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

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014
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</table>
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2014

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

<table>
<thead>
<tr>
<th>Note</th>
<th>US'000 (*)</th>
<th>TRY'000</th>
<th>US'000 (*)</th>
<th>TRY'000</th>
</tr>
</thead>
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<td><strong>ASSETS</strong></td>
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<td></td>
<td></td>
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<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>3.237.053</td>
<td>7.088.497</td>
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<td>6.008.498</td>
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<tr>
<td>Other Short Term Financial Assets</td>
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<tr>
<td>Trade Receivables</td>
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<td>6.471</td>
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<tr>
<td>Due From Related Parties</td>
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<td>800.515</td>
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<td>Other Trade Receivables</td>
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<td>Other Receivables</td>
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<td>Inventories</td>
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<td>Prepaid Expenses</td>
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<td>Other Current Assets</td>
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<td><strong>Non Current Assets</strong></td>
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<td></td>
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<td></td>
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<td>Other Receivables</td>
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<td>Other Long Term Financial Assets</td>
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<td>Investment Properties</td>
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<td>Property, Plant and Equipment</td>
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<td>Intangible Assets</td>
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<td>Prepaid Expenses</td>
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<td>Deferred Tax Assets</td>
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<td><strong>TOTAL ASSETS</strong></td>
<td>6.985.261</td>
<td>15.296.324</td>
<td>6.575.687</td>
<td>14.034.484</td>
</tr>
</tbody>
</table>

(*) US Dollar amounts represented above have been translated from Turkish Lira (“TL”) for convenience purposes only, at the official TL bid rate announced by the Central Bank of Republic of Turkey (“CBRT”) at 31 March 2014, and therefore do not form part of these interim condensed consolidated financial statements (Note 2.1).
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2014

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

<table>
<thead>
<tr>
<th>Note</th>
<th>LIABILITIES</th>
<th>Unaudited</th>
<th>Current Period</th>
<th>Current Period</th>
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<th>Previous Period</th>
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<tr>
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<td>US'000 (*)</td>
<td>TRY'000</td>
<td>TRY'000</td>
<td>TRY'000</td>
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<td></td>
<td>Current Liabilities</td>
<td>1.770.066</td>
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<td>2.475.406</td>
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<tr>
<td></td>
<td>Financial Liabilities</td>
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<td>385.570</td>
<td>93.055</td>
<td>198.608</td>
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<td>Short Term Portion of Long Term Financial Liabilities</td>
<td>6</td>
<td>176.075</td>
<td>385.570</td>
<td>93.055</td>
<td>198.608</td>
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<tr>
<td></td>
<td>Other Current Financial Liabilities</td>
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<td>5.856</td>
<td>6.832</td>
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<td>Trade Payables</td>
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<td>504.186</td>
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<td>Due to Related Parties</td>
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<td>6.767</td>
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<td>Other Trade Payables</td>
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<td>Other Payables</td>
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<td>401.734</td>
<td>183.775</td>
<td>392.232</td>
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<td>Provisions for Employee Benefits</td>
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<td>401.734</td>
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<td>Deferred Tax Liabilities</td>
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<td>Other Non Current Liabilities</td>
<td>162</td>
<td>355</td>
<td>165</td>
<td>352</td>
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<td>EQUITY</td>
<td>3.910.469</td>
<td>8.563.141</td>
<td>4.079.477</td>
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<td>Equity Attributable to Equity Holders of the Parent</td>
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<td>Share Capital</td>
<td>1.598.319</td>
<td>3.500.000</td>
<td>1.639.882</td>
<td>3.500.000</td>
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<td>Inflation Adjustment to Capital</td>
<td>71.519</td>
<td>156.613</td>
<td>73.379</td>
<td>156.613</td>
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<td>Share Issue Premium</td>
<td>48.610</td>
<td>106.447</td>
<td>49.874</td>
<td>106.447</td>
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<tr>
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<td>Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)</td>
<td>10.981</td>
<td>24.047</td>
<td>10.896</td>
<td>23.255</td>
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<tr>
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<td>Revaluation Reserve of Tangible Assets</td>
<td>(31.275)</td>
<td>(68.485)</td>
<td>(31.303)</td>
<td>(66.809)</td>
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<td>Actuarial (Loss)/ Gain funds</td>
<td>478.760</td>
<td>1.043.305</td>
<td>338.789</td>
<td>835.319</td>
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<td>Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)</td>
<td>(4.623)</td>
<td>(10.124)</td>
<td>(4.371)</td>
<td>(9.344)</td>
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<td>Cash Flow Hedging Reserves</td>
<td>483.383</td>
<td>1.053.429</td>
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<td>844.663</td>
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<td>Foreign Currency Translation Reserves</td>
<td>(281.923)</td>
<td>617.355</td>
<td>234.713</td>
<td>500.949</td>
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<td>Retained Earnings</td>
<td>1.194.678</td>
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<td>1.221.606</td>
<td>2.607.273</td>
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<td>Net Profit for the Period</td>
<td>114.900</td>
<td>251.608</td>
<td>112.463</td>
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<td>Non-Controlling Interests</td>
<td>1.780.066</td>
<td>3.876.094</td>
<td>1.159.820</td>
<td>2.475.406</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TOTAL LIABILITIES AND EQUITY</td>
<td>6.985.261</td>
<td>15.296.324</td>
<td>6.575.687</td>
<td>14.034.484</td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>Note</th>
<th>Operating Income</th>
<th>Previous Period 1 July-31 March 2013 US’000 (*)</th>
<th>Previous Period 1 July-31 March 2013 TRY’000</th>
<th>(Unaudited) Current Period 1 January-31 March 2014 US’000 (*)</th>
<th>(Unaudited) Current Period 1 January-31 March 2014 TRY’000</th>
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</thead>
<tbody>
<tr>
<td>11</td>
<td>Revenue</td>
<td>1,324,414</td>
<td>2,934,637</td>
<td>1,364,344</td>
<td>2,428,942</td>
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<tr>
<td>11</td>
<td>Cost of Sales</td>
<td>(1,052,376)</td>
<td>(2,331,854)</td>
<td>(1,142,871)</td>
<td>(2,034,653)</td>
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<td></td>
<td><strong>GROSS PROFIT</strong></td>
<td><strong>272,038</strong></td>
<td><strong>602,783</strong></td>
<td><strong>221,473</strong></td>
<td><strong>394,289</strong></td>
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<tr>
<td>12</td>
<td>Marketing, Sales and Distribution Expenses</td>
<td>(12,813)</td>
<td>(28,390)</td>
<td>(14,299)</td>
<td>(25,457)</td>
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<tr>
<td>12</td>
<td>General Administrative Expenses</td>
<td>(21,396)</td>
<td>(47,410)</td>
<td>(24,004)</td>
<td>(42,734)</td>
</tr>
<tr>
<td>12</td>
<td>Research and Development Expenses</td>
<td>(627)</td>
<td>(1,389)</td>
<td>(394)</td>
<td>(701)</td>
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<td>12</td>
<td>Other Operating Income</td>
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<td>27,944</td>
<td>16,362</td>
<td>29,130</td>
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<tr>
<td>12</td>
<td>Other Operating Expenses</td>
<td>(10,019)</td>
<td>(22,200)</td>
<td>(9,118)</td>
<td>(16,232)</td>
</tr>
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<td><strong>OPERATING PROFIT</strong></td>
<td><strong>239,794</strong></td>
<td><strong>531,338</strong></td>
<td><strong>190,020</strong></td>
<td><strong>338,295</strong></td>
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<td>28,393</td>
<td>16,665</td>
<td>29,669</td>
</tr>
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<td>13</td>
<td>Finance Expense</td>
<td>(21,232)</td>
<td>(47,790)</td>
<td>(37,774)</td>
<td>(66,827)</td>
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<td><strong>PROFIT BEFORE TAX</strong></td>
<td><strong>231,376</strong></td>
<td><strong>511,941</strong></td>
<td><strong>168,911</strong></td>
<td><strong>301,137</strong></td>
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<tr>
<td>10</td>
<td>Tax Expense</td>
<td>(27,988)</td>
<td>(61,272)</td>
<td>(33,821)</td>
<td>(60,634)</td>
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<tr>
<td></td>
<td>- Current Corporate Tax Expense</td>
<td>(28,674)</td>
<td>(62,791)</td>
<td>(14,873)</td>
<td>(26,901)</td>
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<tr>
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<td>- Deferred Tax Expense</td>
<td>686</td>
<td>1,519</td>
<td>(18,948)</td>
<td>(33,733)</td>
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<td><strong>PROFIT FOR THE PERIOD</strong></td>
<td><strong>203,388</strong></td>
<td><strong>450,669</strong></td>
<td><strong>135,090</strong></td>
<td><strong>240,503</strong></td>
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<tr>
<td></td>
<td>- Non-Controlling Interests</td>
<td>8,255</td>
<td>18,292</td>
<td>6,884</td>
<td>12,255</td>
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<td>- Equity Holders of the Parent</td>
<td>195,133</td>
<td>432,377</td>
<td>128,206</td>
<td>228,248</td>
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<td><strong>EARNINGS PER SHARE</strong></td>
<td><strong>0,1235</strong></td>
<td><strong>0,0652</strong></td>
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<td></td>
</tr>
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</table>

(TRY 1 Nominal value per share)

(*) US Dollar amounts represented above have been translated from Turkish Lira (“TL”) for convenience purposes only, at the official TL bid rate announced by the Central Bank of Republic of Turkey (“CBRT”) at 31 March 2014, and therefore do not form part of these interim condensed consolidated financial statements (Note 2.1).
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

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

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

<table>
<thead>
<tr>
<th></th>
<th>(Unaudited) Current Period</th>
<th>(Unaudited) Previous Period</th>
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</thead>
<tbody>
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<td>1 January-31 March 2014 US’000 (*)</td>
<td>1 January-31 March 2013 US’000 (*)</td>
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<td>TRY’000</td>
<td>TRY’000</td>
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<tr>
<td>PROFIT FOR THE PERIOD</td>
<td>203.388</td>
<td>450.669</td>
</tr>
<tr>
<td>OTHER COMPREHENSIVE INCOME/(EXPENSE):</td>
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</tr>
<tr>
<td>Not to be reclassified subsequently to profit or loss</td>
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<tr>
<td>Change in Revaluation Reserve of Tangible Assets</td>
<td>357</td>
<td>792</td>
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<tr>
<td>Change in Actuarial (Loss)/Gain</td>
<td>(1.658)</td>
<td>(3.674)</td>
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<td>Tax Effect of Changes in Actuarial (Loss)/Gain</td>
<td>332</td>
<td>734</td>
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<td>To be reclassified subsequently to profit or loss</td>
<td></td>
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</tr>
<tr>
<td>Change in Cash Flow Hedging Reserves</td>
<td>(460)</td>
<td>(1.020)</td>
</tr>
<tr>
<td>Tax Effect of Change in Cash Flow Hedging Reserves</td>
<td>92</td>
<td>203</td>
</tr>
<tr>
<td>Change in Foreign Currency Translation Reserves</td>
<td>97.118</td>
<td>215.193</td>
</tr>
<tr>
<td>OTHER COMPREHENSIVE INCOME/EXPENSE FOR THE PERIOD (AFTER TAX)</td>
<td>95.781</td>
<td>212.228</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</td>
<td>299.169</td>
<td>662.897</td>
</tr>
</tbody>
</table>

Distribution of Total Comprehensive Income
- Non-controlling Interests | 10.569 | 23.418 | 6.800 | 12.106
- Equity Holders of the Parent | 288.600 | 639.479 | 127.262 | 226.568

(*) US Dollar amounts represented above have been translated from Turkish Lira (“TL”) for convenience purposes only, at the official TL bid rate announced by the Central Bank of Republic of Turkey (“CBRT”) at 31 March 2014, and therefore do not form part of these interim condensed consolidated financial statements (Note 2.1)
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

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

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

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

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>Inflation Adjustment to Capital</th>
<th>Treasury Shares (-)</th>
<th>Share Issuance Premium</th>
<th>Revaluation Reserve of Tangible Assets</th>
<th>Actuarial loss (gain) funds</th>
<th>Cash Flow Hedging Reserves</th>
<th>Foreign Currency Translation Reserves</th>
<th>Restricted Reserves</th>
<th>Retained Earnings And Net Profit</th>
<th>Equity Attributable to the Parent</th>
<th>Non-controlling Interests</th>
<th>Total Shareholders’ Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2014</td>
<td>3,500,000</td>
<td>156,613</td>
<td>(116,232)</td>
<td>106,447</td>
<td>23,255</td>
<td>(66,809)</td>
<td>(9,544)</td>
<td>844,663</td>
<td>500,949</td>
<td>3,527,247</td>
<td>8,466,789</td>
<td>8,706,819</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,527,377</td>
<td>18,292</td>
</tr>
<tr>
<td>Other comprehensive income/ (loss)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>792</td>
<td>(1,678)</td>
<td>(780)</td>
<td>208,766</td>
<td>-</td>
<td>-</td>
<td>4,527,377</td>
<td>5,126</td>
<td>450,669</td>
</tr>
<tr>
<td>Total comprehensive income/ (loss)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>792</td>
<td>(1,678)</td>
<td>(780)</td>
<td>208,766</td>
<td>-</td>
<td>-</td>
<td>4,527,377</td>
<td>(792)</td>
<td>212,228</td>
</tr>
<tr>
<td>Dividends payable (*)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(792)</td>
<td>212,228</td>
<td>212,228</td>
</tr>
<tr>
<td>Transfers from retained earnings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(792)</td>
<td>212,228</td>
<td>212,228</td>
</tr>
<tr>
<td>31 March 2014</td>
<td>3,500,000</td>
<td>156,613</td>
<td>(116,232)</td>
<td>106,447</td>
<td>24,047</td>
<td>500,949</td>
<td>3,527,247</td>
<td>8,466,789</td>
<td>240,030</td>
<td>8,706,819</td>
<td>8,706,819</td>
<td>8,706,819</td>
</tr>
</tbody>
</table>

(*) Annual General Assembly dated 31 March 2014, dividend distribution (gross dividend per share: TRY 0,2343 (2013: TRY 0,03429)) amounting to TRY 820,000 thousand (29 March 2013: TRY 120,000 thousand) from 2013 net profit was approved. As the Company holds 3,08% of its shares with a nominal value of TRY 1 as of 31 March 2014, dividends for treasury shares are netted off under dividends paid. The dividend payment will be complete at 26 May 2014.
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

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

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

<table>
<thead>
<tr>
<th>Note</th>
<th>Current Period</th>
<th>(Unaudited)</th>
<th>Previous Period</th>
<th>(Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US’000 (*)</td>
<td>TRY’000</td>
<td>US’000 (*)</td>
<td>TRY’000</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax and non-controlling interests</td>
<td>231,376</td>
<td>511,941</td>
<td>168,911</td>
<td>301,137</td>
</tr>
<tr>
<td>Adjustments to reconcile net profit before tax to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>11/12</td>
<td>47,123</td>
<td>104,416</td>
<td>58,604</td>
</tr>
<tr>
<td>Provision for employee termination benefits</td>
<td></td>
<td>5,978</td>
<td>13,247</td>
<td>6,292</td>
</tr>
<tr>
<td>Provision for seniority incentive premium</td>
<td></td>
<td>408</td>
<td>903</td>
<td>537</td>
</tr>
<tr>
<td>(Gain)/ loss on sale of property plant and equipment</td>
<td>12 (253)</td>
<td>(560)</td>
<td>(322)</td>
<td>(573)</td>
</tr>
<tr>
<td>Loss on write off of property plant and equipment</td>
<td>12</td>
<td>5</td>
<td>11</td>
<td>305</td>
</tr>
<tr>
<td>Increase in provision for doubtful receivables</td>
<td></td>
<td>301</td>
<td>666</td>
<td>480</td>
</tr>
<tr>
<td>Decrease in the allowance for inventories</td>
<td>4 (434)</td>
<td>(961)</td>
<td>(1,228)</td>
<td>(2,186)</td>
</tr>
<tr>
<td>Increase (decrease) in provision for unpaid vacations</td>
<td>8</td>
<td>673</td>
<td>1,491</td>
<td>(52)</td>
</tr>
<tr>
<td>Increase in provision for pending claims and lawsuits</td>
<td>8</td>
<td>2,007</td>
<td>4,448</td>
<td>8,574</td>
</tr>
<tr>
<td>Increase in penalty provision for obligatory employment shortage of disabled people</td>
<td>8</td>
<td>135</td>
<td>300</td>
<td>169</td>
</tr>
<tr>
<td>Increase in provision for state right on mining activities</td>
<td>8</td>
<td>314</td>
<td>695</td>
<td>381</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>13</td>
<td>17,863</td>
<td>39,580</td>
<td>31,862</td>
</tr>
<tr>
<td>Interest income</td>
<td>13 (5,037)</td>
<td>(11,161)</td>
<td>(11,239)</td>
<td>(20,009)</td>
</tr>
<tr>
<td>Interest income from overdue sales</td>
<td>12 (5,044)</td>
<td>(11,177)</td>
<td>(6,716)</td>
<td>(11,956)</td>
</tr>
<tr>
<td>Unrealized foreign currency (gain) of financial liabilities</td>
<td>341</td>
<td>756</td>
<td>118,13</td>
<td>19,909</td>
</tr>
<tr>
<td>Loss/(gain) on fair value changes of derivative financial instruments</td>
<td>(4,257)</td>
<td>(9,432)</td>
<td>(5,426)</td>
<td>(9,660)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities before changes in working capital</strong></td>
<td>291,499</td>
<td>645,163</td>
<td>262,315</td>
<td>467,430</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>16</td>
<td>166,717</td>
<td>365,077</td>
<td>81,783</td>
</tr>
<tr>
<td>Interest income from overdue sales collected</td>
<td>6,335</td>
<td>14,036</td>
<td>2,042</td>
<td>3,636</td>
</tr>
<tr>
<td>Lawsuits paid</td>
<td>8 (1,052)</td>
<td>(2,332)</td>
<td>(1,504)</td>
<td>(2,677)</td>
</tr>
<tr>
<td>Penalty paid for the employment shortage of disabled people</td>
<td>8 (403)</td>
<td>(892)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate tax paid</td>
<td>10 (21,420)</td>
<td>(47,462)</td>
<td>(8,258)</td>
<td>(14,702)</td>
</tr>
<tr>
<td>Employee termination benefits paid</td>
<td>(2,240)</td>
<td>(4,963)</td>
<td>(5,066)</td>
<td>(9,020)</td>
</tr>
<tr>
<td>Unused vacation paid</td>
<td>(556)</td>
<td>(1,231)</td>
<td>(821)</td>
<td>(1,462)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>438,800</td>
<td>967,396</td>
<td>330,491</td>
<td>588,806</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in financial investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments for investment property</td>
<td>(681)</td>
<td>(1,508)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash used in the purchase of tangible assets</td>
<td>5 (34,832)</td>
<td>(77,180)</td>
<td>(32,383)</td>
<td>(57,653)</td>
</tr>
<tr>
<td>Cash used in the purchase of intangible assets</td>
<td>5 (458)</td>
<td>(1,014)</td>
<td>(491)</td>
<td>(874)</td>
</tr>
<tr>
<td>Cash provided by sales of tangible assets</td>
<td>2,978</td>
<td>6,599</td>
<td>2,580</td>
<td>4,593</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(32,993)</td>
<td>(73,103)</td>
<td>(30,298)</td>
<td>(53,942)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New borrowings</td>
<td>349,884</td>
<td>766,176</td>
<td>935,318</td>
<td>1,665,172</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(142,520)</td>
<td>(312,090)</td>
<td>(1,124,858)</td>
<td>(2,002,615)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(9,768)</td>
<td>(21,645)</td>
<td>(24,459)</td>
<td>(43,545)</td>
</tr>
<tr>
<td>Interest received on bank deposits</td>
<td>4,130</td>
<td>9,151</td>
<td>10,095</td>
<td>17,973</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>(5,343)</td>
<td>(11,840)</td>
<td>(9,797)</td>
<td>(17,442)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>196,383</td>
<td>429,752</td>
<td>(213,701)</td>
<td>(380,457)</td>
</tr>
<tr>
<td><strong>NET CHANGES IN CASH AND CASH EQUIVALENTS</strong></td>
<td>602,270</td>
<td>1,324,045</td>
<td>86,492</td>
<td>154,407</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</strong></td>
<td>355,997</td>
<td>759,804</td>
<td>1,025,299</td>
<td>1,827,498</td>
</tr>
<tr>
<td>Currency translation difference, net</td>
<td>5,390</td>
<td>26,367</td>
<td>(15,838)</td>
<td>145</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</strong></td>
<td>963,657</td>
<td>2,110,216</td>
<td>1,095,953</td>
<td>1,982,250</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD INCLUDING ACCRUED INTEREST INCOME</strong></td>
<td>965,172</td>
<td>2,113,533</td>
<td>1,097,673</td>
<td>1,985,361</td>
</tr>
</tbody>
</table>

(*) US Dollar amounts represented above have been translated from Turkish Lira (“TL”) for convenience purposes only, at the official TL bid rate announced by the Central Bank of Republic of Turkey (“CBRT”) at 31 March 2014, and therefore do not form part of these interim condensed consolidated financial statements (Note 2.1).
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts are expressed as Turkish Lira (“TRY”) 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, respectively.

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

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

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

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

<table>
<thead>
<tr>
<th>Name of the Company</th>
<th>Country of Operation</th>
<th>Operation</th>
<th>2014 Share %</th>
<th>2013 Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>İskenderun Demir ve Çelik A.Ş. (“ISDEMIR”)</td>
<td>Turkey</td>
<td>Iron and Steel</td>
<td>95.07</td>
<td>95.07</td>
</tr>
<tr>
<td>Erdemir Madencilik San. ve Tic. A.Ş.</td>
<td>Turkey</td>
<td>Iron Ore and Pellet</td>
<td>90.00</td>
<td>90.00</td>
</tr>
<tr>
<td>Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.</td>
<td>Turkey</td>
<td>Iron and Steel</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Erenco Erdemir Müh. Yük. ve Dan. Hiz. A.Ş.</td>
<td>Turkey</td>
<td>Management and Consultancy</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Erdemir Romania S.R.L.</td>
<td>Romania</td>
<td>Iron and Steel</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

The registered address of the Company is Merdivenköy Yolu Cad. No: 2, 34750 Küçükçekmeceli/İSTANBUL.
NOTE 1 – GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (cont’d)

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

<table>
<thead>
<tr>
<th>Personnel Type</th>
<th>31-Mar-2014</th>
<th>31-Dec-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid Hourly Personnel</td>
<td>4.608</td>
<td>4.612</td>
</tr>
<tr>
<td>Paid Monthly Personnel</td>
<td>1.805</td>
<td>1.824</td>
</tr>
<tr>
<td>Total Personnel</td>
<td>6.413</td>
<td>6.436</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personnel Type</th>
<th>31-Mar-2014</th>
<th>31-Dec-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid Hourly Personnel</td>
<td>4.247</td>
<td>4.271</td>
</tr>
<tr>
<td>Paid Monthly Personnel</td>
<td>1.248</td>
<td>1.255</td>
</tr>
<tr>
<td>Total Personnel</td>
<td>5.495</td>
<td>5.526</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personnel Type</th>
<th>31-Mar-2014</th>
<th>31-Dec-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid Hourly Personnel</td>
<td>123</td>
<td>123</td>
</tr>
<tr>
<td>Paid Monthly Personnel</td>
<td>147</td>
<td>148</td>
</tr>
<tr>
<td>Total Personnel</td>
<td>270</td>
<td>271</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personnel Type</th>
<th>31-Mar-2014</th>
<th>31-Dec-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid Hourly Personnel</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>Paid Monthly Personnel</td>
<td>94</td>
<td>95</td>
</tr>
<tr>
<td>Total Personnel</td>
<td>137</td>
<td>138</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personnel Type</th>
<th>31-Mar-2014</th>
<th>31-Dec-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid Hourly Personnel</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Paid Monthly Personnel</td>
<td>156</td>
<td>160</td>
</tr>
<tr>
<td>Total Personnel</td>
<td>156</td>
<td>160</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personnel Type</th>
<th>31-Mar-2014</th>
<th>31-Dec-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid Hourly Personnel</td>
<td>218</td>
<td>218</td>
</tr>
<tr>
<td>Paid Monthly Personnel</td>
<td>51</td>
<td>52</td>
</tr>
<tr>
<td>Total Personnel</td>
<td>269</td>
<td>270</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personnel Type</th>
<th>31-Mar-2014</th>
<th>31-Dec-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid Hourly Personnel</td>
<td>9.239</td>
<td>9.267</td>
</tr>
<tr>
<td>Paid Monthly Personnel</td>
<td>3.501</td>
<td>3.534</td>
</tr>
<tr>
<td>Total Personnel</td>
<td>12.740</td>
<td>12.801</td>
</tr>
</tbody>
</table>

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

The Group’s consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) (hereinafter will be referred to as “the CMB Accounting Standards”) on 13 June 2013 which is published on Official Gazette numbered 28676. The financial statements are prepared on cost basis, except the derivative financial instruments and iron ore and silicon steel used in the production of fixed assets carried on fair value measured at business at acquisition date (Note 5 and Note 7).

In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and its interpretations issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”).
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2014

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

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

2.1 Basis of Presentation (cont’d)

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

Functional and Reporting Currency

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

Presentation currency translation

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

a) For the purpose of presenting consolidated financial statements, the assets and liabilities are translated from USD Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 2,1898=US $ 1 and TRY 3,0072=EUR 1 on the balance sheet date (31 December 2013: TRY 2,1343= US $ 1, TRY 2,9365=EUR 1).

b) For the interim period 31 March 2014, income statements are translated from the average TRY 2,2158=US $ 1 and TRY 3,0356=EUR 1 rates of 2014 January-March period.

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

d) Presentation currency translation difference that occurs due to the items of shareholders’ equity of the Company in the statutory accounts is recognised as translation differences under equity.

USD amounts presented in the financial statements

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

Going concern

The Group prepared consolidated financial statements in accordance with the going concern assumption.
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts are expressed as Turkish Lira (“TRY”) 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 consolidated financial statements have been approved and authorized to be published on 24 April 2014 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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

The Group’s consolidated financial statements are presented in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”). The Group’s consolidated financial statements are prepared in comparison with the previous period in order to allow for the determination of the financial position and performance trends in accordance with a new illustrative financial statements and guidance that has been effective from the interim periods ended after 31 March 2013.

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

<table>
<thead>
<tr>
<th>Account</th>
<th>(Previously Reported)</th>
<th>(Restated)</th>
<th>(Difference)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 January - 31 March 2013</td>
<td>1 January - 31 March 2013</td>
<td>1 January - 31 March 2013</td>
</tr>
<tr>
<td></td>
<td>31 March 2013</td>
<td>31 March 2013</td>
<td>31 March 2013</td>
</tr>
<tr>
<td>Other Operating Income (1)(2)</td>
<td>10,911</td>
<td>29,130</td>
<td>18,219</td>
</tr>
<tr>
<td>Financial Income (1)(2)(3)(4)</td>
<td>63,224</td>
<td>29,669</td>
<td>(33,555)</td>
</tr>
<tr>
<td>Financial Expense (-)(3)(4)</td>
<td>(82,163)</td>
<td>(66,827)</td>
<td>15,336</td>
</tr>
</tbody>
</table>

(1) Foreign exchange income from trade receivables and payables (net) TRY 6,263 thousand which was reported in “Financial Income” is reclassified to “Other Operating Income” in consolidated income statement as of 31 March 2013.

(2) Interest income from overdue sales TRY 11,956 thousand which was reported in “Financial Income” is reclassified to “Other Operating Income” in consolidated income statement as of 31 March 2013.

(3) Foreign exchange gain from bank deposits (net) TRY 14,056 thousand which was reported in “Financial Income” offsets with “Foreign exchange gain (net)” in “Financial Expenses” in consolidated income statement as of 31 March 2013.

(4) Foreign exchange gain from non-trade operations (net) TRY 1,280 thousand which was reported in “Financial Income” offsets with “Foreign exchange gain (net)” in “Financial Expenses” in consolidated income statement as of 31 March 2013.

2.3 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in the preparation of the consolidated financial statements as at 31 March 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2014 summarized below.
NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

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

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

- TRFS Interpretation 21 Levies
- Amendments to TAS 36 - (Recoverable Amount Disclosures for Non-Financial assets)
- Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting
- TFRS 10 Consolidated Financial Statements (Amendment)

Standards issued but not yet effective and not early adopted

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

- TFRS 9 Financial Instruments – Classification and measurement

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

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


Improvements to IFRSs:

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

Annual Improvements to IFRSs – 2010–2012 Cycle

- IFRS 2 Share-based Payment:
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2014

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

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

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

Improvements to IFRSs (cont’d):

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

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

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

2.4 Summary of Significant Accounting Policies

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

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

2.5 Segment Reporting

The operations of the Group in İskenderun and Ereğli have been defined as geographical segments. However, the segments with similar economic characteristics have been combined into a single operating segment considering the nature of the products and the production processes, methods to allocate the products and the type of customers or to provide services.
NOTE 3 –RELATED PARTY DISCLOSURES

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

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

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Due from related parties (short term)</th>
<th>31 March</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Oyak Renault Otomobil Fab. A.Ş. (2)</td>
<td>30.187</td>
<td>27.443</td>
<td></td>
</tr>
<tr>
<td>Bolu Çimento Sanayi A.Ş. (1)</td>
<td>5.268</td>
<td>4.263</td>
<td></td>
</tr>
<tr>
<td>Adana Çimento Sanayi T.A.Ş. (1)</td>
<td>4.980</td>
<td>4.689</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>811</td>
<td>299</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>41.246</td>
<td>36.694</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Due to related parties (short term)</th>
<th>31 March</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Omsan Lojistik A.Ş. (1)</td>
<td>2.894</td>
<td>2.531</td>
<td></td>
</tr>
<tr>
<td>Omsan Denizcilik A.Ş. (1)</td>
<td>2.743</td>
<td>2.469</td>
<td></td>
</tr>
<tr>
<td>Oyak Pazarlama Hizmet ve Turizm A.Ş. (1)</td>
<td>1.772</td>
<td>2.894</td>
<td></td>
</tr>
<tr>
<td>Oyak Savunma ve Güvenlik Sistemleri A.Ş. (1)</td>
<td>1.871</td>
<td>2.263</td>
<td></td>
</tr>
<tr>
<td>Omsan Logistica SRL (1)</td>
<td>422</td>
<td>479</td>
<td></td>
</tr>
<tr>
<td>Oyak Teknoloji Bilişim ve Kart Hizmetleri (1)</td>
<td>263</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>OYAK yatırımcı Menkul Değerler A.Ş. (1)</td>
<td>-</td>
<td>2.141</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1.654</td>
<td>1.648</td>
<td></td>
</tr>
<tr>
<td></td>
<td>11.619</td>
<td>14.443</td>
<td></td>
</tr>
</tbody>
</table>

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

(1) Subsidiaries of the parent company
(2) Joint venture
NOTE 3 – RELATED PARTY DISCLOSURES (cont’d)

<table>
<thead>
<tr>
<th>Major sales to related parties</th>
<th>1 January – 31 March 2014</th>
<th>1 January – 31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oyak Renault Otomobil Fab. A.Ş. (2)</td>
<td>30,178</td>
<td>25,111</td>
</tr>
<tr>
<td>Adana Çimento Sanayi T.A.Ş. (1)</td>
<td>4,994</td>
<td>3,357</td>
</tr>
<tr>
<td>Bolu Çimento Sanayi A.Ş. (1)</td>
<td>4,440</td>
<td>2,215</td>
</tr>
<tr>
<td>Askla Çimento A.Ş. (1)</td>
<td>1,025</td>
<td>-</td>
</tr>
<tr>
<td>Ünye Çimento Sanayi ve Ticaret A.Ş. (1)</td>
<td>191</td>
<td>-</td>
</tr>
<tr>
<td>Mardin Çimento Sanayi ve Ticaret A.Ş. (1)</td>
<td>320</td>
<td>77</td>
</tr>
<tr>
<td>Oyka Kağıt Ambalaj Sanayi ve Ticaret A.Ş. (1)</td>
<td>-</td>
<td>28</td>
</tr>
<tr>
<td>Summation</td>
<td>41,148</td>
<td>30,788</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Major purchases from related parties</th>
<th>1 January – 31 March 2014</th>
<th>1 January – 31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omsan Denizcilik A.Ş. (1)</td>
<td>19,131</td>
<td>9,824</td>
</tr>
<tr>
<td>Oyak Pazarlama Hizmet ve Turizm A.Ş. (1)</td>
<td>5,813</td>
<td>3,651</td>
</tr>
<tr>
<td>Omsan Lojistik A.Ş. (1)</td>
<td>8,303</td>
<td>4,556</td>
</tr>
<tr>
<td>Oyak Savunma ve Güvenlik Sistemleri A.Ş. (1)</td>
<td>6,192</td>
<td>516</td>
</tr>
<tr>
<td>Omsan Logistica SRL (1)</td>
<td>1,761</td>
<td>1,879</td>
</tr>
<tr>
<td>Oyak Teknoloji Bilişim ve Kart Hizmetleri A.Ş. (1)</td>
<td>2,666</td>
<td>1,804</td>
</tr>
<tr>
<td>Oyak Genel Müdürlüğü</td>
<td>76</td>
<td>3</td>
</tr>
<tr>
<td>Omsan Havacılık A.Ş. (1)</td>
<td>101</td>
<td>81</td>
</tr>
<tr>
<td>Other</td>
<td>184</td>
<td>182</td>
</tr>
<tr>
<td>Summation</td>
<td>44,227</td>
<td>22,496</td>
</tr>
</tbody>
</table>

(1) Subsidiaries of the parent company

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

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

The period end balances are non-secured, interest free and their collections will be done in cash. As of 31 March 2014, the Group provides no provision for the receivables from related parties (31 December 2013: None).
NOTE 3 – RELATED PARTY DISCLOSURES (cont’d)

Salaries, bonuses and other benefits of the key management

For the three months period ended 31 March 2014, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 3.133 thousand (31 March 2013: TRY 2.455 thousand).

NOTE 4 – INVENTORIES

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>792,046</td>
<td>770,493</td>
</tr>
<tr>
<td>Work in progress</td>
<td>645,504</td>
<td>586,384</td>
</tr>
<tr>
<td>Finished goods</td>
<td>825,599</td>
<td>907,440</td>
</tr>
<tr>
<td>Spare parts</td>
<td>453,890</td>
<td>447,941</td>
</tr>
<tr>
<td>Goods in transit</td>
<td>365,093</td>
<td>553,101</td>
</tr>
<tr>
<td>Other inventories</td>
<td>193,384</td>
<td>206,467</td>
</tr>
<tr>
<td>Allowance for impairment on inventories (-)</td>
<td>(90,122)</td>
<td>(88,739)</td>
</tr>
<tr>
<td></td>
<td>3,186,254</td>
<td>3,383,087</td>
</tr>
</tbody>
</table>

The movement of the allowance for impairment on inventories:

<table>
<thead>
<tr>
<th></th>
<th>1 January –</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>88,739</td>
</tr>
<tr>
<td>Provision for the period (Note 11)</td>
<td>3,625</td>
</tr>
<tr>
<td>Provision released (-) (Note 11)</td>
<td>(4,586)</td>
</tr>
<tr>
<td>Translation difference</td>
<td>2,344</td>
</tr>
<tr>
<td>Closing balance</td>
<td>90,122</td>
</tr>
</tbody>
</table>

The Group has provided an allowance for the impairment on the inventories of finished goods, work in progress and raw materials in the cases when their net realizable values are lower than their costs or when they are classified as slow moving inventories. The provision released has been recognized under cost of sales (Note 11).
NOTE 5 – TANGIBLE AND INTANGIBLE ASSETS

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

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as of 1 January 2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>17,487,681</td>
<td>15,568,259</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(9,814,125)</td>
<td>(8,570,361)</td>
</tr>
<tr>
<td>Net book value</td>
<td>7,673,556</td>
<td>6,997,898</td>
</tr>
</tbody>
</table>

Net book value at the beginning of the period

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions (*)</td>
<td>77,180</td>
<td>57,732</td>
</tr>
<tr>
<td>Disposals (-)</td>
<td>(6,050)</td>
<td>(4,494)</td>
</tr>
<tr>
<td>Transfers (**)</td>
<td>(652)</td>
<td>(125)</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>204,603</td>
<td>(441)</td>
</tr>
<tr>
<td>Current period depreciation (-)</td>
<td>(104,660)</td>
<td>(89,523)</td>
</tr>
<tr>
<td>Net book value at the end of the period</td>
<td>7,843,977</td>
<td>6,961,047</td>
</tr>
</tbody>
</table>

As of 31 March

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>17,993,708</td>
<td>15,613,685</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(10,149,731)</td>
<td>(8,652,638)</td>
</tr>
<tr>
<td>Net book value</td>
<td>7,843,977</td>
<td>6,961,047</td>
</tr>
</tbody>
</table>

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

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

As of 31 March 2014, the Group has no collaterals or pledges upon its tangible assets (31 March 2013: None).
NOTE 5 – TANGIBLE AND INTANGIBLE ASSETS (cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as of 1 January 2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>319.317</td>
<td>284.599</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(160.167)</td>
<td>(131.688)</td>
</tr>
<tr>
<td>Net book value</td>
<td>159.150</td>
<td>152.911</td>
</tr>
<tr>
<td>Net book value at the beginning of the period</td>
<td>159.150</td>
<td>152.911</td>
</tr>
<tr>
<td>Additions (*)</td>
<td>1.014</td>
<td>873</td>
</tr>
<tr>
<td>Disposals (-)</td>
<td>-</td>
<td>(69)</td>
</tr>
<tr>
<td>Transfers (***)</td>
<td>652</td>
<td>125</td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>3.267</td>
<td>-</td>
</tr>
<tr>
<td>Current period depreciation (-)</td>
<td>(5.035)</td>
<td>(4.810)</td>
</tr>
<tr>
<td>Net book value at the end of the period</td>
<td>159.048</td>
<td>149.030</td>
</tr>
</tbody>
</table>

As of 31 March

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>326.843</td>
<td>285.507</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(167.795)</td>
<td>(136.477)</td>
</tr>
<tr>
<td>Net book value</td>
<td>159.048</td>
<td>149.030</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associated with cost of production</td>
<td>103.061</td>
<td>90.340</td>
</tr>
<tr>
<td>General administrative expenses</td>
<td>3.169</td>
<td>1.605</td>
</tr>
<tr>
<td>Marketing, sales and distribution expenses</td>
<td>3.465</td>
<td>2.388</td>
</tr>
<tr>
<td></td>
<td>109.695</td>
<td>94.333</td>
</tr>
</tbody>
</table>
NOTE 6 – FINANCIAL LIABILITIES

Breakdown of financial liabilities is as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term financial liabilities</td>
<td>385,570</td>
<td>198,608</td>
</tr>
<tr>
<td>Current portion of long term financial liabilities</td>
<td>1,514,802</td>
<td>1,275,113</td>
</tr>
<tr>
<td>Corporate bonds issued (*)</td>
<td>200,837</td>
<td>6,075</td>
</tr>
<tr>
<td><strong>Total short term financial liabilities</strong></td>
<td><strong>2,101,209</strong></td>
<td><strong>1,479,796</strong></td>
</tr>
<tr>
<td>Long term financial liabilities</td>
<td>1,953,578</td>
<td>1,820,381</td>
</tr>
<tr>
<td>Corporate bonds issued (*)</td>
<td>-</td>
<td>199,902</td>
</tr>
<tr>
<td><strong>Total long term financial liabilities</strong></td>
<td><strong>1,953,578</strong></td>
<td><strong>2,020,283</strong></td>
</tr>
<tr>
<td><strong>4,054,787</strong></td>
<td><strong>3,500,079</strong></td>
<td></td>
</tr>
</tbody>
</table>

(*) As of 13 March 2013, completed sales of the Group is the total nominal value of TRY 200,000 thousand floating rate bond issue with 6-months coupon payments, principal payment at the maturity date of 11 March 2015 and 150 basis points added to the benchmark interest payments that is determined at coupon payment dates.

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

<table>
<thead>
<tr>
<th>Interest Type</th>
<th>Type of Currency</th>
<th>Weighted Average Rate of Interest (%)</th>
<th>Short Term Portion</th>
<th>Long Term Portion</th>
<th>31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>No interest</td>
<td>TRY</td>
<td>-</td>
<td>31.597</td>
<td>-</td>
<td>31,597</td>
</tr>
<tr>
<td>Fixed</td>
<td>TRY</td>
<td>9.65</td>
<td>298,996</td>
<td>249,443</td>
<td>548,439</td>
</tr>
<tr>
<td>Fixed</td>
<td>US Dollars</td>
<td>2.81</td>
<td>67,654</td>
<td>49,877</td>
<td>117,531</td>
</tr>
<tr>
<td>Fixed</td>
<td>EURO</td>
<td>5.50</td>
<td>1,025</td>
<td>3,507</td>
<td>4,532</td>
</tr>
<tr>
<td>Floating</td>
<td>TRY</td>
<td>Trilbor+1,50</td>
<td>200,837</td>
<td>-</td>
<td>200,837</td>
</tr>
<tr>
<td>Floating</td>
<td>US Dollars</td>
<td>Libor+2,30</td>
<td>1,351,462</td>
<td>1,279,618</td>
<td>2,631,080</td>
</tr>
<tr>
<td>Floating</td>
<td>EURO</td>
<td>Euribor+0,33</td>
<td>120,593</td>
<td>295,401</td>
<td>415,994</td>
</tr>
<tr>
<td>Floating</td>
<td>Jap. Yen</td>
<td>JPY Libor+0,22</td>
<td>29,045</td>
<td>75,732</td>
<td>104,777</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>2,101,209</strong></td>
<td><strong>1,953,578</strong></td>
<td><strong>4,054,787</strong></td>
</tr>
</tbody>
</table>

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)
NOTE 5 – FINANCIAL LIABILITIES (cont’d)

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

<table>
<thead>
<tr>
<th>Interest Type</th>
<th>Type of Currency</th>
<th>Average Rate of Interest (%)</th>
<th>Weighted Average Rate of Interest (%)</th>
<th>Short Term Portion</th>
<th>Long Term Portion</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>No interest</td>
<td>TRY</td>
<td>-</td>
<td>61.487</td>
<td>-</td>
<td>61.487</td>
<td></td>
</tr>
<tr>
<td>Fixed</td>
<td>TRY</td>
<td>8.57</td>
<td>231.995</td>
<td>290.925</td>
<td>522.920</td>
<td></td>
</tr>
<tr>
<td>Fixed</td>
<td>US Dollars</td>
<td>1.96</td>
<td>62.618</td>
<td>41.281</td>
<td>103.899</td>
<td></td>
</tr>
<tr>
<td>Fixed</td>
<td>EURO</td>
<td>5.50</td>
<td>628</td>
<td>3.859</td>
<td>4.487</td>
<td></td>
</tr>
<tr>
<td>Floating</td>
<td>TRY</td>
<td>Trilbor+1.50</td>
<td>6.075</td>
<td>199.902</td>
<td>205.977</td>
<td></td>
</tr>
<tr>
<td>Floating</td>
<td>US Dollars</td>
<td>Libor+2.52</td>
<td>974.459</td>
<td>1.118.262</td>
<td>2.092.721</td>
<td></td>
</tr>
<tr>
<td>Floating</td>
<td>EURO</td>
<td>Euribor+0.33</td>
<td>114.956</td>
<td>295.301</td>
<td>410.257</td>
<td></td>
</tr>
<tr>
<td>Floating</td>
<td>Jap. Yen</td>
<td>JPY Libor+0.22</td>
<td>27.578</td>
<td>70.753</td>
<td>98.331</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Type of Currency</th>
<th>Fixed rate of interest (%)</th>
<th>Short Term Portion</th>
<th>Long Term Portion</th>
<th>31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Dollars</td>
<td>2.38</td>
<td>29.996</td>
<td>15.317</td>
<td>45.313</td>
</tr>
<tr>
<td>US Dollars</td>
<td>4.18</td>
<td>27.465</td>
<td>9.446</td>
<td>36.911</td>
</tr>
<tr>
<td>US Dollars</td>
<td>3.29</td>
<td>15.959</td>
<td>21.990</td>
<td>37.949</td>
</tr>
<tr>
<td>US Dollars</td>
<td>1.09</td>
<td>30.175</td>
<td>15.332</td>
<td>45.507</td>
</tr>
<tr>
<td>US Dollars</td>
<td>4.46</td>
<td>15.654</td>
<td>45.389</td>
<td>61.043</td>
</tr>
<tr>
<td>US Dollars</td>
<td>1.68</td>
<td>3.106</td>
<td>4.543</td>
<td>7.649</td>
</tr>
<tr>
<td>US Dollars</td>
<td>2.01</td>
<td>9.306</td>
<td>-</td>
<td>9.306</td>
</tr>
<tr>
<td>US Dollars</td>
<td>4.15</td>
<td>40.785</td>
<td>99.041</td>
<td>139.826</td>
</tr>
<tr>
<td>EURO</td>
<td>2.18</td>
<td>7.375</td>
<td>7.270</td>
<td>14.645</td>
</tr>
<tr>
<td>EURO</td>
<td>1.82</td>
<td>62.479</td>
<td>-</td>
<td>62.479</td>
</tr>
<tr>
<td>EURO</td>
<td>1.75</td>
<td>40.587</td>
<td>-</td>
<td>40.587</td>
</tr>
<tr>
<td>EURO</td>
<td>1.79</td>
<td>1.526</td>
<td>755</td>
<td>2.281</td>
</tr>
<tr>
<td>EURO</td>
<td>1.80</td>
<td>3.499</td>
<td>10.464</td>
<td>13.963</td>
</tr>
<tr>
<td>EURO</td>
<td>4.43</td>
<td>2.829</td>
<td>8.201</td>
<td>11.030</td>
</tr>
<tr>
<td>EURO</td>
<td>2.29</td>
<td>7.680</td>
<td>11.206</td>
<td>18.886</td>
</tr>
<tr>
<td>EURO</td>
<td>1.66</td>
<td>1.894</td>
<td>2.858</td>
<td>4.752</td>
</tr>
<tr>
<td>US Dollars (*)</td>
<td>7.30</td>
<td>10.389</td>
<td>29.869</td>
<td>40.258</td>
</tr>
<tr>
<td>EURO (**)</td>
<td>10.65</td>
<td>44.773</td>
<td>113.646</td>
<td>158.419</td>
</tr>
<tr>
<td>Turkish Lira (*** )</td>
<td>0.92</td>
<td>25.432</td>
<td>30.479</td>
<td>55.911</td>
</tr>
</tbody>
</table>

(*) The loan amount USD 15,422 thousand will be paid till the maturity date with the floating rates by using 7.30% fixed rate and 1.4560 exchange rate (out of total loan amount USD 51,188 thousand). The maturity of the cross currency swap contract is 2 April 2018. The loan amount USD 15,422 thousand, TRY equivalent TRY 22,454 thousand, will be paid till the maturity of the cross currency swap contract is 3 October 2018.

(**) The loan amount EUR 55,652 thousand, TRY equivalent TRY 115,895 thousand, will be paid till the maturity date with the floating rates by using 10.65% fixed rate and 2,0825 exchange rate. The maturity of the cross currency swap contract is 15 December 2017.

(***) The loan amount TRY 55,556 thousand, US Dollars equivalent USD 25,502 thousand, will be paid till the maturity date with the fixed rates by using 0.92% fixed rate and 2,1785 exchange rate. The maturity of the cross currency swap contract is 30 June 2016.
NOTE 6 – FINANCIAL LIABILITIES (cont’d)

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

<table>
<thead>
<tr>
<th>Type of Currency</th>
<th>Fixed rate of interest (%)</th>
<th>Short Term Portion</th>
<th>Long Term Portion</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Dollars</td>
<td>2.38</td>
<td>29.182</td>
<td>14.445</td>
<td>43.627</td>
</tr>
<tr>
<td>US Dollars</td>
<td>4.18</td>
<td>25.144</td>
<td>9.207</td>
<td>34.351</td>
</tr>
<tr>
<td>US Dollars</td>
<td>3.29</td>
<td>15.517</td>
<td>21.066</td>
<td>36.583</td>
</tr>
<tr>
<td>US Dollars</td>
<td>3.28</td>
<td>31.719</td>
<td>-</td>
<td>31.719</td>
</tr>
<tr>
<td>US Dollars</td>
<td>1.09</td>
<td>29.355</td>
<td>14.511</td>
<td>43.866</td>
</tr>
<tr>
<td>US Dollars</td>
<td>4.46</td>
<td>14.802</td>
<td>44.238</td>
<td>59.040</td>
</tr>
<tr>
<td>US Dollars</td>
<td>1.68</td>
<td>3.008</td>
<td>4.412</td>
<td>7.420</td>
</tr>
<tr>
<td>US Dollars</td>
<td>2.01</td>
<td>9.174</td>
<td>4.564</td>
<td>13.738</td>
</tr>
<tr>
<td>US Dollars</td>
<td>4.15</td>
<td>38.610</td>
<td>96.463</td>
<td>135.073</td>
</tr>
<tr>
<td>EURO</td>
<td>2.18</td>
<td>7.175</td>
<td>7.065</td>
<td>14.240</td>
</tr>
<tr>
<td>EURO</td>
<td>1.82</td>
<td>60.904</td>
<td>-</td>
<td>60.904</td>
</tr>
<tr>
<td>EURO</td>
<td>1.75</td>
<td>39.571</td>
<td>-</td>
<td>39.571</td>
</tr>
<tr>
<td>EURO</td>
<td>1.79</td>
<td>1.489</td>
<td>706</td>
<td>2.195</td>
</tr>
<tr>
<td>EURO</td>
<td>1.80</td>
<td>3.396</td>
<td>10.155</td>
<td>13.551</td>
</tr>
<tr>
<td>EURO</td>
<td>4.43</td>
<td>2.680</td>
<td>8.009</td>
<td>10.689</td>
</tr>
<tr>
<td>EURO</td>
<td>2.29</td>
<td>7.456</td>
<td>10.896</td>
<td>18.352</td>
</tr>
<tr>
<td>EURO</td>
<td>1.66</td>
<td>1.841</td>
<td>2.763</td>
<td>4.604</td>
</tr>
<tr>
<td>US Dollars (*)</td>
<td>7.22</td>
<td>22.856</td>
<td>64.868</td>
<td>87.724</td>
</tr>
<tr>
<td>EURO (**)</td>
<td>10.65</td>
<td>43.913</td>
<td>109.711</td>
<td>153.624</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>387.792</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>423.079</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>810.871</td>
</tr>
</tbody>
</table>

(*) The loan amount USD 80.194 thousand, TRY equivalent TRY 116.822 thousand, will be paid till the maturity date with the floating rates by using 7.22% fixed rate and 1.4568 exchange rate. The maturity of the cross currency swap contract is 2 April 2018.

(**) The loan amount EUR 111.305 thousand, TRY equivalent TRY 231.791 thousand, will be paid till the maturity date with the floating rates by using 10.65% fixed rate and 2.0825 exchange rate. The maturity of the cross currency swap contract is 15 December 2017.

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

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>2.101.209</td>
<td>1.479.796</td>
</tr>
<tr>
<td>Between 1-2 years</td>
<td>679.495</td>
<td>869.087</td>
</tr>
<tr>
<td>Between 2-3 years</td>
<td>688.542</td>
<td>577.900</td>
</tr>
<tr>
<td>Between 3-4 years</td>
<td>363.023</td>
<td>347.915</td>
</tr>
<tr>
<td>Between 4-5 years</td>
<td>128.275</td>
<td>154.698</td>
</tr>
<tr>
<td>Five years or more</td>
<td>94.243</td>
<td>70.683</td>
</tr>
<tr>
<td></td>
<td>4,054.787</td>
<td>3,500.079</td>
</tr>
</tbody>
</table>
NOTE 7 - OTHER PAYABLES

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

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes payable</td>
<td>9,243</td>
<td>1,817</td>
</tr>
<tr>
<td>Deposits and guarantees</td>
<td>3,324</td>
<td>3,249</td>
</tr>
<tr>
<td>Dividend payables</td>
<td>795,925</td>
<td>1,190</td>
</tr>
<tr>
<td></td>
<td>808,492</td>
<td>6,256</td>
</tr>
</tbody>
</table>

(*) The Ordinary General Meeting held on March 31, 2014 it was resolved to distribute TRY 820,000 thousand dividend from 2013 profit in cash. Dividend distribution will be complete until the May 26, 2014. As the Company holds 3.08% of its shares with a nominal value of TRY 1 as of 31 March 2014, dividends for treasury shares are netted off under dividends paid which is TRY 820,000 thousand. Dividend payable is an uncollected dividend by shareholders related to last five years and previous years.

NOTE 8 – PROVISIONS

The Group’s short term provisions are as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for lawsuits</td>
<td>198,463</td>
<td>194,475</td>
</tr>
<tr>
<td>Penalty provision for employment shortage of disabled personnel</td>
<td>3,995</td>
<td>4,568</td>
</tr>
<tr>
<td>Provision for state right on mining activities (*)</td>
<td>3,337</td>
<td>2,642</td>
</tr>
<tr>
<td>Provision for civil defense fund (**)</td>
<td>3,341</td>
<td>3,341</td>
</tr>
<tr>
<td></td>
<td>209,136</td>
<td>205,026</td>
</tr>
</tbody>
</table>

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

(**) According to law number 5217, it is a provision of the enterprises that were subjected to “Natural Disaster Fund” ile “Civil Defense Fund”. It is calculated through 2004 revenue of the company.
NOTE 8 – PROVISIONS (cont’d)

The movement of the provisions is as follows:

<table>
<thead>
<tr>
<th>Provision for lawsuits</th>
<th>1 January 2014</th>
<th>Provision for the period</th>
<th>Payments</th>
<th>Provision released (-)</th>
<th>Translation difference</th>
<th>31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>194.475</td>
<td>7.925</td>
<td>(2.332)</td>
<td>(3.477)</td>
<td>1.872</td>
<td>198.463</td>
</tr>
</tbody>
</table>

Penalty provision for employment shortage of disabled personnel

<table>
<thead>
<tr>
<th>Provision</th>
<th>1 January 2013</th>
<th>Provision for the period</th>
<th>Payments</th>
<th>Provision released (-)</th>
<th>31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penalty provision</td>
<td>113.061</td>
<td>17.289</td>
<td>(2.677)</td>
<td>(1.045)</td>
<td>126.628</td>
</tr>
</tbody>
</table>
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2014

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

NOTE 8 – PROVISIONS (cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lawsuits filed by the Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRY</td>
<td>205,662</td>
<td>203,019</td>
</tr>
<tr>
<td>US Dollars</td>
<td>111,072</td>
<td>108,256</td>
</tr>
<tr>
<td></td>
<td>316,734</td>
<td>311,275</td>
</tr>
<tr>
<td>Provision for lawsuits filed by the Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRY</td>
<td>2,989</td>
<td>2,989</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lawsuits filed against the Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRY</td>
<td>67,502</td>
<td>67,124</td>
</tr>
<tr>
<td>US Dollars</td>
<td>162,538</td>
<td>158,419</td>
</tr>
<tr>
<td></td>
<td>230,040</td>
<td>225,543</td>
</tr>
<tr>
<td>Provision for lawsuits filed against the Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRY</td>
<td>185,429</td>
<td>181,771</td>
</tr>
<tr>
<td>US Dollars</td>
<td>13,034</td>
<td>12,704</td>
</tr>
<tr>
<td></td>
<td>198,463</td>
<td>194,475</td>
</tr>
</tbody>
</table>

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

CMB asked the Company to prepare its consolidated financial statements of 31 December 2005 all over again according to the same accounting standards set used during the period, to publish those statements, and to submit them to the General Assembly Approval as soon as possible, by stating on its decision no. 21/526 dated 5 May 2006 that the Company’s changing the accounting standards set used during the term (Serial XI, No 25) at the end of the same term (UFRS) caused decrease amount of TRY 152,330 thousand on the period income.
NOTE 8 – PROVISIONS (cont’d)

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

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

Meanwhile, Company’s Shareholders’ General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which were prepared according to IFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A.Ş., filed a lawsuit before the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appeals’ 11th Chamber reversed this rejection judgment on 30 November 2010; this time the Company appealed the Chamber’s decision on 18 February 2011. However, the Chamber rejected the Company’s appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. Therefore the case is still pending (E. 2011/551).

Had the Company started to prepare its consolidated financial statements in accordance with IFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with IFRS based on “IFRS 1: First-time adoption of International Financial Reporting Standards” and the previously recognized negative goodwill would be transferred directly to retained earnings on 1 January 2005 instead of recognizing in the consolidated income statement in accordance with “IFRS 3: Business Combinations”. Therefore, the net profit for the periods ended 31 March 2014 and 31 March 2013 will not be affected from the above mentioned disputes.

The Company, based on the above mentioned reasons, did not make any adjustments in the accompanying consolidated financial statements for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above and waits for the resolution of the pending lawsuit opened by Privatization Administration.
NOTE 8 – PROVISIONS (cont’d)

Enerjia Metal Maden Sanayi ve Ticaret A.Ş. initiated a debt collection proceeding that might end with a bankruptcy judgment against the Company based on the Export Protocol No. 69187 of 02.07.2009 and “Additional Terms to the Erdemir-Enerjia Export Protocol No. 68197” drafted by and between Enerjia and the Company. However the process stopped upon the Company’s objection to Enerjia’s request, and that led Enerjia to file a lawsuit against the Company before the 7th Commercial Court of Ankara on 27.03.2010 claiming that the objection should be overruled and USD 68.313 thousand should be paid to itself (E. 2010/259). The Court dismissed the case, in favor of the Company, on 23.06.2011. Enerjia appealed this rejection. 23rd Chamber of the Court of Appeals accepted this rejection on 6 April 2012 (E. 2011/2915) and after this, the case file was sent back to the 7th Commercial Court of Ankara. Therefore the case is still pending (E. 2013/17) and the next court hearing is on 23 September 2014.

An action of debt was instituted by Messrs. Bor-San Isı Sistemleri Üretim ve Pazarlama A.Ş. against our company at the 3rd Civil Court of Kdz. Ereğli on 17 April 2013 under file no 2013/253 Esas claiming for the compensation of the loss arising from the sales contract of TRY 18 thousand, reserving the rights for surplus. The Company was informed from the amendment petition, which was served to the company on 01 November 2013 that the plaintiff pleaded from the court to raise the claim to TRY 10.838 thousand as assessed by the expert opinion submitted to the court. The Company contested to the expert opinion and the amendment petition within the statutory period. The court has given the judgment of dismissal on 11 March 2014. The plaintiff, Bor-San Isı Sistemleri Üretim ve Pazarlama A.Ş. has appealed against the judgment.

Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) located at Illinois state of United States of America and the Company executed a contract in 2008. The company fulfilled all its performances arisen from this contract in January and February in 2009. Corus International Trading Ltd. Co. sold to third parties the products supplied from our company but thereafter alleged that they directed claim to some compensation and that these claims must be covered by Erdemir. Parties could not reach an exact agreement about this matter and then Corus International Trading Ltd. Co filed an action for compensation at amount of USD 4,800 thousand together with accessory against the Company in Illinois State District Court of USA. It is learnt through a notified made to the Company on 21 July 2010.

After the subject case is dismissed by the court from jurisdiction aspect; this time a lawsuit is re-filed by Tata Steel International (North America) Ltd.) in Texas State District Court. This case is also dismissed by the court from jurisdiction aspect.

It is learnt through a notified made to the Company on 31 October 2012 that Corus International Trading Ltd. Co. (new trading title: Tata Steel International (North America) Ltd.) filed an action for compensation at amount of TRY 8,669 thousand (USD 4,800 thousand) together with accessory against the Company before Ankara 14th Commercial Court of First Instance. As a result of adjudication made; the court adjudged to dismiss the case on procedural grounds because of non-competence and to send the file to commissioned and competent Karadeniz Ereğli Commercial Court of First Instance in Duty when the judgment becomes definite and in case of request. The case still continues on file no. 2013/63 in Karadeniz Ereğli 2nd Civil Court of First Instance. The court file has been entrusted to the expert. Date of next hearing of the case is 29 May 2014.
NOTE 9 – COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letters of guarantees received</td>
<td>1,432,451</td>
<td>1,469,209</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Total CPM given for the Company's own legal entity</td>
<td>74,374</td>
<td>69,757</td>
</tr>
<tr>
<td>B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis</td>
<td>1,376,402</td>
<td>1,577,126</td>
</tr>
<tr>
<td>C. Total CPM given in favour of other 3rd parties for ordinary trading operations</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>D. Other CPM given</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>i. Total CPM given in favour of parent entity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ii. Total CPM given in favour of other Group companies out of the scope of clause B and C</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>iii. Total CPM given in favour of other 3rd parties out of the scope of clause C</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1,450,776</td>
<td>1,646,883</td>
</tr>
</tbody>
</table>

As of 31 March 2014, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2013: 0%). Total CPM given in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 1,376,401 thousand has been given as collateral for financial liabilities explained in Note 6.

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

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Dollars</td>
<td>890,088</td>
<td>973,629</td>
</tr>
<tr>
<td>TRY</td>
<td>122,715</td>
<td>236,352</td>
</tr>
<tr>
<td>EURO</td>
<td>382,137</td>
<td>381,965</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>55,836</td>
<td>52,906</td>
</tr>
<tr>
<td>Romanian Lei</td>
<td>-</td>
<td>2,031</td>
</tr>
<tr>
<td></td>
<td>1,450,776</td>
<td>1,646,883</td>
</tr>
</tbody>
</table>
NOTE 10 – TAX ASSETS AND LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate tax payable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013 corporate tax</td>
<td>2,552</td>
<td>-</td>
</tr>
<tr>
<td>Current corporate tax provision</td>
<td>62,791</td>
<td>195,980</td>
</tr>
<tr>
<td>Prepaid taxes and funds (-)</td>
<td>(2,472)</td>
<td>(150,990)</td>
</tr>
<tr>
<td></td>
<td>62,871</td>
<td>44,990</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1 January – 1 January</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 March 2014</td>
</tr>
<tr>
<td>Taxation:</td>
<td></td>
</tr>
<tr>
<td>Current corporate tax expense</td>
<td>62,791</td>
</tr>
<tr>
<td>Deferred tax expense</td>
<td>(1,519)</td>
</tr>
<tr>
<td></td>
<td>61,272</td>
</tr>
</tbody>
</table>

Corporate tax

The effective corporate tax rate in Turkey is 20% and 16% in Romania as of 31 March 2014 (31 December 2013: in Turkey 20%, in Romania 16%). The total amount of the corporate tax paid by the Group in 2013 is TRY 47,462 thousand (31 March 2013: TRY 14,702 thousand).

Deferred tax

Tax rate used in the calculation of deferred tax assets and liabilities (excluding land) are 20% for the subsidiaries in Turkey and, 16% for the subsidiary in Romania (31 December 2013: in Turkey 20%, in Romania 16%). Deferred tax related with the temporary differences arising from land parcels is calculated with the tax rate of 5% (December 2013: 5%).

As the companies in Turkey cannot give a consolidated corporate tax declaration, subsidiaries that have deferred tax assets are not netted off with subsidiaries that have deferred tax liabilities and disclosed separately.
### EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES
### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2014

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

#### NOTE 10 – TAX ASSETS AND LIABILITIES (cont’d)

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred tax assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carry forward tax losses</td>
<td>1,079</td>
<td>20,626</td>
</tr>
<tr>
<td>Provisions for employee benefits</td>
<td>80,345</td>
<td>78,445</td>
</tr>
<tr>
<td>Tangible and intangible fixed assets</td>
<td>9,744</td>
<td>10,455</td>
</tr>
<tr>
<td>Inventories</td>
<td>12,403</td>
<td>6,519</td>
</tr>
<tr>
<td>Investment incentive</td>
<td>46,696</td>
<td>44,253</td>
</tr>
<tr>
<td>Provision for lawsuits</td>
<td>39,573</td>
<td>38,895</td>
</tr>
<tr>
<td>Fair values of the derivative financial instruments</td>
<td>1,164</td>
<td>2,952</td>
</tr>
<tr>
<td>Provision for other doubtful receivables</td>
<td>11,270</td>
<td>11,192</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>969</td>
<td>1,057</td>
</tr>
<tr>
<td>Other</td>
<td>11,371</td>
<td>16,696</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td><strong>214,614</strong></td>
<td><strong>231,090</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred tax liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible and intangible fixed assets</td>
<td>(649,918)</td>
<td>(593,509)</td>
</tr>
<tr>
<td>Amortized cost adjustment on loans</td>
<td>(8,213)</td>
<td>(8,870)</td>
</tr>
<tr>
<td>Fair values of the derivative financial instruments</td>
<td>(10,929)</td>
<td>(13,327)</td>
</tr>
<tr>
<td>Inventories</td>
<td>(1,806)</td>
<td>(20,399)</td>
</tr>
<tr>
<td>Other</td>
<td>(3,667)</td>
<td>(4,251)</td>
</tr>
<tr>
<td><strong>Total deferred tax liabilities</strong></td>
<td><strong>(674,533)</strong></td>
<td><strong>(640,356)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Presentation of deferred tax assets/(liabilities):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>28,227</td>
<td>17,836</td>
</tr>
<tr>
<td>Deferred tax (liabilities)</td>
<td>(488,146)</td>
<td>(427,102)</td>
</tr>
<tr>
<td><strong>Total presentation of deferred tax assets/(liabilities)</strong></td>
<td><strong>(459,919)</strong></td>
<td><strong>(409,266)</strong></td>
</tr>
</tbody>
</table>

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.
Maturities of carry forward tax losses are as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 March 2014</th>
<th>31 December 2013</th>
<th>31 December 2013</th>
<th>31 December 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>295,455</td>
<td>-</td>
<td>5,395</td>
<td>-</td>
</tr>
<tr>
<td>2 year</td>
<td>-</td>
<td>511,825</td>
<td>-</td>
<td>51,716</td>
</tr>
<tr>
<td>3 year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4 year</td>
<td>-</td>
<td>51,411</td>
<td>-</td>
<td>51,411</td>
</tr>
<tr>
<td></td>
<td>295,455</td>
<td>563,236</td>
<td>5,395</td>
<td>103,128</td>
</tr>
</tbody>
</table>

Deferred tax asset/(liability) movements:

<table>
<thead>
<tr>
<th></th>
<th>1 January –</th>
<th>1 January –</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 March 2014</td>
<td>31 March 2013</td>
</tr>
<tr>
<td>Opening balance</td>
<td>(409,266)</td>
<td>(135,970)</td>
</tr>
<tr>
<td>Deferred tax expense</td>
<td>1,519</td>
<td>(33,733)</td>
</tr>
<tr>
<td>The amount in comprehensive income/(expense)</td>
<td>939</td>
<td>516</td>
</tr>
<tr>
<td>Translation difference</td>
<td>(53,111)</td>
<td>154</td>
</tr>
<tr>
<td>Closing balance</td>
<td>(459,919)</td>
<td>(169,033)</td>
</tr>
</tbody>
</table>

Reconciliation of tax provision:

<table>
<thead>
<tr>
<th></th>
<th>1 January –</th>
<th>1 January –</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 March 2014</td>
<td>31 March 2013</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>511,941</td>
<td>301,137</td>
</tr>
<tr>
<td>Statutory tax rates</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Calculated tax acc. to effective tax rate</td>
<td>102,388</td>
<td>60,227</td>
</tr>
</tbody>
</table>

Reconciliation between the tax provision and calculated tax:

- Non-deductible expenses        | 3,546         | 866             |
- Effect of tax losses written off from deferred tax assets | (41,776)     | -               |
- Effect of currency translation to non taxable assets | (2,107)      | -               |
- Investment incentives          | (2,443)       | (205)           |
- Effect of non-taxable adjustments | 283         | -               |
- Effect of the different tax rates due to foreign subsidiaries | 178          | 164             |
- Other                          | 1,203         | (418)           |

Tax expense in income statement | 61,272        | 60,634          |
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2014

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

NOTE 11 – SALES AND COST OF SALES

<table>
<thead>
<tr>
<th></th>
<th>1 January – 31 March 2014</th>
<th>1 January – 31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic sales</td>
<td>2,514,763</td>
<td>1,958,903</td>
</tr>
<tr>
<td>Export sales</td>
<td>334,530</td>
<td>401,278</td>
</tr>
<tr>
<td>Other revenues (*)</td>
<td>89,096</td>
<td>73,122</td>
</tr>
<tr>
<td>Sales returns (-)</td>
<td>(2,220)</td>
<td>(922)</td>
</tr>
<tr>
<td>Sales discounts (-)</td>
<td>(1,532)</td>
<td>(3,439)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,934,637</td>
<td>2,428,942</td>
</tr>
<tr>
<td>Cost of Sales (-)</td>
<td>(2,331,854)</td>
<td>(2,034,653)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>602,783</td>
<td>394,289</td>
</tr>
</tbody>
</table>

(*) The total amount of by product exports in other revenues is TRY 51,579 thousand (31 March 2013: TRY 43,566 thousand).

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

<table>
<thead>
<tr>
<th></th>
<th>1 January – 31 March 2014</th>
<th>1 January – 31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw material usage</td>
<td>(1,689,900)</td>
<td>(1,458,362)</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>(247,272)</td>
<td>(227,779)</td>
</tr>
<tr>
<td>Energy expenses</td>
<td>(147,970)</td>
<td>(151,742)</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>(97,782)</td>
<td>(100,342)</td>
</tr>
<tr>
<td>Factory overheads</td>
<td>(50,006)</td>
<td>(39,375)</td>
</tr>
<tr>
<td>Inventory write-downs within the period (Note 4)</td>
<td>(3,625)</td>
<td>(2,660)</td>
</tr>
<tr>
<td>Reversal of inventory write-downs (Note 4)</td>
<td>4,586</td>
<td>4,846</td>
</tr>
<tr>
<td>Other cost of goods sold</td>
<td>(36,653)</td>
<td>(21,218)</td>
</tr>
<tr>
<td>Non-operating expenses (*)</td>
<td>(23,426)</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>(39,806)</td>
<td>(38,021)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2,331,854)</td>
<td>(2,034,653)</td>
</tr>
</tbody>
</table>

(*) Due to the unplanned/ unexpected halt production of plant of the Group’s, operations were suspended temporarily. As a result of this, non-operating expenses, TRY (23,426) thousand, has been accounted directly under cost of goods sold.
NOTE 12 – OPERATING EXPENSES AND OTHER OPERATING INCOME/ (EXPENSES)

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

<table>
<thead>
<tr>
<th></th>
<th>1 January – 31 March 2014</th>
<th>1 January – 31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expense (-)</td>
<td>(15,293)</td>
<td>(13,927)</td>
</tr>
<tr>
<td>Depreciation and amortization (-)</td>
<td>(3,465)</td>
<td>(2,388)</td>
</tr>
<tr>
<td>Outsourced benefits and services (-)</td>
<td>(5,695)</td>
<td>(4,977)</td>
</tr>
<tr>
<td>Other (-)</td>
<td>(3,937)</td>
<td>(4,165)</td>
</tr>
<tr>
<td></td>
<td>(28,390)</td>
<td>(25,457)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>1 January – 31 March 2014</th>
<th>1 January – 31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expense (-)</td>
<td>(28,012)</td>
<td>(26,747)</td>
</tr>
<tr>
<td>Depreciation and amortization (-)</td>
<td>(3,169)</td>
<td>(1,605)</td>
</tr>
<tr>
<td>Outsourced benefits and services (-)</td>
<td>(4,536)</td>
<td>(4,407)</td>
</tr>
<tr>
<td>Tax, duty and charges (-)</td>
<td>(1,144)</td>
<td>(988)</td>
</tr>
<tr>
<td>Other (-)</td>
<td>(10,549)</td>
<td>(8,987)</td>
</tr>
<tr>
<td></td>
<td>(47,410)</td>
<td>(42,734)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Other operating income</th>
<th>1 January – 31 March 2014</th>
<th>1 January – 31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange gain from trade receivables and payables (net)</td>
<td>-</td>
<td>6,262</td>
</tr>
<tr>
<td>Interest income from on credit sales</td>
<td>11,177</td>
<td>11,956</td>
</tr>
<tr>
<td>Provisions released</td>
<td>3,753</td>
<td>1,185</td>
</tr>
<tr>
<td>Service income</td>
<td>3,261</td>
<td>1,795</td>
</tr>
<tr>
<td>Maintenance repair and rent income</td>
<td>1,838</td>
<td>1,994</td>
</tr>
<tr>
<td>Warehouse income</td>
<td>1,696</td>
<td>130</td>
</tr>
<tr>
<td>Indemnity and penalty detention income</td>
<td>1,217</td>
<td>362</td>
</tr>
<tr>
<td>Insurance indemnity income</td>
<td>231</td>
<td>608</td>
</tr>
<tr>
<td>Gain on sale of tangible assets</td>
<td>560</td>
<td>573</td>
</tr>
<tr>
<td>Other income and gains</td>
<td>4,211</td>
<td>4,265</td>
</tr>
<tr>
<td></td>
<td>27,944</td>
<td>29,130</td>
</tr>
</tbody>
</table>
NOTE 12 – OPERATING EXPENSES AND OTHER OPERATING INCOME/ (EXPENSES) (cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th>1 January – 31 March 2014</th>
<th>1 January – 31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other operating expenses (-)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions expenses</td>
<td>(6,736)</td>
<td>(6,446)</td>
</tr>
<tr>
<td>Donations expenses</td>
<td>(6,615)</td>
<td>(248)</td>
</tr>
<tr>
<td>Port facility pre-licence expenses</td>
<td>(1,611)</td>
<td>(1,637)</td>
</tr>
<tr>
<td>Lawsuit compensation expenses</td>
<td>(1,177)</td>
<td>(507)</td>
</tr>
<tr>
<td>Penalty expenses</td>
<td>(908)</td>
<td>(74)</td>
</tr>
<tr>
<td>Service expenses</td>
<td>(669)</td>
<td>(437)</td>
</tr>
<tr>
<td>Rent expenses</td>
<td>(173)</td>
<td>(148)</td>
</tr>
<tr>
<td>Loss on disposal of tangible assets</td>
<td>(11)</td>
<td>(543)</td>
</tr>
<tr>
<td>Other expenses and losses</td>
<td>(4,300)</td>
<td>(6,192)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(22,200)</td>
<td>(16,232)</td>
</tr>
</tbody>
</table>

NOTE 13 – FINANCIAL INCOME/ EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>1 January – 31 March 2014</th>
<th>1 January – 31 March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial incomes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income on bank deposits</td>
<td>11,161</td>
<td>20,009</td>
</tr>
<tr>
<td>Foreign exchange gains (net)</td>
<td>1,179</td>
<td>-</td>
</tr>
<tr>
<td>Fair value differences of derivative financial instruments (net)</td>
<td>9,432</td>
<td>9,660</td>
</tr>
<tr>
<td>Discount income (net)</td>
<td>6,621</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>28,393</td>
</tr>
</tbody>
</table>

| Financial expenses (-)                               | 1 January – 31 March 2014 | 1 January – 31 March 2013 |
| Interest expenses on financial liabilities           | (39,580)                  | (56,725)                  |
| Foreign exchange loss (net)                          | -                         | (4,493)                   |
| Interest cost of employee benefits                   | (7,073)                   | (5,075)                   |
| Discount expenses (net)                              | -                         | (136)                     |
| Other financial expenses                             | (1,137)                   | (398)                     |
|                      |                           | (47,790)                  | (66,827)                  |

(*) During the period, the interest expenses of TRY 937 thousand have been capitalized as part of the Group’s property, plant and equipment (1 January - 31 March 2013: TRY 79 thousand).
NOTE 14 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional information about financial instruments

Foreign currency risk management

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

<table>
<thead>
<tr>
<th></th>
<th>TRY (Original currency)</th>
<th>TRY (Functional currency)</th>
<th>US Dollars (Original currency)</th>
<th>EURO (Original currency)</th>
<th>Jap. Yen (Original currency)</th>
<th>GB Pound (Original currency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Trade Receivables</td>
<td>103.283</td>
<td>23.475</td>
<td>269</td>
<td>26.325</td>
<td>1.944</td>
<td>3</td>
</tr>
<tr>
<td>2a. Monetary financial assets</td>
<td>163.529</td>
<td>34.498</td>
<td>585</td>
<td>42.453</td>
<td>3.405</td>
<td>3</td>
</tr>
<tr>
<td>2b. Non-monetary financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3. Other</td>
<td>94.183</td>
<td>94.075</td>
<td>36</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4. Current assets (1+2+3)</td>
<td>360.994</td>
<td>152.049</td>
<td>854</td>
<td>68.814</td>
<td>5.348</td>
<td>6</td>
</tr>
<tr>
<td>5. Trade receivables</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6a. Monetary financial assets</td>
<td>52.017</td>
<td>164</td>
<td>17.243</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6b. Non-monetary financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7. Other</td>
<td>45.725</td>
<td>26.769</td>
<td>6.287</td>
<td>1.666</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>8. Non-current assets (5+6+7)</td>
<td>97.742</td>
<td>26.934</td>
<td>381</td>
<td>17.785</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>9. Total assets (4+8)</td>
<td>458.737</td>
<td>178.983</td>
<td>92.343</td>
<td>7.014</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>10. Trade payables</td>
<td>235.464</td>
<td>206.839</td>
<td>44</td>
<td>4.495</td>
<td>692.760</td>
<td>60</td>
</tr>
<tr>
<td>11. Financial liabilities</td>
<td>681.494</td>
<td>530.831</td>
<td>40.442</td>
<td>1.360.331</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12a. Other monetary financial liabilities</td>
<td>1.183.304</td>
<td>1.181.780</td>
<td>381</td>
<td>17.785</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12b. Other non-monetary financial liabilities</td>
<td>106.597</td>
<td>106.597</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13. Current liabilities (10+11+12)</td>
<td>2.206.859</td>
<td>2.026.048</td>
<td>44</td>
<td>45.318</td>
<td>2.070.876</td>
<td>60</td>
</tr>
<tr>
<td>14. Trade payables</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>15. Financial liabilities</td>
<td>624.083</td>
<td>249.443</td>
<td>99.397</td>
<td>3.547.001</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>16a. Other monetary financial liabilities</td>
<td>399.988</td>
<td>392.212</td>
<td>2.586</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>16b. Other non-monetary financial liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>17. Non-current liabilities (14+15+16)</td>
<td>1.024.071</td>
<td>641.655</td>
<td>101.983</td>
<td>3.547.001</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>18. Total liabilities (13+17)</td>
<td>3.230.930</td>
<td>2.667.703</td>
<td>147.301</td>
<td>5.617.877</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19a)</td>
<td>250.147</td>
<td>82.789</td>
<td>55.653</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>19b. Off-balance sheet foreign currency derivative financial assets</td>
<td>366.042</td>
<td>198.684</td>
<td>55.653</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>20. Net foreign currency asset/liability position (9-18+19)</td>
<td>(2.522.047)</td>
<td>(2.405.931)</td>
<td>810</td>
<td>695</td>
<td>(5.610.863)</td>
<td>(54)</td>
</tr>
<tr>
<td>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14+15+16a)</td>
<td>(2.805.505)</td>
<td>(2.502.968)</td>
<td>810</td>
<td>(61.280)</td>
<td>(5.612.529)</td>
<td>(54)</td>
</tr>
<tr>
<td>22. Fair value of derivative financial instruments used in foreign currency hedge</td>
<td>57.149</td>
<td>57.149</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>23. Hedged foreign currency assets</td>
<td>115.895</td>
<td>115.895</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>24. Hedged foreign currency liabilities</td>
<td>366.042</td>
<td>198.684</td>
<td>55.653</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>25. Exports</td>
<td>386.109</td>
<td>170.305</td>
<td>2.882</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>26. Imports</td>
<td>1.415.084</td>
<td>638.264</td>
<td>270</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
NOTE 14 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

Additional information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

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

<table>
<thead>
<tr>
<th></th>
<th>TRY (Functional currency)</th>
<th>TRY (Original currency)</th>
<th>US Dollars (Original currency)</th>
<th>EURO (Original currency)</th>
<th>Jap. Yen (Original currency)</th>
<th>GB Pound (Original currency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Trade Receivables</td>
<td>91,603</td>
<td>24,567</td>
<td>45</td>
<td>22,656</td>
<td>19,623</td>
<td>3</td>
</tr>
<tr>
<td>2a. Monetary financial assets</td>
<td>59,424</td>
<td>48,120</td>
<td>298</td>
<td>3,630</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>2b. Non-monetary financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3. Other</td>
<td>144,125</td>
<td>142,694</td>
<td>-</td>
<td>487</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4. Current assets (1+2+3)</td>
<td>295,152</td>
<td>215,382</td>
<td>343</td>
<td>26,773</td>
<td>19,638</td>
<td>6</td>
</tr>
<tr>
<td>5. Trade receivables</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6a. Monetary financial assets</td>
<td>47,920</td>
<td>-</td>
<td>-</td>
<td>16,319</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6b. Non-monetary financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7. Other</td>
<td>41,812</td>
<td>26,495</td>
<td>-</td>
<td>4,883</td>
<td>44,924</td>
<td>20</td>
</tr>
<tr>
<td>8. Non-current assets (5+6+7)</td>
<td>89,731</td>
<td>26,495</td>
<td>-</td>
<td>21,201</td>
<td>44,924</td>
<td>20</td>
</tr>
<tr>
<td>9. Total assets (4+8)</td>
<td>384,883</td>
<td>241,877</td>
<td>343</td>
<td>47,975</td>
<td>64,562</td>
<td>25</td>
</tr>
<tr>
<td>10. Trade payables</td>
<td>220,202</td>
<td>177,812</td>
<td>465</td>
<td>8,671</td>
<td>717,437</td>
<td>405</td>
</tr>
<tr>
<td>11. Financial liabilities</td>
<td>442,092</td>
<td>298,928</td>
<td>-</td>
<td>39,361</td>
<td>1,363,208</td>
<td>-</td>
</tr>
<tr>
<td>12a. Other monetary financial liabilities</td>
<td>280,802</td>
<td>275,200</td>
<td>-</td>
<td>-</td>
<td>276,885</td>
<td>-</td>
</tr>
<tr>
<td>12b. Other non-monetary financial liabilities</td>
<td>50,800</td>
<td>50,800</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13. Current liabilities (10+11+12)</td>
<td>993,896</td>
<td>802,740</td>
<td>465</td>
<td>48,032</td>
<td>2,357,529</td>
<td>405</td>
</tr>
<tr>
<td>14. Trade payables</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>15. Financial liabilities</td>
<td>860,740</td>
<td>490,827</td>
<td>-</td>
<td>101,876</td>
<td>3,497,293</td>
<td>-</td>
</tr>
<tr>
<td>16a. Other monetary financial liabilities</td>
<td>386,623</td>
<td>382,890</td>
<td>-</td>
<td>1,271</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>16b. Other non-monetary financial liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>17. Non-current liabilities (14+15+16)</td>
<td>1,247,362</td>
<td>873,716</td>
<td>-</td>
<td>103,147</td>
<td>3,497,293</td>
<td>-</td>
</tr>
<tr>
<td>18. Total liabilities (13+17)</td>
<td>2,241,258</td>
<td>1,676,457</td>
<td>465</td>
<td>151,180</td>
<td>5,854,822</td>
<td>405</td>
</tr>
<tr>
<td>19a. Off-balance sheet foreign currency derivative financial instruments (19a-19b)</td>
<td>217,341</td>
<td>53,918</td>
<td>-</td>
<td>55,653</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>19b. Off-balance sheet foreign currency derivative financial assets</td>
<td>333,237</td>
<td>169,813</td>
<td>-</td>
<td>55,653</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>20. Net foreign currency asset/liability position (9-18+19)</td>
<td>(1,639,033)</td>
<td>(1,380,661)</td>
<td>(121)</td>
<td>(47,553)</td>
<td>(5,790,260)</td>
<td>(379)</td>
</tr>
<tr>
<td>21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a+10-11-12a+14-15-16a)</td>
<td>(1,991,512)</td>
<td>(1,552,969)</td>
<td>(121)</td>
<td>(108,575)</td>
<td>(5,835,184)</td>
<td>(399)</td>
</tr>
<tr>
<td>22. Fair value of derivative financial instruments used in foreign currency hedge</td>
<td>65,197</td>
<td>65,197</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>23. Hedged foreign currency assets</td>
<td>115,895</td>
<td>115,895</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>24. Hedged foreign currency liabilities</td>
<td>333,237</td>
<td>169,813</td>
<td>-</td>
<td>55,653</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>25. Exports</td>
<td>1,102,944</td>
<td>-</td>
<td>518,695</td>
<td>46,003</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>26. Imports</td>
<td>4,891,486</td>
<td>-</td>
<td>2,566,578</td>
<td>3,695</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
NOTE 14 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

Foreign currency risk management (cont’d)

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

As of 31 March 2014 asset and liability balances are translated by using the following exchange rates: TRY 2,1898 = US $ 1, TRY 3,0072 = EUR 1 and TRY 0,0214= JPY 1 (31 December 2013: TRY 2,1343 = US $ 1,TRY 2,9365 = EUR 1 and TRY 0,0202= JPY 1)

<table>
<thead>
<tr>
<th>31 March 2014</th>
<th>Appreciation of foreign currency against</th>
<th>Depreciation of foreign currency against</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- TRY net asset/liability</td>
<td>(248.872)</td>
<td>248.872</td>
</tr>
<tr>
<td>2- Hedged portion from TRY risk (-)</td>
<td>19.868</td>
<td>(19.868)</td>
</tr>
<tr>
<td>3- Effect of capitalization (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4- TRY net effect (1+2+3)</td>
<td>(229.004)</td>
<td>229.004</td>
</tr>
<tr>
<td>5- US Dollars net asset/liability</td>
<td>177</td>
<td>(177)</td>
</tr>
<tr>
<td>6- Hedged portion from US Dollars risk (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7- Effect of capitalization (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8- US Dollars net effect (5+6+7)</td>
<td>177</td>
<td>(177)</td>
</tr>
<tr>
<td>9- Euro net asset/liability</td>
<td>(16.527)</td>
<td>16.527</td>
</tr>
<tr>
<td>10- Hedged portion from Euro risk (-)</td>
<td>16.736</td>
<td>(16.736)</td>
</tr>
<tr>
<td>11- Effect of capitalization (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12- Euro net effect (9+10+11)</td>
<td>209</td>
<td>(209)</td>
</tr>
<tr>
<td>13- Jap. Yen net asset/liability</td>
<td>(11.980)</td>
<td>11.980</td>
</tr>
<tr>
<td>14- Hedged portion from Jap. Yen risk (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>15- Effect of capitalization (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>16- Jap. Yen net effect (13+14+15)</td>
<td>(11.980)</td>
<td>11.980</td>
</tr>
<tr>
<td>17- Other currencies net asset/liability</td>
<td>(18)</td>
<td>18</td>
</tr>
<tr>
<td>18- Hedged portion from other currency risk (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>19- Effect of capitalization (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>20- Other currencies net effect (17+18+19)</td>
<td>(18)</td>
<td>18</td>
</tr>
<tr>
<td>TOTAL (4+8+12+16+20)</td>
<td>(240.616)</td>
<td>240.616</td>
</tr>
</tbody>
</table>

In addition to the Group’s foreign currency sensitivity to a 10% (+/-) change in TRY, TRY 125.462 of income/ TRY (104.703) expense will occur due to the decrease/ (increase) in deferred tax base.
NOTE 14– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

Additionnal information about financial instruments (cont’d)

Foreign currency risk management (cont’d)

<table>
<thead>
<tr>
<th>31 December 2013</th>
<th>Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Appreciation of foreign currency against</td>
</tr>
<tr>
<td>1- TRY net asset/liability</td>
<td>(143.458)</td>
</tr>
<tr>
<td>2- Hedged portion from TRY risk (-)</td>
<td>16.981</td>
</tr>
<tr>
<td>3- Effect of capitalization (-)</td>
<td>-</td>
</tr>
<tr>
<td>4- TRY net effect (1+2+3)</td>
<td>(126.477)</td>
</tr>
<tr>
<td>5- US Dollars net asset/liability</td>
<td>(26)</td>
</tr>
<tr>
<td>6- Hedged portion from US Dollars risk (-)</td>
<td>-</td>
</tr>
<tr>
<td>7- Effect of capitalization (-)</td>
<td>-</td>
</tr>
<tr>
<td>8- US Dollars net effect (5+6+7)</td>
<td>(26)</td>
</tr>
<tr>
<td>9- Euro net asset/liability</td>
<td>(30.306)</td>
</tr>
<tr>
<td>10- Hedged portion from Euro risk (-)</td>
<td>16.342</td>
</tr>
<tr>
<td>11- Effect of capitalization (-)</td>
<td>-</td>
</tr>
<tr>
<td>12- Euro net effect (9+10+11)</td>
<td>(13.964)</td>
</tr>
<tr>
<td>13- Jap. Yen net asset/liability</td>
<td>(11.714)</td>
</tr>
<tr>
<td>14- Hedged portion from Jap. Yen risk (-)</td>
<td>-</td>
</tr>
<tr>
<td>15- Effect of capitalization (-)</td>
<td>-</td>
</tr>
<tr>
<td>17- Other currencies net asset/liability</td>
<td>(133)</td>
</tr>
<tr>
<td>18- Hedged portion from other currency risk (-)</td>
<td>-</td>
</tr>
<tr>
<td>19- Effect of capitalization (-)</td>
<td>-</td>
</tr>
<tr>
<td>20- Other currencies net effect (17+18+19)</td>
<td>(133)</td>
</tr>
<tr>
<td>TOTAL (4+8+12+16+20)</td>
<td><strong>(152.314)</strong></td>
</tr>
</tbody>
</table>
EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2014

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

NOTE 15 – SUBSEQUENT EVENTS

None.

NOTE 16 – ADDITIONAL INFORMATION FOR CASH FLOW STATEMENTS

Changes in working capital are as follows:

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

NOTE 17 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

Convenience translation to English

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