691	79.278

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	31 March 2018	31 December 2017
Letters of guarantees received	2.113.088	1.976.567
	2.113.088	1.976.567

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES (cont'd)

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

	31 March 2018	31 December 2017
A. Total CPM given for the Company's own legal	119.979	116.263
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	80.227	176.335
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	-	-
	200.206	292.598

Total CPM given by the Group in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 80.227 thousand has been given as collateral for financial liabilities explained in Note 7.As of 31 March 2018, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2017: 0%).

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

	31 March 2018	31 December 2017
US Dollars	68.854	70.205
TRY	100.023	180.249
EURO	31.329	42.144
	200.206	292.598

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

NOTE 12 – TAX ASSETS AND LIABILITIES

	31 March 2018	31 December 2017
Corporate tax payable:		
Corporation tax for the year of 2017	1.137.927	-
Current corporate tax provision	387.606	1.137.927
Prepaid taxes and funds (-)	(486.413)	(339.966)
	1.039.120	797.961

	1 January - 31 March 2018	1 January - 31 March 2017
Taxation:		
Current corporate tax expense	387.606	300.535
Deferred tax (income) / expense	87.408	(12.227)
	475.014	288.308

Corporate tax

The effective corporate tax rate in Turkey is 22%, 16% in Romania and 17% in Singapore as of 31 March 2018 (31 December 2017: in Turkey 20%, in Romania 16%, in Singapore 17%). The total amount of the corporate tax paid by the Group in 2018 is TRY 146.447 thousand (31 March 2017: TRY 150.874 thousand).

Pursuant to the Provisional Article 10 of the Law No. 7061 added with the Article 91 of the Law on Corporate Income Tax, published in the Official Gazette dated December 5, 2017 and numbered 30261, the corporate tax rate for corporate earnings to be obtained during the tax years 2018, 2019 and 2020 has been increased from 20% to 22%.

Except for the changes in the corporate tax rate, the 75% exemption applied to the earnings generated from the sale of intangibles is reduced to 50% and the deferred tax rate to be applied based on the temporary differences arising on the revaluation of the related assets, 10% instead of 5%.

Deferred tax

Deferred tax assets and liabilities (excluding land) tax rate used for calculating corporate tax for the subsidiaries in Turkey in accordance with the additional provisional Article 10 of Corporate Tax Law; corporate tax rate will be 22% for the corporate earnings to be obtained in the taxation periods of 2018, 2019, 2020 and 20% for the following years. The effective corporate tax rate is 17% in Singapore and 16% in Romania as of 31 March 2018 (31 December 2017: in Turkey 22%, in Romania 16%, in Singapore 17). The deferred tax on the temporary timing differences arising from land is calculated with the 10% tax rate (31 December 2017: 10%).

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

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

NOTE 12 – TAX ASSETS AND LIABILITIES (cont'd)

	31 March 2018	31 December 2017
Deferred tax assets:		
Carry forward tax losses	794	737
Provisions for employee benefits	132.915	129.580
Investment incentive	51.889	66.046
Provision for lawsuits	24.127	22.383
Fair value adjustment of the derrivative financial instruments	10.957	7.717
Inventories	17.474	19.170
Provision for other doubtful receivables	16.233	14.639
Tangible and intangible assets	16.750	16.039
Other	33.494	46.345
	304.633	322.656
Deferred tax liabilities:		
Tangible and intangible assets	(1.940.430)	(1.832.586)
Amortized cost adjustment on loans	(5.743)	(4.994)
Inventories	(71.776)	(34.872)
Other	(8.112)	(12.179)
	(2.026.061)	(1.884.631)
	(1.721.428)	(1.561.975)

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

	31 March 2018	31 December 2017
Deferred tax assets	49.056	57.743
Deferred tax (liabilities)	(1.770.484)	(1.619.718)
	(1.721.428)	(1.561.975)

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

NOTE 12 – TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax asset/(liability) movements is as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Opening balance	(1.561.975)	(1.542.789)
Effets of change in acounting policy	3.218	-
Deferred tax (expense)/income	(87.408)	12.227
The amount in comprehensive income	3.312	1.924
Translation difference	(78.575)	(48.824)
Closing balance	(1.721.428)	(1.577.462)

Reconciliation of tax provision is as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Profit before tax	1.583.600	1.218.418
Statutory tax rate	22%	20%
Calculated tax expense acc. to effective tax rate	(348.392)	(243.684)
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	(6.054)	(4.261)
- Effect of currency translation to non taxable assets	(137.696)	(49.672)
- Investment incentive	16.735	9.279
- Effect of the different tax rates due to foreign subsidiaries	393	30
Total tax exp. in reported in the stat. of income	(475.014)	(288.308)

NOTE 13 – EQUITY

As of 31 March 2018 and 31 December 2017, the capital structure is as follows:

Shareholders	(%)	31 March 2018	(%)	31 December 2017
Ataer Holding A.Ş.	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	47,63	1.667.181	47,63	1.667.181
Erdemir's own shares	3,08	107.837	3,08	107.837
Historical capital	100,00	3.500.000	100,00	3.500.000
Effect of inflation		156.613		156.613
Restated capital		3.656.613		3.656.613
Treasury shares		(116.232)		(116.232)
		3.540.381		3.540.381

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

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

NOTE 13 – EQUITY (cont'd)

The issued capital of the Company consists of 350.000.000.000 lots of shares (2017: 350.000.000.000 lots). The nominal value of each share is 1 Kr (one Kurus) (2017: 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 TRY 3.499.999.999,99 shares representing 349.999.999.999 of the issued capital.

NOTE 14 – SALES AND COST OF SALES

	1 January - 31 March 2018	1 January - 31 March 2017
Sales Revenue		
Domestic sales	4.540.231	3.470.784
Export sales	738.494	608.091
Other revenues (*)	120.934	116.926
Interest income from sales with maturities	26.519	23.018
Sales returns (-)	(2.279)	(685)
Sales discounts (-)	(4.030)	(4.093)
	5.419.869	4.214.041
Cost of sales (-)	(3.732.319)	(2.931.308)
Gross profit	1.687.550	1.282.733

(*)The total amount of by product exports in other revenues is TRY 41.288 thousand (31 March 2017: TRY 57.783 thousand).

The breakdown of cost of goods sales for the periods 1 January – 31 March 2018 and 1 January – 31 March 2017 is as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Raw material usage	(2.809.725)	(2.133.852)
Personnel costs	(347.718)	(317.611)
Energy costs	(172.054)	(169.083)
Depreciation and amortization expenses	(167.421)	(164.952)
Factory overheads	(94.341)	(54.905)
Other cost of goods sold	(48.864)	(42.900)
Non-operating costs (*)	(6.672)	(1.404)
Freight costs for sales delivered to customers	(64.244)	(46.256)
Inventory write-downs within the period (Note 4)	(5.418)	(12.920)
Reversal of inventory write-downs (Note 4)	26	22.206
Other	(15.888)	(9.631)
	(3.732.319)	(2.931.308)

(*) Due to the planned/ unplanned halt production of plant of the Group's, operations were suspended temporarily in the current period. As a result of this, unallocated overheads, TRY (6.672) thousand, has been accounted directly under cost of goods sold (31 March 2017: TRY (1.404) thousand).

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

NOTE 15 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

The breakdown of marketing expenses according to their nature for the periods 1 January – 31 March 2018 and 1 January – 31 March 2017 is as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Personnel expenses (-)	(20.577)	(19.529)
Depreciation and amortization(-)	(6.720)	(6.761)
Service expenses (-)	(14.696)	(13.534)
	(41.993)	(39.824)

The breakdown of general administrative expenses according to their nature for the periods 1 January – 31 March 2018 and 1 January – 31 March 2017 is as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Personnel expenses (-)	(44.192)	(43.372)
Depreciation and amortization (-)	(5.117)	(4.646)
Service expenses (-)	(31.650)	(29.265)
Tax, duty and charges (-)	(2.630)	(2.437)
Provision for doubtful receivables (-)	(27.437)	(1.311)
	(111.026)	(81.031)

The breakdown of other operating income for the periods 1 January – 31 March 2018 and 1 January – 31 March 2017 is as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Other operating income		
Foreign exchange gain from trade receivables and payables (net)	12.784	46.355
Discount income	2.353	6.273
Provisions released	3.541	9.575
Service income	3.608	3.228
Maintenance repair and rent income	3.688	2.873
Warehouse income	859	2.329
Indemnity and penalty detention income	791	409
Insurance indemnity income	277	14.770
Lawsuit income	48	7.102
Other income and gains	3.095	6.371
	31.044	99.285

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

NOTE 15 – OPERATING EXPENSES ACCORDING TO THEIR NATURE

The breakdown of other operating expenses for the periods 1 January – 31 March 2018 and 1 January – 31 March 2017 is as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Other operating expenses (-)		
Provision expenses	(8.074)	(14.169)
Discount expenses	(4.273)	(7.403)
Lawsuit compensation expenses	(953)	(1.810)
Port facility pre-licence expenses	(1.659)	(1.679)
Donation expenses	(476)	(405)
Service expenses	(2.760)	(1.635)
Stock exchange registration expenses	(1.844)	(1.267)
Rent expenses	(362)	(466)
Penalty expenses	(307)	(536)
Other expenses and losses	(3.593)	(6.996)
	(24.301)	(36.366)

NOTE 16 – FINANCIAL INCOME AND EXPENSES

The breakdown of financial income for the periods 1 January – 31 March 2018 and 1 January – 31 March 2017 is as follows:

Finance income	1 January - 31 March 2018	1 January - 31 March 2017
Interest income on bank deposits	79.005	42.205
Foreign exchange gains (net)	27.648	-
Fair value differences of derivative financial instruments (net)	-	2.021
Other financial income	87	-
	106.740	44.226

The breakdown of financial expenses for the periods 1 January – 31 March 2018 and 1 January – 31 March 2017 is as follows:

Finance expenses (-)	1 January - 31 March 2018	1 January - 31 March 2017
Interest expenses on borrowings	(31.657)	(27.787)
Foreign exchange loss (net)	-	(1.760)
Interest cost of employee benefits	(14.884)	(12.533)
Fair value differences of derivative financial instruments (net)	(3.523)	-
Other financial expenses	(994)	(657)
	(51.058)	(42.737)

During the period, the interest expenses of TRY 2.698 thousand have been capitalized as part of the Group's property, plant and equipment (1 January - 31 March 2017: TRY 913 thousand).

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

NOTE 17 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional information about financial instruments

Foreign currency risk management

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Foreign currency position table represents foreign currencies other than each entity's functional currency. As of 31 March 2018, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 March 2018				
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)	RON (Orijinal para birimi)
1. Trade Receivables	502.679	51.929	87.390	193	20.632
2a. Monetary financial assets	1.129.877	144.473	201.686	6.500	3.185
2b. Non- monetary financial assets	-	-	-	-	-
3. Other	175.003	170.447	259	8.034	2.885
4. CURRENT ASSETS (1+2+3)	**1.807.559**	**366.849**	**289.335**	**14.727**	**26.702**
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-	-
7. Other	57.534	20.127	6.342	167.720	303
8. Non-current assets (5+6+7)	**57.534**	**20.127**	**6.342**	**167.720**	**303**
9. Total assets (4+8)	**1.865.093**	**386.976**	**295.677**	**182.447**	**27.004**
10. Trade payables	370.467	330.481	6.791	10.601	4.486
11. Financial liabilities	157.578	20.027	28.260	-	-
12a. Other monetary financial liabilities	618.176	599.540	1.799	-	9.509
12b. Other non-monetary financial liabilities	1.029.324	1.028.228	-	-	1.055
13. Current liabilities (10+11+12)	**2.175.545**	**1.978.276**	**36.850**	**10.601**	**15.049**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	299.102	-	61.451	-	-
16a. Other monetary financial liabilities	631.110	630.213	-	-	863
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**930.212**	**630.213**	**61.451**	**-**	**863**
18. Total liabilities (13+17)	**3.105.757**	**2.608.489**	**98.301**	**10.601**	**15.913**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(1.954.285)**	**912.017**	**(588.890)**	**-**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	912.017	912.017	-	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	2.866.302	-	588.890	-	-
20. Net foreign currency asset/liability position (9-18+19)	**(3.194.949)**	**(1.309.496)**	**(391.514)**	**171.846**	**11.092**
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(443.877)**	**(1.383.859)**	**190.775**	**(3.908)**	**8.959**
22. Fair value of derivative financial instruments used in foreign currency hedge	(41.246)	-	(8.474)	-	-
23. Hedged foreign currency assets	2.866.302	-	588.890	-	-
24. Hedged foreign currency liabilities	912.017	912.017	-	-	-
25. Exports	779.782				
26. Imports	1.725.155				

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

NOTE 17 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

Foreign currency risk management (cont'd)

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). As of 31 December 2017, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 December 2017			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	400.354	47.969	75.455	208
2a. Monetary financial assets	272.343	17.528	56.033	200
2b. Non- monetary financial assets	-	-	-	-
3. Other	156.535	155.013	337	-
4. Current assets (1+2+3)	**829.232**	**220.510**	**131.825**	**408**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	48.402	22.182	4.491	191.111
8. Non-current assets (5+6+7)	**48.402**	**22.182**	**4.491**	**191.111**
9. Total assets (4+8)	**877.634**	**242.692**	**136.316**	**191.519**
10. Trade payables	326.770	282.292	7.856	206.922
11. Financial liabilities	406.475	198.808	45.990	-
12a. Other monetary financial liabilities	543.414	538.995	979	-
12b. Other non-monetary financial liabilities	785.150	785.150	-	-
13. Current liabilities (10+11+12)	**2.061.809**	**1.805.245**	**54.825**	**206.922**
14. Trade payables	-	-	-	-
15. Financial liabilities	308.573	-	68.336	-
16a. Other monetary financial liabilities	620.791	620.791	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	**929.364**	**620.791**	**68.336**	**-**
18. Total liabilities (13+17)	**2.991.173**	**2.426.036**	**123.161**	**206.922**
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	**(1.398.078)**	**232.660**	**(361.142)**	**-**
19a. Off-balance sheet foreign currency derivative financial assets	232.660	232.660	-	-
19b. Off-balance sheet foreign currency derivative financial liabilities	1.630.738	-	361.142	-
20. Net foreign currency asset/liability position (9-18+19)	**(3.511.617)**	**(1.950.684)**	**(347.987)**	**(15.403)**
(1+2a+5+6a-10-11-12a-14-15-16a)	**(1.533.326)**	**(1.575.389)**	**8.327**	**(206.514)**
22. Fair value of derivative financial instruments used in foreign currency hedge	(31.961)	-	(7.078)	-
23. Hedged foreign currency assets	1.630.738	-	361.142	-
24. Hedged foreign currency liabilities	232.660	232.660	-	-
25. Exports	2.671.529			
26. Imports	9.620.585			

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

NOTE 17 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

Foreign currency risk management (cont'd)

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

As of 31 March 2018 asset and liability balances are translated by using the following exchange rates: TRY 3,9489 = US $ 1,TRY 4,8673 = EUR 1, TRY 0,0371= JPY 1 and TRY 1,0392 = RON (31 December 2017: TRY 3,7719 = US $ 1,TRY 4,5155 = EUR 1,TRY 0,0334= JPY 1 and TRY 0,9637 = RON).

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 March 2018	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(222.151)	222.151
2- Hedged portion from TRY risk (-)	91.202	(91.202)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(130.949)	130.949
5- US Dollars net asset/liability	-	-
6- Hedged portion from US Dollars risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- US Dollars net effect (5+6+7)	-	-
9- Euro net asset/liability	96.069	(96.069)
10- Hedged portion from Euro risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	96.069	(96.069)
13- Jap. Yen net asset/liability	638	(638)
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	638	(638)
17- Ron net asset/liability	1.153	(1.153)
18- Hedged portion from Ron risk (-)	-	-
19- Effect of capitalization (-)	-	-
20- Ron net effect (17+18+19)	1.153	(1.153)
TOTAL (4+8+12+16+20)	**(33.089)**	**33.089**

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

NOTE 17 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Additional information about financial instruments (cont'd)

Foreign currency risk management (cont'd)

	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
31 December 2017	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(218.334)	218.334
2- Hedged portion from TRY risk (-)	23.266	(23.266)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(195.068)	195.068
5- US Dollars net asset/liability	-	-
6- Hedged portion from US Dollars risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- US Dollars net effect (5+6+7)	-	-
9- Euro net asset/liability	5.940	(5.940)
10- Hedged portion from Euro risk (-)	-	-
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	5.940	(5.940)
13- Jap. Yen net asset/liability	(48)	48
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(48)	48
17- Other currencies net asset/liabilities	-	-
18- Hedged portion from other currency risk (-)	-	-
19- Effect of capitalization (-)	-	-
20- Other curriencies net effect (17+18+19)	-	-
TOTAL (4+8+12+16+20)	**(189.176)**	**189.176**

NOTE 18 – SUBSEQUENT EVENTS

The share held in the Company's capital has become 94.87% after realization of the sales of shares of ISDEMIR with the value of 42,390,615 TL in aggregate at 7.5 TL par value per share (total par value of 5,652,082 TL) on 13 April 2018, formerly traded on Pre-Market Trading Platform, with ISDEMIR's 95.07% share in the capital of the Company. With the change of such share ratio, since the requirements in the BISAS Listing Regulations have met, the shares of ISDEMIR have been started to be traded at Star Market as of 19 April 2018.

NOTE 19 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Convenience translation to English:

As of 31 March 2018, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.