

**(CONVENIENCE TRANSLATION OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 18)**

**ERE L DEM R VE ÇEL K FABR KALARI T.A. .
AND ITS SUBSIDIARIES**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2015**

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(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 18)

ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandö) unless otherwise indicated.)

	Note	Current Period	(Unaudited) Current Period	Previous Period	(Audited) Previous Period
		30 September 2015 USD'000	30 September 2015 TRY'000	31 December 2014 USD'000	31 December 2014 TRY'000
ASSETS					
Current Assets		3.031.886	9.226.939	3.178.814	7.371.353
Cash and Cash Equivalents		1.198.296	3.646.774	943.038	2.186.810
Financial Derivative Instruments		7.760	23.616	15.795	36.628
Trade Receivables		529.469	1.611.333	757.626	1.756.860
<i>Due From Related Parties</i>	3	14.360	43.703	15.701	36.409
<i>Other Trade Receivables</i>		515.109	1.567.630	741.925	1.720.451
Other Receivables		1.037	3.155	1.639	3.800
Inventories	4	1.249.168	3.801.594	1.405.144	3.258.389
Prepaid Expenses		11.899	36.213	16.094	37.320
Other Current Assets		34.257	104.254	39.478	91.546
Non Current Assets		3.653.660	11.119.185	3.692.406	8.562.321
Other Receivables		7.676	23.361	10.237	23.738
Financial Investments		27	82	27	63
Financial Derivative Instruments		29.487	89.737	24.013	55.684
Investment Properties		24.670	75.079	24.879	57.691
Property, Plant and Equipment	5	3.496.576	10.641.130	3.535.882	8.199.357
Intangible Assets	5	66.083	201.109	72.689	168.559
Prepaid Expenses		20.674	62.918	10.931	25.348
Deferred Tax Assets	10	8.467	25.769	13.748	31.881
TOTAL ASSETS		6.685.546	20.346.124	6.871.220	15.933.674

The details of US Dollar amounts explained in Note 2.1.

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 18)

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandó) unless otherwise indicated.)

	Note	(Unaudited)		(Audited)	
		Current Period 30 September 2015 USD'000	Current Period 30 September 2015 TRY'000	Previous Period 31 December 2014 USD'000	Previous Period 31 December 2014 TRY'000
LIABILITIES					
Current Liabilities		1.091.317	3.321.202	1.339.179	3.105.422
Financial Liabilities	6	346.105	1.053.301	274.948	637.577
Short Term Portion of Long Term Fin. Liab.	6	308.977	940.311	615.918	1.428.252
Financial Derivative Instruments		5.146	15.661	2.629	6.096
Trade Payables		163.212	496.704	180.076	417.579
<i>Due to Related Parties</i>	3	6.650	20.238	7.904	18.329
<i>Other Trade Payables</i>		156.562	476.466	172.172	399.250
Other Payables		14.072	42.824	13.623	31.591
Deferred Revenue		41.916	127.563	32.972	76.458
Current Tax Liabilities	10	88.334	268.826	55.935	129.708
Short Term Provisions	7	81.870	249.154	101.138	234.528
Payables for Employee Benefits	8	33.607	102.275	42.917	99.520
Other Current Liabilities		8.078	24.583	19.023	44.113
Non Current Liabilities		1.298.704	3.952.344	1.085.836	2.517.945
Financial Liabilities	6	709.307	2.158.634	581.269	1.347.905
Financial Derivative Instruments		14.737	44.849	10.280	23.839
Provisions for Employee Benefits	8	169.081	514.563	210.326	487.724
Deferred Tax Liabilities	10	405.436	1.233.862	283.803	658.110
Other Non Current Liabilities		143	436	158	367
EQUITY		4.295.525	13.072.578	4.446.205	10.310.307
Equity Attributable to Equity Holders of the Parent		4.175.241	12.706.519	4.313.813	10.003.303
Share Capital		1.818.371	3.500.000	1.818.371	3.500.000
Inflation Adjustment to Capital		81.366	156.613	81.366	156.613
Treasury Shares (-)		(60.387)	(116.232)	(60.387)	(116.232)
Share Issue Premium		55.303	106.447	55.303	106.447
Other Comprehensive Income/Expense Not to be Reclassified to Profit/ (Loss)		(44.466)	(92.294)	(44.682)	(101.563)
<i>Revaluation Reserve of Tangible Assets</i>		10.560	33.232	10.405	24.151
<i>Actuarial (Loss)/ Gain funds</i>		(55.026)	(125.526)	(55.087)	(125.714)
Other Comprehensive Income/Expense to be Reclassified to Profit/ (Loss)		87.571	4.585.849	(4.007)	1.623.162
<i>Cash Flow Hedging Reserves</i>		(1.809)	(5.505)	3.088	7.160
<i>Foreign Currency Translation Reserves</i>		89.380	4.591.354	(7.095)	1.616.002
Restricted Reserves Assorted from Profit		441.058	950.831	313.307	617.355
Retained Earnings		1.386.770	2.527.180	1.422.232	2.616.106
Net Profit for the Period		409.655	1.088.125	732.310	1.601.415
Non-Controlling Interests		120.284	366.059	132.392	307.004
TOTAL LIABILITIES AND EQUITY		6.685.546	20.346.124	6.871.220	15.933.674

The details of US Dollar amounts explained in Note 2.1.

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

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 18)

ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandó) unless otherwise indicated.)

	Note	(Unaudited)		(Unaudited)		(Unaudited)	
		Current Period 1 January - 30 September 2015 USD'000	Current Period 1 January - 30 September 2015 TRY'000	Current Period 1 July - 30 September 2015 TRY'000	Previous Period 1 January - 30 September 2014 USD'000	Previous Period 1 January - 30 September 2014 TRY'000	Previous Period 1 July - 30 September 2014 TRY'000
OPERATING INCOME							
Revenue	12	3.356.388	8.915.238	2.849.233	3.974.630	8.594.739	2.950.652
Cost of Sales (-)	12	(2.703.786)	(7.181.797)	(2.320.277)	(3.156.808)	(6.826.281)	(2.304.896)
GROSS PROFIT		652.602	1.733.441	528.956	817.822	1.768.458	645.756
Marketing, Sales and Distribution Expenses (-)	13	(36.503)	(96.958)	(32.488)	(40.268)	(87.075)	(29.223)
General Administrative Expenses (-)	13	(76.689)	(203.700)	(66.796)	(73.956)	(159.923)	(54.771)
Research and Development Expenses (-)		(2.568)	(6.821)	(1.989)	(2.245)	(4.854)	(1.244)
Other Operating Income	13	72.300	192.043	56.983	49.627	107.314	31.434
Other Operating Expenses (-)	13	(30.627)	(81.353)	(16.554)	(29.002)	(62.715)	(15.010)
OPERATING PROFIT		578.515	1.536.652	468.112	721.978	1.561.205	576.942
Finance Income	14	162.563	431.801	150.596	75.176	162.560	108.755
Finance Expense (-)	14	(237.369)	(575.562)	(225.723)	(124.735)	(262.896)	(118.441)
PROFIT BEFORE TAX		503.709	1.392.891	392.985	672.419	1.460.869	567.256
Tax Expense	10	(82.732)	(274.692)	(74.060)	(89.659)	(200.708)	(114.715)
- Current Corporate Tax Expense		(141.924)	(431.919)	(147.558)	(58.626)	(133.602)	(52.028)
- Deferred Tax Income		59.192	157.227	73.498	(31.033)	(67.106)	(62.687)
NET PROFIT FOR THE PERIOD		420.977	1.118.199	318.925	582.760	1.260.161	452.541
- Non-Controlling Interests		11.322	30.074	9.937	21.141	45.716	15.195
- Equity Holders of the Parent		409.655	1.088.125	308.988	561.619	1.214.445	437.346
EARNINGS PER SHARE			0,3109	0,0883		0,3470	0,1250
(TRY 1 Nominal value per share)							

The details of US Dollar amounts explained in Note 2.1.

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

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CONSOLIDATED STATEMENTS OF OTHER COMPREHENS VE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandó) unless otherwise indicated.)

	(Unaudited)		(Unaudited)		(Unaudited)	
	Current Period	Current Period	Current Period	Previous Period	Previous Period	Previous Period
	1 January -	1 January -	1 July -	1 January -	1 January -	1 July -
	30 September 2015	30 September 2015	30 September 2015	30 September 2014	30 September 2014	30 September 2014
	USD'000	TRY'000	TRY'000	USD'000	TRY'000	TRY'000
PROFIT FOR THE PERIOD	420.977	1.118.199	318.925	582.760	1.260.161	452.541
Other Comprehensive Income/(Expense):						
Not to be reclassified subsequently to profit or loss						
Change in Revaluation Reserve of Tangible Assets	156	9.081	5.008	(154)	1.060	1.358
Change in Actuarial (Loss)/ Gain	74	226	-	(19.312)	(44.009)	(2.916)
Tax Effect of Changes in Actuarial (Loss)/ Gain	(15)	(45)	-	3.862	8.802	583
To be reclassified subsequently to profit or loss						
Change in Cash Flow Hedging Reserves	(6.336)	(16.599)	(14.860)	(785)	(2.619)	(9.451)
Tax Effect of Change in Cash Flow Hedging Reserves	1.267	3.320	2.973	157	524	1.891
Change in Foreign Currency Translation Reserves	(26.959)	3.057.194	1.471.327	(8.190)	605.732	642.474
OTHER COMP. INCOME/ EXPENSE FOR THE PERIOD (AFTER TAX)	(31.813)	3.053.177	1.464.448	(24.422)	569.490	633.939
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	389.164	4.171.376	1.783.373	558.338	1.829.651	1.086.480
Distribution of Total Comprehensive Income						
- Non-controlling Interests	7.902	111.295	48.558	19.520	60.441	32.034
- Equity Holders of the Parent	381.262	4.060.081	1.734.815	538.818	1.769.210	1.054.446

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandó) unless otherwise indicated.)

(Unaudited)	Share Capital	Inflation Adjustment to Capital	Treasury Shares (-)	Share Issue Premium	Other comprehensive income/expense not to be reclassified subsequently to profit or loss		Other comprehensive income/expense to be reclassified subsequently to profit or loss			Retained Earnings		Equity Attributable to the Parent	Non-controlling Interests	Total Shareholders' Equity
					Revaluation Reserve of Tangible Assets	Actuarial loss/(gain) funds	Cash Flow Hedging Reserves	Foreign Currency Translation Reserves	Restricted Reserves Assorted from Profit	Retained Earnings	Net Profit For The Period			
1 January 2015	3.500.000	156.613	(116.232)	106.447	24.151	(125.714)	7.160	1.616.002	617.355	2.616.106	1.601.415	10.003.303	307.004	10.310.307
Net profit for the period	-	-	-	-	-	-	-	-	-	-	1.088.125	1.088.125	30.074	1.118.199
Other comprehensive income/(loss)	-	-	-	-	9.081	188	(12.665)	2.975.352	-	-	-	2.971.956	81.221	3.053.177
Total comprehensive income/(loss)	-	-	-	-	9.081	188	(12.665)	2.975.352	-	-	1.088.125	4.060.081	111.295	4.171.376
Dividend distributed (*)	-	-	-	-	-	-	-	-	-	(1.356.865)	-	(1.356.865)	(52.240)	(1.409.105)
Transfers	-	-	-	-	-	-	-	-	333.476	1.267.939	(1.601.415)	-	-	-
30 September 2015	3.500.000	156.613	(116.232)	106.447	33.232	(125.526)	(5.505)	4.591.354	950.831	2.527.180	1.088.125	12.706.519	366.059	13.072.578
(Unaudited)														
1 January 2014	3.500.000	156.613	(116.232)	106.447	23.255	(66.809)	(9.344)	844.664	500.949	2.607.273	919.974	8.466.790	240.030	8.706.820
Net profit for the period	-	-	-	-	-	-	-	-	-	-	1.214.445	1.214.445	45.716	1.260.161
Other comprehensive income/(loss)	-	-	-	-	1.060	(34.386)	(1.980)	590.071	-	-	-	554.765	14.725	569.490
Total comprehensive income/(loss)	-	-	-	-	1.060	(34.386)	(1.980)	590.071	-	-	1.214.445	1.769.210	60.441	1.829.651
Dividend distributed (*)	-	-	-	-	-	-	-	-	-	(794.735)	-	(794.735)	(11.840)	(806.575)
Transfers	-	-	-	-	-	-	-	-	116.406	803.568	(919.974)	-	-	-
30 September 2014	3.500.000	156.613	(116.232)	106.447	24.315	(101.195)	(11.324)	1.434.735	617.355	2.616.106	1.214.445	9.441.265	288.631	9.729.896

(*)Annual General Assembly dated 31 March 2015, dividend distribution (gross dividend per share: TRY 0,4000 (2014: TRY 0,2343)) amounting to TRY 1.400.000 thousand (31 March 2014: TRY 820.000 thousand) from 2014 net profit was approved. As the Company holds 3,08% of its shares with a nominal value of TRY 1 as of 31 March 2015, dividends for treasury shares are netted off under dividends paid. The dividend payment was completed at 26 May 2015.

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

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ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015**

(Amounts are expressed in thousands of Turkish Lira (öTRY Thousandö) unless otherwise indicated.)

	Note	(Unaudited)		(Unaudited)	
		Current Period 1 January 30 September 2015	Current Period 1 January 30 September 2015	Previous Period 1 January 30 September 2014	Previous Period 1 January 30 September 2014
		US'000	TRY'000	US'000	TRY'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax and non-controlling interests		503.709	1.392.891	672.419	1.460.869
Adjustments to reconcile net profit before tax to net cash provided by operating activities:					
Depreciation and amortization expenses	12/13	150.077	398.635	148.385	320.867
Provision for employee termination benefits	8	19.733	52.416	18.798	40.648
Provision for seniority incentive premium	8	3.282	8.718	4.146	8.965
Gain on sale of property plant and equipment	13	(251)	(667)	(321)	(694)
Gain on sale of investment property	13	(16.834)	(44.715)	-	-
Loss on write off of property plant and equipment	13	1.222	3.245	284	614
Increase in provision for doubtful receivables		1.905	5.059	796	1.721
Increase in the allowance for inventories	4	6.198	16.463	152	329
Increase in provision for unpaid vacations	8	2.203	5.851	1.509	3.263
Increase in provision for pending claims and lawsuits	7	1.983	5.267	3.898	8.430
Increase in penalty prov. for obligatory empl.t shortage of disabled people	7	827	2.196	351	758
Increase in provision for state right on mining activities	7	455	1.208	1.803	3.899
Increase in provision for civil defense fund	7	99	263	3.135	6.779
Interest expenses	14	39.980	106.195	61.334	132.628
Interest income from bank deposits	14	(24.585)	(65.303)	(17.221)	(37.238)
Interest income from overdue sales	13	(18.401)	(48.876)	(19.679)	(42.553)
Unrealized foreign currency loss of financial liabilities		(6.118)	(16.250)	(12.238)	(26.464)
Loss/(gain) on fair value changes of derivative financial instruments	14	2.373	6.303	(11.896)	(25.723)
Net cash provided by operating activities before changes in working capital					
		667.857	1.828.899	855.655	1.857.098
Changes in working capital	17	365.595	1.112.615	239.114	544.918
Interest income from overdue sales collected		23.183	61.579	19.240	41.605
Lawsuits paid	7	(2.568)	(6.820)	(2.817)	(6.091)
Penalty paid for the employment shortage of disabled people	7	(1.174)	(3.118)	(402)	(870)
Corporate tax paid	10	(110.233)	(292.801)	(59.480)	(128.620)
Employee termination benefits paid	8	(12.542)	(33.313)	(7.721)	(16.696)
State rights paid for mining activities	7	(1.355)	(3.598)	(1.396)	(3.018)
Unused vacation paid	8	(1.631)	(4.333)	(1.572)	(3.399)
Seniority incentive premium paid	8	(593)	(1.574)	(1.012)	(2.188)
Net cash provided by operating activities					
		926.539	2.657.536	1.039.609	2.282.739
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in financial investments		-	-	(250)	(540)
Cash provided/(used) by sale/purchase of investment property		14.967	39.756	(681)	(1.472)
Cash used in the purchase of tangible assets	5	(123.234)	(327.335)	(109.273)	(236.291)
Cash used in the purchase of intangible assets	5	(2.267)	(6.021)	(2.833)	(6.125)
Cash provided by sales of tangible assets	5/13	4.449	11.817	323	698
Net cash used in investing activities					
		(106.085)	(281.783)	(112.714)	(243.730)
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings		1.122.124	3.414.960	947.996	2.160.387
Repayment of borrowings		(1.224.920)	(3.727.800)	(731.594)	(1.667.230)
Interest paid		(38.812)	(104.108)	(54.880)	(118.672)
Interest received on bank deposits		25.409	66.234	15.840	34.252
Dividends paid		(519.831)	(1.356.865)	(380.040)	(794.735)
Dividends paid to non-controlling interests		(19.679)	(51.754)	(5.472)	(11.840)
Net cash used in by financing activities					
		(655.709)	(1.759.333)	(208.150)	(397.838)
NET CHANGES IN CASH AND CASH EQUIVALENTS					
		164.745	616.420	718.745	1.641.171
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD					
		940.865	2.181.773	355.997	759.804
Currency translation difference, net		91.334	844.466	42.726	145.623
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD					
		1.196.944	3.642.659	1.117.468	2.546.598
Accrued interest income		1.352	4.115	1.883	4.292
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD INCLUDING ACCRUED INTEREST INCOME					
		1.198.296	3.646.774	1.119.351	2.550.890

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (öTRY Thousandö) unless otherwise indicated.)

NOTE 1 ö GROUP'ÖS ORGANIZATION AND NATURE OF OPERATIONS

Erdemir Grubu (öGroupö), is composed of Ere li Demir ve Çelik Fabrikalar, T.A. . (öErdemirö or öthe Companyö), 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. . and Ordu Yard,mla ma Kurumu (OYAK/Armed Forces Pension Fund), respectively.

OYAK was incorporated on 1 March 1961 under the Act No. 205 as a private entity under its own law subject to Turkish civil and commercial codes and autonomous in financial and administrative matters. OYAK, being an öaid and retirement fundö for Turkish Armed Forcesö 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'Ös shares have been traded in Istanbul Stock Exchange since the establishment of the Istanbul Stock Exchange (year 1986).

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

Name of the Company	Country of Operation	Operation	2015 Share %	2014 Share %
skenderun Demir ve Çelik A. .	Turkey	Integrated Steel Production	95,07	95,07
Erdemir Madencilik San. ve Tic. A. .	Turkey	Iron Ore and Pellet	90,00	90,00
Erdemir Çelik Servis Merkezi San. ve Tic. A. .	Turkey	Steel Service Center	100	100
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A. .	Turkey	Management and Consultancy	100	100
Erdemir Romania S.R.L.	Romania	Silicon Steel Production	100	100
Erdemir Asia Pacific Private Limited	Singapore	Trading	100	100

The registered address of the Company is Barbaros Mahallesi Ard,ç Sokak No:6 Ata ehir / stanbul.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ö See Note 18)

ERE Lİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (öTRY Thousandö) unless otherwise indicated.)

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

The number of the personnel employed by the Group as at 30 September 2015 and 31 December 2014 are as follows:

	Paid Hourly Personnel	Paid Monthly Personnel	30 September 2015 Personnel
Ere li Demir ve Çelik Fab.T.A.Ş.	4.545	1.783	6.328
İskenderun Demir ve Çelik A.Ş.	3.474	1.828	5.302
Erdemir Madencilik San. ve Tic. A.Ş.	128	128	256
Erdemir Çelik Servis Merkezi San. ve Tic. A.Ş.	206	82	288
Erenco Erdemir Müh. Yön. ve Dan. Hiz. A.Ş.	-	242	242
Erdemir Romania S.R.L.	228	50	278
Erdemir Asia Pacific Private Limited	-	5	5
	8.581	4.118	12.699

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

NOTE 2 ö 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 (öStatutory Financial Statementsö) in accordance with accounting principles issued by the Turkish Commercial Code (öTCCö) and tax legislation.

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

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

In accordance with the Turkish Accounting Standard No: 34 öInterim Financial Reportingö, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed interim consolidated financial statements in the interim period. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2014.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ö See Note 18)

ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

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(Amounts are expressed in thousands of Turkish Lira (öTRY Thousandö) unless otherwise indicated.)

NOTE 2 ö BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (contöd)

2.1 Basis of Presentation (contöd)

Functional and reporting currency

The functional currency of the Company and its subsidiariesö skenderun Demir ve Çelik A. . ö sdemirö and Erdemir Çelik Servis Merkezi San. ve Tic. A. öErsemö are US Dollars; Erdemir Madencilik San. ve Tic. A. . öErmadenö and Erdemir Mühendislik Yönetim ve Dan, manl,k Hizmetleri A. . öErencoö are TRY.

Functional currency for the subsidiary abroad

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

Presentation currency translation

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

- a) The assets and liabilities on financial position as of 30 September 2015 are translated from USD Dollars into TRY using the Central Bank of Turkey's exchange rate which is TRY 3,0433=US \$ 1 and TRY 3,4212=EUR 1 on the balance sheet date (31 December 2014: TRY 2,3189= US \$ 1, TRY 2,8207=EUR 1).
- b) For the nine months period ended 30 September 2015, income statements are translated from the average TRY 2,6562 = US \$ 1 and TRY 2,9621=EUR 1 rates of 2015 January - September period (30 September 2014: TRY 2,1624 = US \$ 1 TRY 2,9330 = 1 EUR).
- c) Exchange differences are shown in other comprehensive income as of foreign currency translation reserve.
- d) The differences between presentation of statutory and historical figures are recognised as translation differences under equity. All capital, capital measures and other measures are represneted with their statutory figures in the accompanying financial statements.

USD amounts presented in the financial statements

The figures in USD amounts presented in the accompanying condensed interim consolidated financial statements comprising the statements of financial position as of 30 September 2015 and 31 December 2014, consolidated statement of income and other comprehensive income and consolidated statement of cash flows for the interim period ended 30 September 2015 represent the consolidated financial statements prepared according to USD reporting currency within the frame of functional currency change that the Company has made, which is effective as of July 1, 2013, prepared in accordance with the TAS 21- Effects of Changes in Foreign Exchange Rates.

Going concern

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

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NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (contöd)

2.1 Basis of Presentation (contöd)

Approval of the consolidated financial statements

The condensed interim consolidated financial statements have been approved and authorized to be published on 4 November 2015 by the Board of Directors. The General Assembly has the authority to revise the financial statements.

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

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

Reclassifications of statement of financial position are as follows:

Account	(Previously Reported)	(Restated)	(Difference)
	31 December 2014	31 December 2014	31 December 2014
Short Term Other Payables ⁽¹⁾	7.389	31.591	24.202
Payables for Employee Benefits ⁽¹⁾	123.722	99.520	(24.202)
Trade Payables ⁽²⁾	417.255	417.579	324
Other Current Liabilities ⁽²⁾	44.437	44.113	(324)
			<u>-</u>

(1) TRY 24.202 thousand employee's income tax payables that was reported under öPayables for Employee Benefitsö, is reclassified under öShort Term Other Payablesö in consolidated financial statements as of 31 December 2014.

(2) TRY 324 thousand expense accruals that was reported under öOther Current Liabilitiesö, is reclassified under öTrade Payablesö in consolidated financial statements as of 31 December 2014.

Reclassifications of income statement are as follows:

Account	(Previously Reported)	(Restated)	(Difference)
	1 January - 30 September 2014	1 January - 30 September 2014	1 January - 30 September 2014
Financial Income ⁽¹⁾	62.961	162.560	99.599
Financial Expense (-) ⁽¹⁾	(163.297)	(262.896)	<u>(99.599)</u>
			<u>-</u>

(1) Foreign exchange loss (net) TRY (6.645) thousand out of TRY 99.599 thousand which were reported under öFinancial Expense (-)ö was reclassified to foreign exchange gain from deferred tax base under öFinancial Incomeö for the nine months period ended 30 September 2014.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish 6 See Note 18)

ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (6TRY Thousand6) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont6d)

2.3 Adoption of New and Revised Financial Reporting Standards

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements as at 30 September 2015 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 2015 summarized below.

The new standards, amendments and interpretations which are effective as at 1 January 2015 are as follows:

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

Annual Improvements to TAS/TFRSs

In September 2014, POA issued the below amendments to the standards in relation to 6Annual Improvements - 201062012 Cycle6 and 6Annual Improvements - 201162013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements 201062012 Cycle

- TFRS 2 Share-based Payment:
- TFRS 3 Business Combinations
- TFRS 8 Operating Segments
- TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets
- TAS 24 Related Party Disclosures

Annual Improvements 201162013 Cycle

- TFRS 3 Business Combinations
- Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement
- TAS 40 Investment Property

The amendments did not have a significant impact on the interim condensed consolidated financial statements of the Group.

Standards issued but not yet effective and not early adopted:

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

- TFRS 9 Financial Instruments 6 Classification and measurement
- TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to TAS 16 and TAS 38)
- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) 6 Bearer Plants

ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015**

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandö) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (contød)

2.3 Adoption of New and Revised Financial Reporting Standards (contød)

Standards issued but not yet effective and not early adopted (contød):

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)
- TAS 1: Disclosure Initiative (Amendments to TAS 1)

Annual Improvements to TFRSs 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations ó changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures ó clarification on the assessment of servicing contracts for the continuing involvement of financial assets
- IAS 19 Employee Benefits ó regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting ó disclosure of information elsewhere in the interim financial reportø

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

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

Annual Improvements 2010ó2012 Cycle

- IFRS 13 Fair Value Measurement

Annual Improvements 2011ó2013 Cycle

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments - Final standard (2014)

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ERE Lİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş. AND ITS SUBSIDIARIES

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(Amounts are expressed in thousands of Turkish Lira (6TRY Thousand6) unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements for the nine months period ended 30 September 2015 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements for the period ended 30 September 2015 are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2014. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2014.

There has been no change in total ownership interests and effective interests in the subsidiaries, included in the scope of consolidation as of 30 September 2015, from the interests reported as of 31 December 2014.

2.5 Restatement and errors in the accounting policies and estimates

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

The accounting policies, estimations and assumptions used in the preparation of these condensed interim consolidated financial statements for the period ended 30 September 2015 are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2014.

2.6 Segment Reporting

The operations of the Group in skenderun and Ere li 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.

ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015**

(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandó) unless otherwise indicated.)

NOTE 3 ó RELATED PARTY DISCLOSURES

The immediate parent and ultimate controlling parties of the Group are Ataer Holding A. . and Ordu Yard,mla ma 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.

<u>Due from related parties (short term)</u>	30 September 2015	31 December 2014
Oyak Renault Otomobil Fab. A. . ⁽²⁾	33.612	27.886
Bolu Çimento Sanayi A. . ⁽¹⁾	5.587	3.887
Adana Çimento Sanayi T.A. . ⁽¹⁾	4.378	4.071
Other	126	565
	<u>43.703</u>	<u>36.409</u>

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

<u>Due to related parties (short term)</u>	30 September 2015	31 December 2014
Omsan Lojistik A. . ⁽¹⁾	4.249	3.306
Omsan Denizcilik A. . ⁽¹⁾	5.890	4.982
Oyak Pazarlama Hizmet ve Turizm A. . ⁽¹⁾	5.075	5.361
Oyak Savunma ve Güvenlik Sistemleri A. . ⁽¹⁾	3.329	2.876
Other	1.695	1.804
	<u>20.238</u>	<u>18.329</u>

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

<u>Major sales to related parties</u>	1 January - 30 September 2015	1 January - 30 September 2014
Oyak Renault Otomobil Fab. A. . ⁽²⁾	107.298	94.532
Adana Çimento Sanayi T.A. . ⁽¹⁾	14.530	16.059
Bolu Çimento Sanayi A. . ⁽¹⁾	14.331	12.791
Aslan Çimento A. . ⁽¹⁾	1.031	2.154
Other	2.803	1.821
	<u>139.993</u>	<u>127.357</u>

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

⁽¹⁾ Subsidiaries of the parent company

⁽²⁾ Joint venture

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 18)

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(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandö) unless otherwise indicated.)

NOTE 3 ó RELATED PARTY DISCLOSURES (cont'd)

<u>Major purchases from related parties</u>	1 January - 30 September 2015	1 January - 30 September 2014
Omsan Denizcilik A. . ⁽¹⁾	52.526	76.552
Oyak Pazarlama Hizmet ve Turizm A. . ⁽¹⁾	44.464	28.964
Omsan Lojistik A. . ⁽¹⁾	25.384	25.699
Oyak Savunma ve Güvenlik Sistemleri A. . ⁽¹⁾	21.703	21.365
Omsan Logistica SRL ⁽¹⁾	6.333	5.687
Other	7.678	3.913
	<u>158.088</u>	<u>162.180</u>

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

⁽¹⁾ Subsidiaries of the parent company

⁽²⁾ Joint venture

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

The period end balances are un-secured and their collections will be done in cash. As of 30 September 2015, the Group provides no provision for doubtful receivables from related parties (31 December 2014: None).

Salaries, bonuses and other benefits of the key management:

For the nine months period ended 30 September 2015, the total compensation consisting of short term benefits such as salaries, bonuses and other benefits of the key management of the Group is TRY 18.828 thousand (30 September 2014: TRY 18.570 thousand).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish 6 See Note 18)

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(Amounts are expressed in thousands of Turkish Lira (6TRY Thousand6) unless otherwise indicated.)

NOTE 4 6 INVENTORIES

As of the balance sheet date, the details of the Group6s inventories are as follows:

	30 September 2015	31 December 2014
Raw materials	735.407	773.832
Work in progress	734.460	648.460
Finished goods	1.148.084	877.211
Spare parts	631.051	480.502
Goods in transit	403.026	361.212
Other inventories	314.778	228.924
Allowance for impairment on inventories (-)	(165.212)	(111.752)
	<u>3.801.594</u>	<u>3.258.389</u>

The movement of the allowance for impairment on inventories:

	1 January - 30 September 2015	1 January - 30 September 2014
Opening balance	111.752	88.739
Provision for the period	25.475	13.952
Provision released (-)	(9.012)	(13.623)
Translation difference	36.997	5.731
Closing balance	<u>165.212</u>	<u>94.799</u>

The Group has provided an allowance for the impairment on the inventories of finished goods, work in progress and raw materials in the cases when their net realizable values are lower than their costs. The provision released has been recognized under cost of sales (Note 12).

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish 6 See Note 18)

ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

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(Amounts are expressed in thousands of Turkish Lira (6TRY Thousand6) unless otherwise indicated.)

NOTE 5 6 TANGIBLE AND INTANGIBLE ASSETS

The movement of tangible assets for the periods 1 January - 30 September 2015 and 1 January - 30 September 2014 is as follows:

	30 September 2015	30 September 2014
<u>Opening balance as of 1 January</u>		
Cost	19.275.851	17.487.681
Accumulated depreciation	(11.076.494)	(9.814.125)
Net book value	<u>8.199.357</u>	<u>7.673.556</u>
Net book value at the begin.of the period	8.199.357	7.673.556
Additions (*)	327.335	236.291
Disposals (-)	(12.167)	(618)
<i>Cost disposals</i>	(62.254)	(10.138)
<i>Accumulated depreciation disposals</i>	50.087	9.520
Transfers	(3.549)	(2.742)
Currency translation difference	2.532.861	510.108
<i>Cost currency translation difference</i>	5.936.760	1.166.561
<i>Accumulated depreciation currency translation difference</i>	(3.403.899)	(656.453)
Current period depreciation (-)	(402.707)	(312.191)
Net book value at the end of the period	<u>10.641.130</u>	<u>8.104.404</u>
<u>Closing balance as of</u>		
Cost	25.474.143	18.877.653
Accumulated depreciation	(14.833.013)	(10.773.249)
Net book value	<u>10.641.130</u>	<u>8.104.404</u>

(*)The amount of capitalized borrowing costs is TRY 388 thousand for the current period (The capitalized borrowing costs for the nine months period ended 30 September 2014 is TRY 2.962 thousand).

As of 30 September 2015, the Group has no collaterals or pledges upon its tangible assets. (31 December 2014: None).

ERE L DEM R VE ÇEL K FABR KALARI T.A. . AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 ó TANGIBLE AND INTANGIBLE ASSETS (contó)

The movement of intangible assets for the periods 1 January - 30 September 2015 and 1 January - 30 September 2014 is as follows:

	30 September 2015	30 September 2014
<u>Opening balance as of 1 January</u>		
Cost	358.050	319.317
Accumulated amortisation	(189.491)	(160.167)
Net book value	<u>168.559</u>	<u>159.150</u>
Net book value at the begin.of the period	168.559	159.150
Additions	6.021	6.125
Disposals (-)	(2.228)	-
<i>Cost disposals</i>	(4.263)	(15)
<i>Accumulated depreciation disposals</i>	2.035	15
Transfers	3.549	2.742
Currency translation difference	42.339	8.205
<i>Cost currency translation difference</i>	75.753	15.514
<i>Accumulated depreciation currency translation difference</i>	(33.414)	(7.309)
Current period amortisation (-)	(17.131)	(14.813)
Net book value at the end of the period	<u>201.109</u>	<u>161.409</u>
<u>Closing balance end of period</u>		
Cost	439.110	343.683
Accumulated amortisation	(238.001)	(182.274)
Net book value	<u>201.109</u>	<u>161.409</u>

As of 30 September 2015, the Group has no collaterals or pledges upon its intangible assets. (31 December 2014: None).

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

	30 September 2015	30 September 2014
Associated with cost of production	398.308	307.177
General administrative expenses	7.347	9.496
Marketing, sales and distribution expenses	13.629	10.331
Research and development expenses	554	-
	<u>419.838</u>	<u>327.004</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish 6 See Note 18)

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NOTE 6 6 FINANCIAL LIABILITIES

Breakdown of financial liabilities is as follows:

	30 September 2015	31 December 2014
Short term financial liabilities	1.053.301	637.577
Current portion of long term financial liabilities	940.311	1.222.019
Corporate bonds issued	-	206.233
Total short term financial liabilities	<u>1.993.612</u>	<u>2.065.829</u>
Long term financial liabilities	<u>2.158.634</u>	<u>1.347.905</u>
Total long term financial liabilities	<u>2.158.634</u>	<u>1.347.905</u>
	<u><u>4.152.246</u></u>	<u><u>3.413.734</u></u>

As of 30 September 2015, the breakdown of the Group's loans with their original currency and their weighted average interest rates is presented as follows:

Interest Type	Type of Currency	Weighted Average Rate of Interest (%)	Short Term Portion	Long Term Portion	30 September 2015
No interest	TRY	-	100.313	-	100.313
Fixed	TRY	9,22	178.801	12.875	191.676
Fixed	US Dollars	1,69	930.441	60.746	991.187
Fixed	EURO	3,27	2.580	49.899	52.479
Floating	US Dollars	Libor+2,08	623.625	1.791.852	2.415.477
Floating	EURO	Euribor+0,47	125.332	197.050	322.382
Floating	Japanese Yen	JPY Libor+0,22	32.520	46.212	78.732
			<u>1.993.612</u>	<u>2.158.634</u>	<u>4.152.246</u>

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

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

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NOTE 6 6 FINANCIAL LIABILITIES (cont6d)

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

	30 September 2015	31 December 2014
Within 1 year	1.993.612	2.065.829
Between 1-2 years	921.319	588.577
Between 2-3 years	603.755	522.255
Between 3-4 years	391.549	137.072
Between 4-5 years	237.319	16.680
Five years or more	4.692	83.321
	<u>4.152.246</u>	<u>3.413.734</u>

NOTE 7 6 PROVISIONS

The movement of the short term provisions is as follows:

	30 September 2015	31 December 2014
Provision for lawsuits	232.316	214.722
Penalty prov. for employment shortage of disabled pers.	4.379	5.223
Provision for state right on mining activities (*)	2.094	4.484
Provision for civil defense fund (**)	10.365	10.099
	<u>249.154</u>	<u>234.528</u>

(*) According to 6Mining Law6 numbered 3213 and regulation on 6Mining Law Enforcement6 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 6Natural Disaster Fund6 ile 6Civil Defense Fund6. It is calculated through revenue of the company.

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NOTE 7 ó PROVISIONS (contd)

The movement of the provisions is as follows:

	1 January 2015	Change for the period	Payments	Provision released	Translation difference	30 September 2015
Provision for lawsuits	214.722	28.338	(6.820)	(23.071)	19.147	232.316
Penalty prov. for employment shortage of disabled pers.	5.223	3.205	(3.118)	(1.009)	78	4.379
Provision for state right on mining activities	4.484	2.094	(3.598)	(886)	-	2.094
Provision for civil defense fund	10.099	263	-	-	3	10.365
	<u>234.528</u>	<u>33.900</u>	<u>(13.536)</u>	<u>(24.966)</u>	<u>19.228</u>	<u>249.154</u>

	1 January 2014	Change for the period	Payments	Provision released	Translation difference	30 September 2014
Provision for lawsuits	194.475	24.015	(6.091)	(15.585)	4.838	201.652
Penalty prov. for employment shortage of disabled pers.	4.568	1.790	(870)	(1.032)	16	4.472
Provision for state right on mining activities	2.642	3.899	(3.018)	-	-	3.523
Provision for civil defense fund	3.341	6.779	-	-	(120)	10.000
	<u>205.026</u>	<u>36.483</u>	<u>(9.979)</u>	<u>(16.617)</u>	<u>4.734</u>	<u>219.647</u>

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NOTE 7 6 PROVISIONS (cont6d)

As of 30 September 2015 and 31 December 2014, lawsuits filed by and against the Group are as follows:

	30 September 2015	31 December 2014
Lawsuits filed by the Group	364.895	300.304
Provision for lawsuits filed by the Group	6.088	5.872

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

	30 September 2015	31 December 2014
Lawsuits filed against the Group	299.859	242.347
Provision for lawsuits filed against the Group	232.316	214.722

The Company, prepared its interim consolidated financial statements as of 31 March 2005, 30 June 2005 and 30 September 2005 according to CMB6s Communiqu6 Serial XI No 25 on 6Accounting Standards to be implemented in Capital Markets6 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 Communiqu6, and CMB6s letter no. SPK.017/83-3483 dated 7 March 2006, sent to the Group Management. The aforementioned Communiqu6 (Serial XI No. 25 on the 6Accounting Standards to be implemented in Capital Markets6), and Communiqu6s inserting some provisions thereto together with the Communiqu6s 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 Company6s changing the accounting standards set used during the term (Serial XI, No 25) at the end of the same term (IFRS) caused decrease amount of TRY 152.330 thousand on the period due to negative goodwill income.

The Company challenged the aforementioned decision before the 11th Administrative Court of Ankara (E. 2006/1396). This lawsuit was rejected on 29 March 2007, but the Company appealed this rejection on 11 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 Company6s lawyers on 16 July 2012.

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NOTE 7 ö PROVISIONS (contöd)

CMB, prepared the Companyö 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 öArticle 726 and Temporary Provision 1 of CMBö Communiqué Serial XI, No. 25 authorize the use of IFRS on consolidated financial statements of 2005, although CMB had given the Company a öpermissionö No. SPK.0.17/83-3483 of 7 March 2006, and the lawsuits regarding this issue are still pendingö. The Company challenged CMBö 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 Chamberö decision on 6 September 2010. 13th Chamber of the Council of State accepted CMBö appeal and reverted its previous abolishment decision, and ratified 11th Administrative Court of Ankaraö 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 Companyö lawyers on 20 July 2012.

Had the Company started to prepare its consolidated financial statements in accordance with IFRS after 31 December 2005, it would also have to present the comparative consolidated financial statements in accordance with IFRS based on öIFRS 1: First-time adoption of International Financial Reporting Standardsö 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 öIFRS 3: Business Combinationsö. Therefore, the net profit for the periods ended 30 September 2015 and 30 September 2014 will not be affected from the above mentioned disputes.

Companyö Shareholdersö General Assembly, which was held at 30 March 2006, decided dividend distribution according to the consolidated financial statements as of 31 December 2005, which was prepared according to IFRS. Privatization Administration, who has a usufruct right over 1 (one) equity share among the Company shares it transferred to Ataer Holding A. ., filed a lawsuit at 1 May 2006 the 3th Commercial Court of Ankara against the aforementioned General Assembly decision, and claimed that, dividend distribution decision must be abolished and TRY 35.673 thousand allegedly unpaid dividend must be paid to itself (E. 2006/218). The Court rejected the case on 23 October 2008; Privatization Administration appealed this rejection on 7 January 2009. Court of Appealsö 11th Chamber reversed this rejection judgment on 30 November 2010; this time the Company appealed the Chamberö decision on 18 February 2011. However, the Chamber rejected the Companyö appeal on 14 July 2011. The case file, sent back to 3th Commercial Court of Ankara once again. (E. 2011/551). The case was dismissed at the hearing held on 26 June 2015. The case is subject to appeal.

The Company, based on the above mentioned reasons, doesnö expect for the possible effects of changes in the net profit for the year ended 31 December 2005 due to the lawsuits mentioned above to have any impact in the accompanying consolidated financial statements as of 30 September 2015 and 31 December 2014.

Enerjia Metal Maden Sanayi ve Ticaret A. . initiated a debt collection proceeding that might end with a bankruptcy judgment against the Company based on the Export Protocol No. 69187 of 2 July 2009 and öAdditional Terms to the Erdemir-Enerjia Export Protocol No. 68197ö drafted by and between Enerjia and the Company.

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NOTE 7 6 PROVISIONS (cont6d)

However the process stopped upon the Company6s objection to Enerjia6s request, and that led Enerjia to file a lawsuit against the Company before the 7th Commercial Court of Ankara on 27 March 2010 claiming that the objection should be overruled and USD 68.312.520 should be paid to itself (E. 2010/259). The Court dismissed the case, in favor of the Company, on 23 June 2011.

Enerjia appealed this rejection. 23rd Chamber of the Court of Appeals accepted this rejection on 6 April 2012 (E. 2011/2915) and after this, the case file was sent back to the 7th Commercial Court of Ankara. The case file was sent to the 4th Commercial Court of Ankara due to the case shall seen by delegation according to the regulatory framework regarding the commercial courts. The Court has dismissed the case at the hearing held on 9 September 2015. The case is subject to appeal.

An action of debt was instituted by Messrs. Bor-San Is, Sistemleri Üretim ve Pazarlama A.Ş. against our company at the 3rd Civil Court of Kdz. Ere li on 17 April 2013 under file no 2013/253 Esas claiming for the compensation of the loss arising from the sales contract of TRY 18 thousand, reserving the rights for surplus. The Company was informed from the amendment petition, which was served to the company on 1 November 2013 that the plaintiff pleaded from the court to raise the claim to TRY 10.838 thousand as assessed by the expert opinion submitted to the court. The Company contested to the expert opinion and the amendment petition within the statutory period. The court has given the judgment of dismissal on 11 March 2014. The plaintiff, Bor-San Is, Sistemleri Üretim ve Pazarlama A.Ş. has appealed against the judgment. Upon the reversal of judgment, the Company appealed the decision of Supreme Court of Appeal. The rejection decision of Supreme Court of Appeal has been notified to the Company on 28 January 2015. The case ongoing with the Kdz. Ere li Civil Court of First Instance 3rd (2015/16 E.) has dismissed at the hearing held on 9 September 2015. The plaintiff6s petition of appeal has been received on 30 September 2015.

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 Ere li 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 Ere li 2nd Civil Court of First Instance. The court file has been entrusted to the expert. Date of next hearing of the case is 29 December 2015.

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NOTE 8 6 EMPLOYEE BENEFITS

The Group6s payables for short term employee benefits are as follows:

	30 September 2015	31 December 2014
Due to personnel	72.806	74.611
Social security premiums payable	29.469	24.909
	<u>102.275</u>	<u>99.520</u>

Provision of the employee termination benefits of the Group is as follows:

	30 September 2015	31 December 2014
Provisions for employee termination benefits	411.994	393.478
Provisions for seniority incentive premium	32.331	25.389
Provision for unpaid vacations	70.238	68.857
	<u>514.563</u>	<u>487.724</u>

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

As of 30 September 2015, the amount payable consists of one month6s salary limited to a maximum of TRY 3.709,98 (31 December 2014: TRY 3.438,22).

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

The employee termination benefit has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 (6Employee Benefits6) requires actuarial valuation methods to be developed to estimate the Group6s obligation under defined benefit plans. The obligation as of 30 September 2015 has been calculated by an independent actuary. The actuarial assumptions used in the calculation of the present value of the future probable obligation are as follows:

Discount rates are determined considering the expected duration of the retirement obligations and the currency in which the obligations will be paid. In calculations as of 30 September 2015, a fixed discount rate is used. Long term inflation estimates are made using an approach consistent with discount rate estimates and long term inflation rate fixed over years is used.

The anticipated rate of resignation which do not result in the payment of employee benefits is also considered in the calculation. The anticipated rate of resignation is assumed to be related with the past experience, therefore past experiences of employees are analyzed and considered in the calculation. In the actuarial calculation as of 30 September 2015, the anticipated rate of resignation is considered to be inversely proportional to the past experience. The anticipated rate of resignation is between 2%-0% for the employees with past experience between 0-15 years or over.

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NOTE 8 6 EMPLOYEE BENEFITS (cont6d)

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

	1 January - 30 September 2015	1 January - 30 September 2014
Opening balance	393.478	307.528
Service cost	29.921	20.114
Interest cost	22.495	20.534
Actuarial loss/(gain)	(226)	44.009
Termination benefits paid	(33.313)	(16.696)
Translation difference	(361)	(2.820)
Closing balance	411.994	372.669

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

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

	1 January - 30 September 2015	1 January - 30 September 2014
Opening balance	25.389	17.667
Service cost	3.401	1.625
Interest cost	1.579	1.254
Actuarial loss/(gain)	3.738	6.086
Termination benefits paid	(1.574)	(2.188)
Translation difference	(202)	142
Closing balance	32.331	24.586

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

	1 January - 30 September 2015	1 January - 30 September 2014
Opening balance	68.857	67.037
Provision for the period	40.758	37.796
Vacation paid during the period (-)	(4.333)	(3.399)
Provisions released (-)	(34.907)	(34.533)
Translation difference	(137)	(257)
Closing balance	70.238	66.644

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NOTE 9 6 COMMITMENTS AND CONTINGENCIES

The guarantees received by the Group are as follows:

	30 September 2015	31 December 2014
Letters of guarantees received	1.667.973	1.538.130
	<u>1.667.973</u>	<u>1.538.130</u>

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

	30 September 2015	31 December 2014
A. Total CPM given for the Company's own legal entity	108.545	73.574
B. Total CPM given in favour of subsidiaries consolidated on line-by-line basis	929.817	1.155.440
C. Total CPM given in favour of other 3rd parties for ordinary trading operations	-	-
D. Other CPM given	-	-
i. Total CPM given in favour of parent entity	-	-
ii. Total CPM given in favour of other Group companies out of the scope of clause B and C	-	-
iii. Total CPM given in favour of other 3rd parties out of the scope of clause C	-	-
	<u>1.038.362</u>	<u>1.229.014</u>

As of 30 September 2015, the ratio of the other CPM given by the Group to shareholders equity is 0% (31 December 2014: 0%). Total CPM given in favor of subsidiaries consolidated on line-by-line basis amounting to TRY 929.817 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:

	30 September 2015	31 December 2014
US Dollars	587.750	771.816
TRY	142.049	144.474
EURO	267.146	274.778
Japanese Yen	41.417	37.946
	<u>1.038.362</u>	<u>1.229.014</u>

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NOTE 10 6 TAX ASSETS AND LIABILITIES

	30 September 2015	31 December 2014
<u>Corporate tax payable:</u>		
Current corporate tax provision	431.919	266.045
Prepaid taxes and funds (-)	(163.093)	(136.337)
	<u>268.826</u>	<u>129.708</u>
	1 January - 30 September 2015	1 January - 30 September 2014
<u>Taxation:</u>		
Current corporate tax expense	431.919	133.602
Deferred tax income / (expense)	(157.227)	67.106
	<u>274.692</u>	<u>200.708</u>

Corporate tax

The effective corporate tax rate in Turkey is 20%, 16% in Romania in Singapore 17% as of 30 September 2015 (31 December 2014: in Turkey 20%, in Romania 16%, in Singapore 17%). The total amount of the corporate tax paid by the Group in 2015 is TRY 292.801 thousand (30 September 2014: TRY 128.620 thousand).

Deferred tax

Tax rate used in the calculation of deferred tax assets and liabilities (excluding land) are 20% for the subsidiaries in Turkey, 16% for the subsidiary in Romania and 17% for the subsidiary in Singapore (31 December 2014: in Turkey 20%, in Romania 16%, in Singapore 17%). Deferred tax related with the temporary differences arising from land parcels is calculated with the tax rate of 5% (31 December 2014: 5%).

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

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NOTE 10 6 TAX ASSETS AND LIABILITIES (cont6d)

	30 September 2015	31 December 2014
<u>Deferred tax assets:</u>		
Carry forward tax losses	3.590	2.056
Provisions for employee benefits	102.911	97.545
Investment incentive	10.311	-
Provision for lawsuits	40.939	37.598
Inventories	9.476	15.601
Provision for other doubtful receivables	13.407	12.481
Tangible and intangible fixed assets	10.229	9.901
Other	29.699	21.606
	<u>220.562</u>	<u>196.788</u>
<u>Deferred tax liabilities:</u>		
Tangible and intangible fixed assets	(1.328.998)	(788.481)
Fair values of the derivative financial instruments	(10.571)	(13.399)
Amortized cost adjustment on loans	(3.761)	(6.199)
Inventories	(77.032)	(10.828)
Other	(8.293)	(4.110)
	<u>(1.428.655)</u>	<u>(823.017)</u>
	<u>(1.208.093)</u>	<u>(626.229)</u>

The Group has unused investment incentive expenditures by 200% within the scope of investment incentive certificate dated 27.07.2001 and numbered 66445. In accordance with Article 61st Temporary Income Tax Law, 19,8% income tax rate will be applied to earnings from investment incentives.

In the financial statements which are prepared according to the TAS, of Ere li Demir ve elik Fabrikalar, T.A. . 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 Ere li Demir ve elik Fabrikalar, T.A. . and its subsidiaries6 consolidated financial statements. The temporary differences disclosed above besides the deferred tax asset and liabilities, have been prepared on the basis of the gross values and show the net deferred tax position.

Presentation of deferred tax assets/(liabilities):

	30 September 2015	31 December 2014
Deferred tax assets	25.769	31.881
Deferred tax (liabilities)	(1.233.862)	(658.110)
	<u>(1.208.093)</u>	<u>(626.229)</u>

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NOTE 10 6 TAX ASSETS AND LIABILITIES (cont6d)

<u>Deferred tax asset/(liability) movements:</u>	<u>1 January - 30 September 2015</u>	<u>1 January - 30 September 2014</u>
Opening balance	(626.229)	(409.266)
Deferred tax income	157.227	(67.106)
The amount in comprehensive (expense)/income	3.275	9.326
Translation difference	(742.366)	(146.068)
Closing balance	<u>(1.208.093)</u>	<u>(613.114)</u>
	<u>1 January - 30 September 2015</u>	<u>1 January - 30 September 2014</u>
<u>Reconciliation of tax provision:</u>		
Profit before tax	1.392.891	1.460.869
Statutory tax rate	20%	20%
Calculated tax acc. to effective tax rate	278.578	292.174
Reconciliation between the tax provision and calculated tax:		
- Non-deductible expenses	2.782	7.628
- Effect of tax losses unrecognised deferred tax assets in prior years	-	(92.022)
- Effect of currency translation to non taxable assets	1.346	2.372
- Investment incentives	(10.311)	(3.352)
- Effect of non-taxable adjustments	2.612	(6.201)
- Effect of the different tax rates due to foreign subsidiaries	(315)	109
Tax expense in reported in the consolidate stat. of income	<u>274.692</u>	<u>200.708</u>

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NOTE 11 6 EQUITY

As of 30 September 2015 and 31 December 2014, the capital structure is as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>30 September 2015</u>	<u>(%)</u>	<u>31 December 2014</u>
Ataer Holding A. .	49,29	1.724.982	49,29	1.724.982
Quoted in Stock Exchange	47,63	1.667.181	47,63	1.667.181
Erdemir's own shares	3,08	107.837	3,08	107.837
Historical capital	100,00	3.500.000	100,00	3.500.000
Effect of inflation		156.613		156.613
Restated capital		3.656.613		3.656.613
Treasury shares		(116.232)		(116.232)
		<u>3.540.381</u>		<u>3.540.381</u>

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

The issued capital of the Company in 2015 consists of 350.000.000.000 lots of shares (2014:350.000.000.000 lots). The nominal value of each share is 1 Kr (Turkish Kuruş) (2014: 1 Kr). This capital is split between A and B group shares. Group A shares consist of 1 share with a share value of 1 Kr and Group B shares consist of 3.499.999.999,99 shares representing TRY 349.999.999.999 of the issued capital.

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish 6 See Note 18)

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(Amounts are expressed in thousands of Turkish Lira (6TRY Thousand6) unless otherwise indicated.)

NOTE 12 6 SALES AND COST OF SALES

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
<u>Sales Revenue</u>				
Domestic sales	8.012.863	2.533.152	7.406.287	2.593.507
Export sales	782.134	282.469	938.679	272.911
Other revenues (*)	143.359	41.506	262.554	88.543
Sales returns (-)	(14.790)	(3.951)	(8.103)	(2.456)
Sales discounts (-)	(8.328)	(3.943)	(4.678)	(1.853)
	<u>8.915.238</u>	<u>2.849.233</u>	<u>8.594.739</u>	<u>2.950.652</u>
<u>Cost of sales (-)</u>	<u>(7.181.797)</u>	<u>(2.320.277)</u>	<u>(6.826.281)</u>	<u>(2.304.896)</u>
Gross profit	<u>1.733.441</u>	<u>528.956</u>	<u>1.768.458</u>	<u>645.756</u>

(*)The total amount of by product exports in other revenues is TRY 22.149 thousand (30 September 2014: TRY 122.764 thousand).

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(Amounts are expressed in thousands of Turkish Lira (óTRY Thousandö) unless otherwise indicated.)

NOTE 12 ó SALES AND COST OF SALES (contd)

The breakdown of cost of sales for the periods 1 January ó 30 September 2015 and 1 January ó 30 September 2014 is as follows:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Raw material usage	(5.051.871)	(1.623.927)	(4.871.911)	(1.608.314)
Personnel costs	(885.664)	(296.899)	(788.221)	(276.984)
Energy costs	(510.978)	(165.346)	(453.361)	(157.807)
Depreciation and amortization expenses	(377.105)	(128.035)	(301.040)	(105.590)
Factory overheads	(201.028)	(48.661)	(164.669)	(70.908)
Other cost of goods sold	(52.447)	(12.043)	(112.950)	(39.317)
Non-operating costs (*)	(10.578)	(4.117)	(60.051)	(557)
Freight costs for sales delivered to customers	(59.761)	(21.220)	(43.922)	(23.821)
Inventory write-downs within the period (Note 4)	(25.475)	(15.713)	(13.952)	(7.222)
Reversal of inventory write-downs (Note 4)	9.012	1.197	13.623	2.596
Other	(15.902)	(5.513)	(29.827)	(16.972)
	<u>(7.181.797)</u>	<u>(2.320.277)</u>	<u>(6.826.281)</u>	<u>(2.304.896)</u>

(*) Due to the planned/ unplanned halt production of plant of the Group, operations were suspended temporarily in the current period. As a result of this, idle capacity expense, TRY (10.578) thousand, has been accounted directly under cost of sales (30 September 2014: TRY (60.051) thousand).

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NOTE 13 ó OPERATING EXPENSES AND OTHER OPERATING INCOME/(EXPENSES)

The breakdown of marketing, sales and distribution expenses according to their nature for the periods 1 January ó 30 September 2015 and 1 January ó 30 September 2014 is as follows:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Personnel expenses (-)	(53.164)	(17.800)	(46.964)	(15.188)
Depreciation and amortization(-)	(13.629)	(4.861)	(10.331)	(3.565)
Service expenses (-)	(30.165)	(9.827)	(29.780)	(10.470)
	<u>(96.958)</u>	<u>(32.488)</u>	<u>(87.075)</u>	<u>(29.223)</u>

The breakdown of general administrative expenses for the periods 1 January ó 30 September 2015 and 1 January ó 30 September 2014 is as follows:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
Personnel expenses (-)	(111.970)	(36.509)	(101.215)	(33.296)
Depreciation and amortization (-)	(7.347)	(2.450)	(9.496)	(3.156)
Service expenses (-)	(74.563)	(24.154)	(46.646)	(17.752)
Tax, duty and charges (-)	(5.290)	(1.582)	(2.566)	(567)
Provision for doubtful receivables (-)	(4.530)	(2.101)	-	-
	<u>(203.700)</u>	<u>(66.796)</u>	<u>(159.923)</u>	<u>(54.771)</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 18)

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NOTE 13 ó OPERATING EXPENSES AND OTHER OPERATING INCOME/(EXPENSES) (cont'd)

The breakdown of other operating income for the periods 1 January ó 30 September 2015 and 1 January ó 30 September 2014 is as follows:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
<u>Other operating income</u>				
Gain on sale of investment property	44.715	1.611	-	-
Interest income from on credit sales	48.876	17.780	42.553	16.022
Discount income	12.524	(542)	10.219	(367)
Provisions released	24.965	6.995	16.274	5.539
Service income	16.312	7.965	12.992	4.787
Maintenance repair and rent income	11.585	5.062	5.419	1.809
Warehouse income	3.034	1.202	2.366	647
Indemnity and penalty detention income	1.299	500	4.429	1.346
Insurance indemnity income	13.153	9.558	348	113
Royalty income	-	-	572	231
Gain on sale of tangible assets	667	404	694	106
Other income and gains	14.913	6.448	11.448	1.201
	<u>192.043</u>	<u>56.983</u>	<u>107.314</u>	<u>31.434</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 18)

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NOTE 13 ó OPERATING EXPENSES AND OTHER OPERATING INCOME/(EXPENSES) (cont'd)

The breakdown of other operating income for the periods 1 January ó 30 September 2015 and 1 January ó 30 September 2014 is as follows:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
<u>Other operating expenses (-)</u>				
Provisions expenses	(24.303)	(4.155)	(23.561)	(5.875)
Discount expenses	(17.768)	82	(4.443)	217
Port facility pre-licence expenses	(5.077)	(2.205)	(3.818)	(1.031)
Lawsuit compensation expenses	(2.029)	(148)	(2.565)	(320)
Penalty expenses	(2.527)	(155)	(3.053)	(2.060)
Service expenses	(2.355)	(851)	(2.497)	(1.215)
Rent expenses	(1.354)	(336)	(467)	(145)
Donation expenses	(1.401)	(498)	(7.130)	(474)
Stock exchange registration expenses	(995)	(36)	(900)	-
Loss on disposal of tangible assets	(3.245)	(220)	(614)	(441)
Other expenses and losses	(20.299)	(8.032)	(13.667)	(3.666)
	<u>(81.353)</u>	<u>(16.554)</u>	<u>(62.715)</u>	<u>(15.010)</u>

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish ó See Note 18)

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NOTE 14 ó FINANCIAL INCOME / EXPENSES

The breakdown of financial income for the periods 1 January ó 30 September 2015 and 1 January ó 30 September 2014 is as follows:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
<u>Financial incomes</u>				
Interest income on bank deposits	65.303	20.131	37.238	11.871
Foreign exchange gains (net)	366.498	130.465	99.599	99.599
Foreign exchange gain from deferred tax base	-	-	-	(11.670)
Fair value differences of derivative financial instruments (net)	-	-	25.723	8.955
	<u>431.801</u>	<u>150.596</u>	<u>162.560</u>	<u>108.755</u>

The breakdown of financial expense for the periods 1 January ó 30 September 2015 and 1 January ó 30 September 2014 is as follows:

	1 January - 30 September 2015	1 July - 30 September 2015	1 January - 30 September 2014	1 July - 30 September 2014
<u>Financial expenses (-)</u>				
Interest expenses on financial liabilities	(106.195)	(38.328)	(132.628)	(61.093)
Foreign exchange loss (net)	-	-	-	57.244
Interest cost of employee benefits	(24.074)	(8.150)	(21.788)	(7.548)
Foreign exchange loss from deferred tax base	(437.207)	(177.557)	(106.244)	(106.244)
Fair value differences of derivative financial instruments (net)	(6.303)	(1.057)	-	-
Other financial expenses	(1.783)	(631)	(2.236)	(800)
	<u>(575.562)</u>	<u>(225.723)</u>	<u>(262.896)</u>	<u>(118.441)</u>

During the period, the interest expenses of TRY 388 thousand have been capitalized as part of the Group's property, plant and equipment (1 January - 30 September 2014: TRY 2.962 thousand).

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NOTE 15 6 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional information about financial instruments

Foreign currency risk management

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates its functional currency. Foreign currency position table represents foreign currencies other than each entity6s functional currency. As of 30 September 2015, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	30 September 2015			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	293.104	49.855	71.043	2.549
2a. Monetary financial assets	126.817	73.789	15.233	641
2b. Non- monetary financial assets	-	-	-	-
3. Other	140.374	138.655	502	-
4. Current assets (1+2+3)	560.295	262.299	86.778	3.190
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	50.510	31.599	5.521	813
8. Non-current assets (5+6+7)	50.510	31.599	5.521	813
9. Total assets (4+8)	610.805	293.898	92.299	4.003
10. Trade payables	323.569	297.406	3.735	453.883
11. Financial liabilities	438.369	279.113	36.952	1.295.769
12a. Other monetary financial liabilities	459.165	456.754	705	-
12b. Other non-monetary financial liabilities	263.543	263.543	-	-
13. Current liabilities (10+11+12)	1.484.646	1.296.816	41.392	1.749.652
14. Trade payables	-	-	-	-
15. Financial liabilities	306.037	12.875	72.182	1.823.688
16a. Other monetary financial liabilities	504.876	504.876	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	810.913	517.751	72.182	1.823.688
18. Total liabilities (13+17)	2.295.559	1.814.567	113.574	3.573.340
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(823.923)	(20.091)	(234.956)	-
19a. Off-balance sheet foreign currency derivative financial assets	198.288	79.289	34.783	-
19b. Off-balance sheet foreign currency derivative financial liabilities	1.022.211	99.380	269.739	-
20. Net foreign currency asset/liability position (9-18+19)	(2.508.677)	(1.540.760)	(256.231)	(3.569.337)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(1.612.095)	(1.427.380)	(27.298)	(3.570.150)
22. Fair value of derivative financial instruments used in foreign currency hedge	16.323	-	4.771	-
23. Hedged foreign currency assets	1.022.211	99.380	269.739	-
24. Hedged foreign currency liabilities	198.288	79.289	34.783	-
25. Exports	804.283			
26. Imports	4.059.219			

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NOTE 15 6 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont6d)

Additional information about financial instruments (cont6d)

Foreign currency risk management (cont6d)

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates its functional currency. As of 31 December 2014, the foreign currency position of the Group in terms of original currency is calculated as it as follows:

	31 December 2014			
	TRY (Total in currency)	TRY (Original currency)	EURO (Original currency)	Jap. Yen (Original currency)
1. Trade Receivables	105.778	19.224	30.458	7.433
2a. Monetary financial assets	382.516	370.877	3.608	6.603
2b. Non- monetary financial assets	-	-	-	-
3. Other	105.294	105.193	36	-
4. Current assets (1+2+3)	593.588	495.293	34.103	14.036
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non- monetary financial assets	-	-	-	-
7. Other	36.867	31.348	1.956	-
8. Non-current assets (5+6+7)	36.867	31.348	1.956	-
9. Total assets (4+8)	630.455	526.642	36.059	14.036
10. Trade payables	254.101	230.220	4.047	533.504
11. Financial liabilities	555.509	426.430	36.904	1.203.596
12a. Other monetary financial liabilities	633.869	632.979	316	-
12b. Other non-monetary financial liabilities	127.120	127.120	-	-
13. Current liabilities (10+11+12)	1.570.599	1.416.750	41.267	1.737.100
14. Trade payables	-	-	-	-
15. Financial liabilities	399.791	166.194	66.750	2.183.187
16a. Other monetary financial liabilities	483.582	483.582	-	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	883.373	649.776	66.750	2.183.187
18. Total liabilities (13+17)	2.453.972	2.066.525	108.017	3.920.287
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	(578.049)	(335.054)	(86.147)	-
19a. Off-balance sheet foreign currency derivative financial assets	326.618	208.885	41.739	-
19b. Off-balance sheet foreign currency derivative financial liabilities	904.667	543.939	127.886	-
20. Net foreign currency asset/liability position (9-18+19)	(2.401.566)	(1.874.938)	(158.104)	(3.906.251)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(1.838.558)	(1.549.305)	(73.950)	(3.906.251)
22. Fair value of derivative financial instruments used in foreign currency hedge	66.168	18.777	16.801	-
23. Hedged foreign currency assets	904.667	543.939	127.886	-
24. Hedged foreign currency liabilities	326.618	208.885	41.739	-
25. Exports	1.370.112			
26. Imports	5.301.714			

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NOT 15 6 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont6d)

Additional information about financial instruments (cont6d)

Foreign currency risk management (cont6d)

The following table shows the Group6s sensitivity to a 10% (+/-) change in the TRY, USD, EUR and Japanese Yen. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management6s assessment of the possible change in foreign exchange rates.

As of 30 September 2015 asset and liability balances are translated by using the following exchange rates: TRY 3,0433 = US \$ 1, TRY 3,4212 = EUR 1 and TRY 0,0253= JPY 1 (31 December 2014: TRY 2,3189 = US \$ 1, TRY 2,8207 = EUR 1 and TRY 0,0193= JPY 1).

	<u>Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
30 September 2015		
1- TRY net asset/liability	(152.067)	152.067
2- Hedged portion from TRY risk (-)	7.929	(7.929)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	<u>(144.138)</u>	<u>144.138</u>
5- US Dollars net asset/liability	-	-
6- Hedged portion from US Dollars risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- US Dollars net effect (5+6+7)	<u>-</u>	<u>-</u>
9- Euro net asset/liability	(7.279)	7.279
10- Hedged portion from Euro risk (-)	11.900	(11.900)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	<u>4.621</u>	<u>(4.621)</u>
13- Jap. Yen net asset/liability	(9.045)	9.045
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	<u>(9.045)</u>	<u>9.045</u>
TOTAL (4+8+12+16)	<u>(148.562)</u>	<u>148.562</u>

In addition to the Group6s foreign currency sensitivity to a 10% (+/-) change in TRY, TRY 152.849 thousands of income / (TRY (67.905) thousand expense) will occur due to the decrease/ (increase) in deferred tax base (31 December 2014: TRY 166.866 thousands of income / (TRY (56.859) thousands of expense).

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NOTE 15 6 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont6d)

Additional information about financial instruments (cont6d)

Foreign currency risk management (cont6d)

31 December 2014	Profit/(loss) after capitalization on tangible assets and before tax and non-controlling interest	
	Appreciation of foreign currency	Depreciation of foreign currency
1- TRY net asset/liability	(153.988)	153.988
2- Hedged portion from TRY risk (-)	20.889	(20.889)
3- Effect of capitalization (-)	-	-
4- TRY net effect (1+2+3)	(133.099)	133.099
5- US Dollars net asset/liability	64	(64)
6- Hedged portion from US Dollars risk (-)	-	-
7- Effect of capitalization (-)	-	-
8- US Dollars net effect (5+6+7)	64	(64)
9- Euro net asset/liability	(20.297)	20.297
10- Hedged portion from Euro risk (-)	11.773	(11.773)
11- Effect of capitalization (-)	-	-
12- Euro net effect (9+10+11)	(8.524)	8.524
13- Jap. Yen net asset/liability	(8.108)	8.108
14- Hedged portion from Jap. Yen risk (-)	-	-
15- Effect of capitalization (-)	-	-
16- Jap. Yen net effect (13+14+15)	(8.108)	8.108
TOTAL (4+8+12+16)	(149.667)	149.667

(Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish 6 See Note 18)

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NOTE 16 6 SUBSEQUENT EVENTS

None.

NOTE 17 6 ADDITIONAL INFORMATION FOR CASH FLOW STATEMENTS

Details of changes in working capital for the periods between 1 January 6 30 September 2015 and 1 January 6 30 September 2014 are as follows:

	1 January- 30 September 2015	1 January- 30 September 2014
Current trade receivables	700.665	96.485
Inventories	480.424	504.366
Other short term receivables / current assets	54.941	907
Other long term receivables / non current assets	(17.873)	18.242
Current trade payables	(51.322)	(130.232)
Other short term payables / liabilities	(67.738)	54.728
Other long term payables / liabilities	13.518	422
	<u>1.112.615</u>	<u>544.918</u>

Changes in 1 January 6 30 September 2015 period in working capital represents differences in functional currencies converted to presentation currency, which is TRY.

**NOTE 18 6 OTHER ISSUES AFFECTING THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS MATERIALLY OR THOSE REQUIRED TO BE DISCLOSED
FOR A CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION**

Convenience translation to English

As of 30 September 2015, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (6IFRS6) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.