İZMİR DEMİR ÇELİK SANAYİ A.Ş.

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014 WITH INDEPENDENT AUDITOR'S REPORT

(Originally Issued in Turkish)

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Notes to the Consolidated Financial Statements

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Heris Tower, Akdeniz Mah.
Şehit Fethi Bey Cad. No: 55
Kat 21 Alsancak 35210 İzmir

Telephone +90 (232) 464 20 45 Pbx
Fax +90 (232) 464 21 45
Internet www.kpmg.com.tr

Convenience Translation of the Independent Auditors' Report to English
Originally Prepared and Issued in Turkish

To the Board of Directors of İzmir Demir Çelik Sanayi Anonim Şirketi,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of İzmir Demir Çelik Sanayi Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 3 January 2015.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2014, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağimsiz Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

İsmail Ünal

İsmail Önder Ünal, SMMM
Partner
4 March 2015
İstanbul, TÜRKİYE

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2014

(Amounts expressed in TL)		*Audited*	*Audited*
ASSETS	**Note**	**Current period 31.12.2014**	**Prior period 31.12.2013**
Current Assets			
Cash and Cash Equivalents	7	101,803,157	365,308,343
Trade Receivables		163,560,858	177,622,572
Due from related parties	*6*	*74,952*	*9,936*
Other trade receivables	*9*	*163,485,906*	*177,612,636*
Other Receivables		39,030,945	688,298
Due from related parties	*6*	*37,891,021*	-
Due from other	*11*	*1,139,924*	*688,298*
Derivative Instruments	48	1,292,740	920,180
Inventories	12	249,288,933	346,586,109
Prepaid Expenses	14	14,459,959	16,769,320
Other Current Assets	31	24,319,722	28,397,757
TOTAL CURRENT ASSETS		**593,756,314**	**936,292,579**
Non-Current Assets			
Financial Investments	8	672,543	462,543
Other Receivables		4,800,258	397,257
Other receivables	*11*	*4,800,258*	*397,257*
Investment Properties	15	46,034,000	44,212,000
Property, Plant and Equipment	16	1,253,772,188	1,207,308,575
Intangible Assets	19	1,117,967	954,655
Prepaid Expenses	14	2,903,976	607,525
Deferred Tax Assets	42	67,323,779	43,397,570
TOTAL NON-CURRENT ASSETS		**1,376,624,711**	**1,297,340,125**
TOTAL ASSETS		**1,970,381,025**	**2,233,632,704**
LIABILITIES			
Current Liabilities			
Short-term Borrowings	49	462,060,505	585,620,004
Short-term Portion of Long-term Borrowings	49	98,815,991	22,147,534
Trade Payables		326,484,403	450,469,250
Due to related parties	*6*	*1,582,951*	*840,213*
Other trade payables	*9*	*324,901,452*	*449,629,037*
Payables for Employee Benefits	29	9,134,013	7,038,230
Other Payables		299,956	3,401,754
Due to related parties	*6*	-	*2,924,044*
Other payables	*11*	*299,956*	*477,710*
Derivative Instruments	48	249,761	14,363,800
Current Income Tax Liability	42	7,630,401	167,977
Short-term Provisions		2,929,505	67,636
Other short term provisions	*27*	*2,929,505*	*67,636*
Other Current Liabilities	31	18,032,624	21,130,406
TOTAL CURRENT LIABILITIES		**925,637,159**	**1,104,406,591**
Non-current Liabilities			
Long-term Borrowings	49	519,138,770	578,116,535
Long-term Provisions		13,269,408	12,017,846
Long term provisions related to employee benefits	*29*	*13,269,408*	*12,017,846*
Deferred Tax Liabilities	42	42,667,726	43,106,244
TOTAL NON- CURRENT LIABILITIES		**575,075,904**	**633,240,625**
EQUITY			
Equity Attributable to Owners of the Company		**430,047,730**	**468,854,859**
Paid-in Capital	32	375,000,000	375,000,000
Adjustment on Capital	32	22,763,962	22,763,962
Other Accumulated Comprehensive Income/ Expense not to be Reclassified Through Profit or Loss		189,592,564	196,933,723
Gain/ loss on revaluation and remeasurement	*32*	*189,592,564*	*196,933,723*
Legal Reserves	32	25,832,374	25,832,374
Retained Earnings/(Accumulated Losses)		(149,559,699)	(33,513,766)
Net Profit/(Loss) for the Period		(33,581,471)	(118,161,434)
Non-controlling Interests	32	**39,620,232**	**27,130,629**
TOTAL EQUITY		**469,667,962**	**495,985,488**
TOTAL LIABILITIES		**1,970,381,025**	**2,233,632,704**

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

(Amounts expressed in TL)		*Audited*	*Audited*
	Note	**Current Period 01.01 - 31.12.2014**	**Current Period 01.01 - 31.12.2013**
PROFIT OR LOSS			
Revenue	33	2,134,903,288	1,719,972,421
Cost of Sales (-)	33	(2,067,782,419)	(1,706,002,545)
GROSS PROFIT/(LOSS)		**67,120,869**	**13,969,876**
General Administrative Expenses (-)	35	(20,729,671)	(14,686,994)
Marketing Expenses (-)	35	(13,281,675)	(13,789,131)
Other Income from Operating Activities	36	52,277,285	4,299,172
Other Expenses from Operating Activities(-)	36	(39,551,629)	(51,190,119)
OPERATING PROFIT/(LOSS)		**45,835,179**	**(61,397,196)**
Income from Investing Activities	37	18,358,812	8,141,369
Expenses from Investing Activities (-)	37	(2,797,954)	(25,962,388)
OPERATING PROFIT/(LOSS) BEFORE FINANCE EXPENSE		**61,396,037**	**(79,218,215)**
Finance Income	39	209,716,829	119,916,816
Finance Expenses (-)	39	(305,487,359)	(196,811,406)
OPERATING PROFIT/(LOSS) BEFORE TAX		**(34,374,493)**	**(156,112,805)**
Tax Income/(Expense)		**8,560,737**	**29,054,425**
Tax Expense	42	(15,678,048)	(682,978)
Deferred Tax Income /(expense)	42	24,238,785	29,737,403
PROFIT/(LOSS) FOR THE PERIOD		**(25,813,756)**	**(127,058,380)**
Profit/(Loss) Attributable to			
Non-controlling Interests		7,767,715	(8,896,946)
Owners of the Company		(33,581,471)	(118,161,434)
Diluted Profit/(Losses) Per Share	43	(0.0896)	(0.3151)

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

(Amounts expressed in TL)	***Audited***	***Audited***
	Current Period 01.01 - 31.12.2014	**Current Period 01.01 - 31.12.2013**
LOSS FOR THE PERIOD	**(25,813,756)**	**(127,058,380)**
OTHER COMPREHENSIVE INCOME		
Items not be reclassified through profit or loss		
Actuarial Gain/(Losses) on Employee Benefits	(629,712)	112,610
Taxes Over Other Comprehensive Income/ Expenses not to be Reclassified Through Profit or Loss	125,942	(22,522)
Tax Income/(Expense)	-	-
Deferred Tax Income/(Expense)	*125,942*	*(22,522)*
OTHER COMPREHENSIVE INCOME	**(503,770)**	**90,088**
TOTAL COMPREHENSIVE INCOME	**(26,317,526)**	**(126,968,292)**
Attributable to	**(26,317,526)**	**(126,968,292)**
Non-controlling Interests	7,746,936	(8,897,432)
Owners of the Company	(34,064,462)	(118,070,860)

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 JANUARY 2014 - 31 DECEMBER 2014

(Amounts expressed in TL)

				Accumulated Other Comprehensive Income/Expense that will not be Reclassified through Profit or Loss		Accumulated Profit/Loss				
	Note	**Paid-in Capital**	**Adjustment on Capital**	**Gain/ (Loss) on Revaluation and Re-measurement**	**Legal Reserves**	**Retained Earnings / (Losses)**	**Net Profit / (Loss) for the Period**	**Equity Attributable to Owners of the Company**	**Non-controlling Interests**	**Total Equity**
PRIOR PERIOD										
Balance at 1 January 2013 (Beginning of the period)		**375,000,000**	**22,763,962**	**199,829,275**	**25,832,374**	**(25,566,961)**	**(10,932,931)**	**586,925,719**	**18,362,861**	**605,288,580**
Transfer to retained earnings		-	-	-	-	(10,932,931)	10,932,931	-	-	-
Depreciation transfer		-	-	(2,986,126)	-	2,986,126	-	-	-	-
Actuarial losses on employee severance indemnity		-	-	90,574	-	-	-	90,574	(486)	90,088
Net loss for the period		-	-	-	-	-	(118,161,434)	(118,161,434)	(8,896,946)	(127,058,380)
Transactions with non-controlling interests		-	-	-	-	-	-	-	17,665,200	17,665,200
Balance at 31 December 2013 (End of the period)		**375,000,000**	**22,763,962**	**196,933,723**	**25,832,374**	**(33,513,766)**	**(118,161,434)**	**468,854,859**	**27,130,629**	**495,985,488**
CURRENT PERIOD										
Balance at 1 January 2014 (Beginning of the period)	**32**	**375,000,000**	**22,763,962**	**196,933,723**	**25,832,374**	**(33,513,766)**	**(118,161,434)**	**468,854,859**	**27,130,629**	**495,985,488**
Transfer to retained earnings		-	-	(66,269)	-	(118,095,165)	118,161,434	-	-	-
Depreciation transfer		-	-	(2,049,232)	-	2,049,232	-	-	-	-
Fixed asset transfer to subsidiary	32	-	-	(4,742,667)	-	-	-	(4,742,667)	4,742,667	-
Actuarial losses on employee severance indemnity		-	-	(482,991)	-	-	-	(482,991)	(20,779)	(503,770)
Net profit/(loss) for the period		-	-	-	-	-	(33,581,471)	(33,581,471)	7,767,715	(25,813,756)
Balance at 31 December 2014 (End of the period)	**32**	**375,000,000**	**22,763,962**	**189,592,564**	**25,832,374**	**(149,559,699)**	**(33,581,471)**	**430,047,730**	**39,620,232**	**469,667,962**

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2014
(Amounts expressed in TL)

	Notes	*Audited* Current Period 01.01 - 31.12.2014	*Audited* Prior Period 01.01 - 31.12.2013
A. CASH FLOWS FROM OPERATING ACTIVITIES		**53,238,386**	**87,916,203**
Net loss for the period		(25,813,756)	(127,058,380)
Adjustments for net loss for the period reconciliation		**139,435,152**	**142,285,622**
Adjustments for depreciation and amortization	30,36	67,503,997	31,464,909
Adjustments for provision for impairment on inventories	12	8,390,995	(291,482)
Adjustments for provision for employee severance indemnity and vacation pay liability	29	3,472,236	4,974,036
Adjustments for interest income and expenses	36,39	26,609,889	3,866,907
Adjustments for (gain)/loss on disposal of tangible assets	37	(180,481)	(625,866)
Unrealized foreign exchange (gain)/loss		58,507,852	123,522,459
Adjustments to (gain)/loss on fair value of financial instruments	37	(16,308,599)	8,429,084
Adjustments for tax expense/(income)	42	(8,560,737)	(29,054,425)
Changes in working capital		**(47,700,351)**	**76,319,365**
Adjustments for (increase)/decrease in inventories		91,766,894	(126,118,631)
Adjustments for (increase)/decrease in trade receivables		15,630,129	(64,099,694)
Adjustments for (increase)/decrease in other receivables		(4,854,627)	(878,414)
Adjustments for increase/(decrease) in trade payables		(141,427,844)	206,693,659
Adjustments for increase/(decrease) in other payables		(3,094,826)	2,406,754
Adjustments for increase/(decrease) in working capital		(5,720,077)	58,315,691
Net cash provided by operating activities		**65,921,045**	**91,546,607**
Taxes paid		(9,832,273)	(1,871,352)
Employee termination benefits paid	29	(2,850,386)	(1,759,052)
B. CASH FLOW USED IN INVESTING ACTIVITIES		**(108,999,908)**	**(382,573,421)**
Cash inflows by disposal of tangible and intangible assets		4,662,749	625,866
Cash outflows by acquisition of tangible and intangible assets		(74,143,623)	(389,265,899)
Cash inflows/(outflows) from shareholders		(37,891,021)	17,665,200
Cash outflows on derivative instruments		(30,372,791)	(19,712,569)
Cash inflows on derivative instruments		28,744,778	8,113,981
C. NET CASH PROVIDED BY FINANCING ACTIVITIES		**(207,743,664)**	**571,524,904**
Cash inflows from loans and borrowings		1,286,872,079	2,081,343,241
Cash outflows through repayment of loans and borrowings		(1,466,687,001)	(1,496,272,430)
Interest received		8,468,585	8,358,555
Interest paid		(36,397,327)	(21,904,462)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**(263,505,186)**	**276,867,686**
D. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD	7	**365,308,343**	**88,440,657**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	7	**101,803,157**	**365,308,343**

The accompanying notes are an integral part of these consolidated financial statements

1. ORGANIZATION AND NATURE OF BUSINESS

İzmir Demir Çelik Sanayi A.Ş ("the Company") was established in 1975 to produce long steel products for domestic and international markets. Modern bar rolling mill and steel melt shop was commissioned in 1983 and 1987 respectively. Production is carried out in Aliağa heavy industrial zone at a plant located over 500,000 m² areas. The Company and its subsidiaries are engaged in production, sales, marketing, transportation of iron and steel, port services, ship operations and production, distribution and trading of energy. The registered address of İzmir Demir Çelik Sanayi A.Ş. is Şair Eşref Bulvarı No: 23, 35210 in İzmir.

Subsidiaries included in the accompanying consolidated financial statements are as follows.

Company Name	Operating Activities	31 December 2014 Shareholding rate	31 December 2013 Shareholding rate
Akdemir Çelik Sanayi ve Tic. A.Ş.	Iron-steel production	99.98%	99.98%
İDÇ Liman İşletmeleri A.Ş.	Harbor operating	99.98%	99.98%
İzdemir Enerji Elektrik Üretim A.Ş.	Energy production	74.80%	74.80%

Shareholding structure:

Shareholders name	Share Amount (TL)	Share (%)
Şahin – Koç Çelik Sanayi A.Ş.	230,776,003	61.54
Halil Şahin	55,459,438	14.79
Other (Publicly traded)	88,764,559	23.67
Total	**375,000,000**	**100.00**

The Company's shares are traded at Borsa İstanbul ("BIST") under the name "IZMDC".

The Company and its subsidiaries are hereby referred to as "Group" in this report.

Shareholding structure of the Parent Company Şahin – Koç Çelik Sanayi A.Ş is as follows:

Shareholder's name	Share Amount (TL)	Share (%)
Şahin Şirketler Grubu Holding A.Ş.	138,748,980	75
Koç Haddecilik Teks. İnş. San. ve Tic. A.Ş.	36,999,728	20
Mahmut Nedim KOÇ	9,249,932	5
Total	**184,998,640**	**100**

Numbers of employee is as follows:

	Blue Collar	White Collar	Manager	Top Level Manager	Total
31 December 2014	1,168	434	27	7	1,636
31 December 2013	1,163	442	28	7	1,640

The Company's investments and associates are as follows.

	Share (%)	TL
Investments and Associates		
İtaş İzmir Teknopark Ticaret A.Ş.	0.125	2,547
Sivas Demir Çelik İşletmeleri A.Ş.	0.002	445,357
Enda Enerji Holding A.Ş.	0.24	415,601
Egenda Ege Enerji Üretim A.Ş.	0.03	40,062
İHY İzmir Hava Yolları A.Ş.	0.01	4,333
Nemrut Kılavuz ve Römorkör Hizmetleri A.Ş.	16.66	10,000
Enerji Piyasaları İşletim Anonim Şirketi	0.80	200,000
Impairment provision		
Sivas Demir Çelik İşletmeleri A.Ş.		(445,357)
TOTAL		**672,543**

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The Group maintains its book of accounts and prepares its statutory financial statements in TL in accordance with the Turkish Uniform Chart of Accounts, Turkish Commercial Code and Turkish Tax Code.

The accompanying consolidated financial statements have been prepared in accordance with the Turkish Accounting Standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey in line with the communiqué Serial: II, No: 14.1 "Basis for Financial Reporting in the Capital Markets" issued by CMB which is published on 13 June 2013 in the Official Gazette numbered 28676. The Turkish Accounting Standards are composed of Turkish accounting standards, Turkish Financial Reporting Standards and additional interpretations.

With the resolution on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of TAS 29 "Financial Reporting in Hyperinflationary Economies" is no longer required for companies operating in Turkey and preparing financial statements in accordance with accounting and financial reporting standards accepted by CMB. Accordingly, TAS 29 has not been applied in preparing the Group's consolidated financial statements effective from 1 January 2005.

Basis of presentation of financial statements

The accompanying consolidated financial statements of the Group have been prepared in compliance with the basis stated in "Basis for Financial Reporting in the Capital Markets" issued by CMB on 7 June 2013.

Approval of Consolidated Financial Statements

The Group's consolidated financial statements were approved by the board of directors of the Company on 4 March 2015. The General Assembly has the right to amend the financial statements after the publication of the financial statements.

Functional and presentation currency

The accompanying consolidated financial statements are presented in TL, which is the Group's functional currency. All financial information presented in TL unless otherwise stated.

Basis of Consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise to obtain benefits from its activities.

In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements starting from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The table below sets out all the subsidiaries included in the scope of consolidation and, shows the Group's share of control.

	31 December 2014	**31 December 2013**
Akdemir Çelik Sanayi ve Tic. A.Ş.	99.98%	99.98%
İDÇ Liman İşletmeleri A.Ş.	99.98%	99.98%
İzdemir Enerji Elektrik Üretim A.Ş.	74.80%	74.80%

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions between the Company and its equity accounted investees, subsidiaries and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Comparative Information

For the purpose of conducting a comparison of financial position, performance and cash flow trend, the Group's accompanying consolidated financial statements are prepared comparative with prior period. If there have been a change in presentation or classification on consolidated financial statements; to ensure the compatibility, the prior period consolidated financial statements are adjusted properly and explanation is presented on these issues.

The Group has prepared consolidated statement of financial position as at 31 December 2014 comparatively with the consolidated statement of financial position as at 31 December 2013, and consolidated profit or loss statement, consolidated statement of other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in shareholders' equity for the period ended 31 December 2014 comparatively with the consolidated profit or loss statement, consolidated statement of other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in shareholders' equity for the period ended 31 December 2013.

Offsetting

Financial assets and liabilities are offset and are reported net only when the entity has a legally enforceable right to offset, and it intends to settle the asset and the liability either simultaneously or on a net basis.

2.2 Changes in Accounting Policies

A company could only change its accounting policies under following circumstances.

- If a standard or interpretation makes it necessary or
- If effects of transactions and events of the Group's financial position, performance and cash flows may be presented fairly in financial statements.

Financial statements have to be comparable to enable the users of financial statements to see the trends in financial position, performance and cash flows. Therefore, if the change is not granting one of the above conditions, the accounting policies are applied consistently at each and annual period.

The significant accounting policies applied in presenting the consolidated financial statements for the period ended 31 December 2014 are similar with those of expressed in detail in the financial statements dated 31 December 2013.

2.3 Changes and Errors in Accounting Estimates

The preparation of the consolidated financial statements in accordance with Turkish Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates are reviewed periodically and reported in the consolidated profit or loss statements as of periods.

2.4 Changes in IFRS

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.
The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

Investment Entities (Amendments to TFRS 10, TFRS 12 and TAS 27)
TFRS 10 is amended for entities that meet the definition of an investment entity to qualify for the consolidation exception. According to the amendment, financial assets of an investment entity should be measured at fair value under TFRS 9 Financial Instruments, or to the extent possible under TMS 39 Financial Instruments: Recognition and Measurement. The amendments had no significant impact on the financial position or performance of the Group.

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments had no significant impact on the financial position or performance of the Group.

TAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendments)
As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets are modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendment has affected disclosure principles of the recoverable amounts for non-financial assets. The amendments had no significant impact on the financial position or performance of the Group.

TAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
Amendments to TAS 39 Financial Instruments: Recognition and Measurement provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments had no significant impact on the financial position or performance of the Group.

TFRIC Interpretation 21 Levies
The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The Interpretation had no significant impact on the financial position or performance of the Group.

Defined Benefit Plans: Employee Contributions (Amendments to TAS 19)
The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The amendment is effective for annual periods beginning on or after 1 July 2014. Early application is permitted. The amendments had no significant impact on the financial position or performance of the Group.

Improvements to TFRSs
Annual Improvements to existing TFRSs issued are presented below. Other than the amendments that only affect the standards‟ Basis for Conclusions, the changes are effective as of 1 July 2014.

Annual Improvements to TFRSs – 2010–2012 Cycle

TFRS 2 Share-based Payment:
Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendments had no significant impact on the financial position or performance of the Group.

TFRS 3 Business Combinations
Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendments had no significant impact on the financial position or performance of the Group.

TFRS 8 Operating Segments
The changes are as follows: Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments had no significant impact on the financial position or performance of the Group.

TFRS 13 Fair Value Measurement Decision Requirements
As clarified in the Basis for Conclusions, short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendments had no significant impact on the financial position or performance of the Group.

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets
The amendment to TAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the carrying amount equals to the market value. The amendments had no significant impact on the financial position or performance of the Group.

TAS 24 Related Party Disclosures
The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendments had no significant impact on the financial position or performance of the Group.

Annual Improvements to TFRSs – 2011–2013 Cycle

TFRS 1 First Time Adoption of International Financial Reporting Standards
The amendment clarifies that in its first TFRS financial statements, a first-time adopter is permitted but not required to apply a new or revised TFRS that is not yet mandatory but is available for early application.
TFRS 3 Business Combinations
The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

TFRS 13 Fair Value Measurement
The portfolio exception in TFRS 13 can be applied to the contracts within the context of TAS 39, not just financial assets and financial liabilities. The amendment is effective prospectively.

TAS 40 Investment Property
The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

These amendments did not have an impact on the financial position or performance 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 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, after the new standards and interpretations become in effect.

TFRS 9 Financial Instruments – Classification and measurement
As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Amendments to TAS 16 and TAS 38 – Clarification of acceptable methods of depreciation and amortisation
The amendments to TAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate.

The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by 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 to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. 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.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 -IFRS 9 (2013)
In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments (2014)
IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating

impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from TMS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 14 Regulatory Deferral Accounts
IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 15 Revenue from Contracts with customers
The standard is the result of a joint project and IASB and FASB which replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to TFRS 11 – Accounting for acquisition of interests in joint operations
The amendments clarify whether TFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)
The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a "business" under TFRS 3 Business Combinations. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Equity method in separate financial statements (Amendments to TAS 27)
The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Resolutions promulgated by the Public Oversight Authority
In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "The financial statement examples and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after 31 December 2012.

2013-1 Financial Statement Examples and User Guide
The POA promulgated "financial statement examples and user guide" on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group has made the classification stated in Note 2.2 in order to comply with the requirements of this regulation.

2013-2 Accounting of Combinations under Common Control
In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-3 Accounting of Redeemed Share Certificates
Clarification has been provided on the conditions and circumstances when the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-4 Accounting of Cross Shareholding Investments
If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined. i) the subsidiary holding the equity based financial instruments of the parent,
ii) the associates or joint ventures holding the equity based financial instruments of the parent
iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent. This resolution did not have any impact on the consolidated financial statements of the Group.

2.5 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of consolidated financial statements are summarized below:

Revenue
Revenue is recognized on an accrual basis when the amount of the revenue can be measured reliably. The estimated customer returns, discounts and provisions are deducted from that amount. The main activities of the Company and its subsidiaries are production, sales, marketing, transportation of iron and steel, port services and ship operations. Since the activities related with production, distribution and trading of energy are in the investment stage, there is no revenue recorded from these activities.

Sales of iron and steel:

Revenue from sale of iron and steel is accounted on accrual basis at fair value when all the following conditions are satisfied:

- The Group has transferred all significant risks and rewards of ownership of the goods to the buyer,
- The Group retains neither continuing managerial involvement associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,

- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service delivery:

Service delivery consists of marine transportation and harbor management. When the outcome of a transaction involving the service delivery can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the completion stage of the transaction as of the statement of financial position date.

Revenue from service delivery is accounted on accrual basis at fair value when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The completion stage of the transaction at the statement of financial position date can be measured reliably;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Sales of electricity:

Revenue is recognized on an accrual basis when the electricity transmission occurs at the amount of invoice regarding cut off. Net sales presents invoiced amount of electricity transmission by deducting the sales commissions and sales taxes.

Revenue from sale of electricity is accounted when all the following conditions are satisfied:

- Transmitting the quantity of the power committed to customer
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rent income:

Proceeds achieved through renting the Group owned-ships are accounted on a straight line basis during the rent agreement period.

Financial income and expenses

Financial income is composed of foreign exchange gains and rediscount gains which is not associated with main activities of the Group. Financial expenses are composed of interest expenses on bank borrowings, bank charges and foreign exchange losses. Group uses off balance sheet financial instruments, such as letter of credit, during the ordinary course of business. The maximum exposure of the Group that is sourced by these financial instruments is equal to the contract amount.

Dividend and interest income:

Interest income is recognized as it accrues in profit or loss, using effective interest rate.

Dividend income is recorded when shareholders have the right to get dividend.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of the inventories includes purchase, conversion cost and other costs incurred for the inventories. Cost for finished goods includes production costs in accordance with normal production capacity. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale (Note 12). The cost of inventories is based on the weighted average cost on a monthly basis. Imputed interest that is included in the purchased goods is deducted from the cost of goods sold and inventories.

Amounts of impairment on inventories that decrease inventory costs to net realizable value and losses related with inventories are recognized as expense in the period when these losses occur. Impairment provisions on inventories are reversed by reducing the cost of goods sold amount. As of every reporting period, net realizable value is reviewed once again.

The allocation of fixed production overheads to the cost of conversion is based on the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The actual level of production may be used if it approximates normal capacity. The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant. General fixed production expenses part is allocated with the idle capacity expenses in the case of idle capacity.

Tangible Assets

Lands, buildings, land improvements, machineries and equipment are reflected in the financial statements at fair values that are determined on 15 August 2011 and 31 March 2012 by an independent real estate appraisal company, which is accredited by CMB.

The valuation company determined the fair value of land and parcels with market approach, the fair value of building with market approach and depreciated replacement cost method, the fair value of land improvements and machinery and equipment with depreciated replacement cost method.

The revaluation frequency depends on the differences at the fair values of tangible fixed assets.
If net book value of an asset increases as a result of the revaluation, this increase is recognized at statement of other comprehensive income and presented under the revaluation fund account in the equity. However, a revaluation value increase can only be recognized in the profit or loss statement when the same amount of value decrease occurred in the previous periods for the same asset.

If net book value of an asset decreases during the revaluation, this decrease is recognized as expense. However this decrease can only be recognized as much as all kinds of credit balance about this asset in the revaluation surplus. The subjected decrease recognized in other comprehensive income, decreases the amount accumulated in equity under revaluation surplus. In the case of sales of revalued building or land, revaluation surplus part of revalued asset is classified over accumulated profit/(loss).

The costs of property, plant and equipment purchased before 1 January 2005 are restated for the effects of inflation in TL unit current at 31 December 2004 less accumulated depreciation and impairment losses. The costs of tangible assets purchased after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are carried at cost, less accumulated depreciation. Depreciation is provided on the acquired values of property, plant and equipment on a straight-line method starting from the acquisition date. Land is not amortized. Repair and maintenance costs are transferred to the related expense account on the date of the charge.

The depreciation rates that are mentioned below are determined by considering estimated useful lives.

Buildings	2% - 10%
Land improvements	10%
Machinery and equipment	10% - 30%
Vehicles	5% – 33%
Furniture and fixtures	20% – 33%
Lease hold improvements	20%

Impairment of assets

Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired may include default or delinquency by a debtor, restructuring of an amount due to the Group on items that the Group would not consider otherwise, indications that a debtor or issuer may go bankruptcy.

The Group considers evidences of impairment for receivables at both as specific asset and as on collective level. All individually significant receivables are assessed for specific impairment. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If financial assets are subject to significant impairment amounts when considered separately, then they are considered for impairment collectively. All impairments are recognized in the profit or loss.

An impairment is reversed if the impairment can be related objectively with an event occurring after the impairment was recognized. The reversal of financial assets booked with their discounted amounts is recognized in profit or loss.

Non-financial assets

Carrying amounts of the Group's non-financial assets except deferred tax assets and investment properties are reviewed at each reporting date to determine whether there is any indication of impairment. If any such an indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or its cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. Fair value less cost to sell of an asset or a cash generating unit is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Impairment is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount through use or sale. Impairments are recognized in the profit or loss.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. Goodwill acquired in a business combination allocated to groups of cash generating units that are expected to benefit from the synergies of the combination. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units, and then to reduce the carrying amounts of the other assets in the cash generating units on a pro rata basis. Impairment losses are recognized in profit or loss.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

Leases

Financial lease

Leases of property and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are included in the property and equipment at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other current and non-current financial liabilities. The interest element of the finance cost is charged to the consolidated profit or loss statement over the lease period.

Operational lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net off any incentives received from the leaser) are charged to the profit or loss statement on a straight-line basis over the period of the lease.

Government Grants and Incentives

Government incentives, including non-monetary grants at fair value are included in the financial statements only if there is reasonable assurance that the Company will fulfill all required conditions and acquire the incentive. A forgivable loan from government is treated as a government grant when it is probable that the entity will meet the terms for forgiveness of the loan.
The Group utilizes disabled employment incentive due to Labor law numbered 4857 and Social Insurance and general Health Insurance Law numbered 5510. Government incentives under government incentive and grant in the profit or loss statements are not collected in cash but deducted from the accrued insurance premiums by treasury. Incentive income was off set against cost of goods sold. The Group has obtained an investment incentive certificate amounting to TL 475.000.000 for the power plant project, which was completed on 4 April 2014. The incentive provides exemption of VAT and customs duty.

Investment Properties

Investment properties are the real estates which are held to earn rental income and/or for capital appreciation. Investment properties were revalued on 31 December 2013. Investment properties are presented in the financial statements at their fair value determined in the revaluation work which is carried out by an independent appraisal company accredited by the Capital Market Board. Appreciation or devaluation in the mentioned properties is accounted in the consolidated profit or loss table.

If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply TAS 16 up to the date of change in use. The entity shall treat any difference at that date between the carrying amount of the property in accordance with TAS 16 and its fair value in the same way as a revaluation in accordance with TAS 16.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

A gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.

Intangible Assets

The costs of intangible assets purchased before 1 January 2005 are restated for the effects of inflation in TL units current at 31 December 2004 less accumulated amortization and impairment losses. The costs of intangible assets purchased after 1 January 2005 are carried at cost less accumulated amortization and impairment losses. If there is an impairment, the recorded value of the intangible assets are decreased to their recovarable values.

Intangible assets are amortized on a straight-line basis in consolidated statement of comprehensive income over their estimated useful lives.

Amortization rates that are mentioned below are determined by considering estimated useful lives.

Rights	20% – 33%

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

In the reporting period, borrowing costs which are associated with loans received for the investment of energy production facility of İzdemir Enerji Elektrik Üretim A.Ş., are capitalized under construction in progress in accordance with TAS 23 until the date of capitalization of energy production facility. All of other borrowing costs are recorded in the profit or loss statement in the period in which they are incurred.

Financial Investments

Except for impairments in accordance with Communiqué II, No: 14.1 published by CMB, income or loss from available for sale financial assets are directly recorded in the statement of changes in equity. When these assets are sold, retained income or loss previously reflected in the other comprehensive income is recognized in current period profit or loss. However, the difference between the amount when the available for sale financial assets are initially booked and the amount at maturity which is subject to effective interest method stands for interest and it is reflected in the financial statements as profit or loss. As a result of this communiqué, the available for sale financial assets are valued at their fair value. If the difference between fair value and the value calculated by effective interest method is positive, then it is booked in capital reserve. If the difference is negative, then it is deducted from existing capital reserve. If still it is negative, it is booked under expenses from investing activities in the profit or loss statement.

Fair value of shares quoted in stock exchange is taken from closing price of Borsa Istanbul (BIST) as of the reporting date.

Financial Instruments

Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets consist of loans and receivables, cash and cash equivalents. Non-derivative financial assets are recorded at cost. Non-derivative financial assets are recognized in the following way after being recorded.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and time deposits with original maturities of three months or less. Cash and cash equivalents are highly liquid investments with maturity periods of less than three-months and having no conversion risk exposure other than the impact of foreign currency changes.

Non-derivative financial liabilities

Non-derivative financial liabilities are comprised of borrowings, trade and other payables, due to related parties and short term liabilities. Non-derivative financial liabilities are recognized as follows.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are reflected in financial statements with their current values of reimbursement using effective interest rate, and the differences with the initial cost are reflected in the comprehensive income statement during the maturity of the liabilities.

Other non-derivative financial liabilities are measured at amortized cost using the effective interest method, less any impairment. Short term other receivables and payables are disclosed at their cost values.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Preference Shares

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognized as equity distributions on approval by the Company's shareholders.

Derivative Financial Instruments

The Group's derivative financial instruments may be composed of forward foreign exchange purchase-sale agreements (forward and option).

The group does not apply hedge accounting for derivative financial instruments. The group reflects the fair value difference of the derivative financial instruments, to the profit or loss statement.

Derivatives are recognized initially at fair value; any attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit or loss.

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Group interacts with its related parties within the frame of ordinary business activities.

Details of related parties are as follows:

İDÇ Denizcilik San. ve Tic. A.Ş.
It was established in 2005 in Izmir in order to operate agency, ship chartering and ship management. İDÇ Denizcilik San. ve Tic. A.Ş. broadly undertakes the administrative function of group ships providing full range of staffing, technical assistance, insurance, technical management, maintenance, technical equipment and fuel in line with SHIPMAN 98, which is Standard Ship Management Agreement advised by The Baltic and International Maritime Council.

Şahin Gemicilik Nakliyat Sanayi ve Ticaret A.Ş.
The company is established in the year 2009 in Aliağa. Main activities of the company is to perform domestic and international maritime and road transportation or subcontract them on the purpose of transport all kinds of freight and passengers by road and maritime. Company owns 55,803 DWT dry cargo ship. There is no commercial relationship between Group companies, Şahin Gemicilik ve Denizcilik Nakliyat Sanayi Tic. A.Ş.

Agora Sigorta Aracılık Hizmetleri Ltd. Şti.

It was established in 2006 in İzmir. Company's main activity is making insurance policies. Agora Sigorta Aracılık Hizmetleri Ltd. Şti. conducts The Group's insurance brokerage services.

Koç Haddecilik Teks.İns. San. ve Tic. A.Ş.

It was established in the year 1993 in Dörtyol, Hatay. It is active in the production of reinforcing iron. There is no commercial relationship between the Group and Koç Haddecilik Teks. İnş. San. ve Tic. A.Ş.

Dagi Giyim Sanayi ve Ticaret A.Ş.

It was established in Istanbul in the year 1988. The Company has been operating in textile industry. There is no commercial relationship between the Group and Dagi Giyim Sanayi ve Ticaret A.Ş.

Begonviller Turizm Yatçılık ve Ticaret Ltd. Şti.

It was established in Muğla in the year 1994. It has been operating since 2006 in İzmir. It has one commercial yacht. It is engaged in rent yacht. There is no commercial relationship between the Group and Begonviller Turizm Yatçılık ve Ticaret Ltd. Şti.

Sarımazı Enerji Elektrik Üretim A.Ş. (in Liquidation)

It was established in İzmir in the year 2011. The company's main activity is electricity production, distribution and electricity trade. Sarımazı Enerji Elektrik Üretim A.Ş has not started to production yet. There is no commercial relationship between the Group and Sarımazı Enerji Elektrik Üretim A.Ş.

Other Balance Sheet Items

Other balance sheet items are stated at their registered values.

Income taxes

Income taxes comprised current and deferred tax expenses. Current tax and deferred tax is recognised in profit or loss except items recognised directly in equity or in other comprehensive income.

Current tax liability includes the tax payable on the taxable income for the period using tax rates enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Currently enacted tax rates are used to determine deferred tax. The principal temporary differences arise from recognition of income and expenses in different reporting periods and capitalization and depreciation differences of property, plant and equipment.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Employee Benefits

According to the enacted laws the Group is liable to pay lump sum payments to its employees in case of retirement or the termination of the employment contract of the employees except for the rules stated in the labor laws. Such payments are computed according to the severance indemnity ceiling valid at the statement of financial position date. Employee severance indemnity recognized as the present value of the estimated total reserve of the future probable obligation of the Group.

The Group makes compulsory premium payments to the Social Security Institution and does not have any other liabilities. These premium payments are accrued at the financials as they incur.

Provisions, Contingent Assets and Liabilities

A provision is recognized in the accompanying consolidated financial statements if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote, such contingent liabilities is disclosed in the notes to the financial statements.

If the entry of the economic benefit to the Group is possible, explanations are included in the disclosures of the financial statements about the contingent asset. If the entry of economic benefit is certain, the asset and its related income changes are included in the financial statements at the date that they occurred.

Foreign currency transactions

Transactions in foreign currencies are translated to TL at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to TL at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

The foreign currency rates used at the end of the period are as follows:

	31 December 2014	31 December 2013
United States Dollar ("USD")	2.3189	2.1343
Euro ("EUR")	2.8207	2.9365
Great Britain Pound ("GBP")	3.5961	3.5114
Swiss Franc ("CHF")	2.3397	2.3899
Japanese Yen ("JPY")	0.0193	0.0202
Australian Dollar ("AUD")	1.8894	1.8886
Canadian Dollar ("CAD")	1.9924	1.9898
Danish Krone ("DKK")	0.3783	0.3930

Earnings per Share

Earnings per share disclosed in the consolidated statement of comprehensive income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued.

Subsequent Events

Subsequent events represent the events that occur against or on behalf of the Group between the reporting date and the date when the financial statements were authorized for the issue. As of the reporting date, if the evidence with respect to such events or such events has occurred after the reporting date and such events require restating the financial statements; accordingly the Group restates the financial statements appropriately. If such events do not require restating the financial statements, such events have been disclosed in the related notes.

Change and Errors in the Accounting Policies and Estimates

Material changes in accounting policies or material errors are corrected retrospectively by restating the prior period consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods.

Segment Reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The executive managers are determined as the chief operating decision maker of the Group.

The Group's four main operating activities are iron and steel activities, ship activities, harbor activities and energy activities.

Statement of Cash Flows

In the cash flow statement, cash flows are classified as operating, investing and financing activities. Cash flows from operating activities represent the Group's cash flows generated from operating activities.

Group presents operating cash flows in indirect method by adjusting net income with non- cash expenses, income or expense accruals or deferrals and income and expense items related to investment or financing activities.

Cash flows from investing activities represent the cash flows used in/provided from investing activities (Acquisition of property, plant, equipment and intangible assets). Cash flows from financing activities represent the funds used in and repayment of the funds during the period.

Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparation of the consolidated financial statements, the significant estimates and judgments used by the Group are included in the following notes:

Note 2.5 – Useful lives of tangible and intangible assets
Note 16 – Tangible assets
Note 9 – Impairment loss on trade receivables
Note 27 – Provisions, contingent assets and liabilities

Note 29 – Provisions for employee severance indemnity
Note 42 – Tax assets and liabilities
Note 15 – Investment properties
Note 48 – Financial derivatives
Note 12 – Provision for impairment on inventories

3. BUSINESS COMBINATIONS

None. (31.12.2013: None)

4. SHARES IN OTHER BUSINESSES

None. (31.12.2013: None)

5. SEGMENT REPORTING

The Group operates in four areas of business. These are iron and steel operations, ship operations, harbor and energy operations.

Information about Geographic Regions

Regional distribution of the Group's overseas sales from the iron-steel operations is as follows.

Region	**01.01.-31.12.2014**	**01.01.-31.12.2013**
Middle East	71%	75%
Africa	21%	14%
America	4%	6%
Other	4%	5%
	100%	**100%**

Information about Major Clients

Sales of the Group are determined by depending on the fluctuations and competitive conditions in domestic and international markets. The Group is aware not to focus on a certain industry, country, individual or company in terms of the distribution of risks. Thereby, the share of the largest buyer in proceeds from iron steel operations is 17% (2013: 13%).

Details of the reportable segments used in management reporting are as follows.

SEGMENT REPORTING

01.01- 31.12.2014	***Iron Steel Operations***	***Ship Operations***	***Harbor Operations***	***Energy Operations***	***Consolidation Adjustments***	***Consolidated***
Domestic Sales	949,771,169	-	4,412,467	305,489,598	(21,079,023)	1,238,594,211
Foreign Sales	871,792,095	24,152,574	364,408	-	-	896,309,077
Intersegment Sales	2,207,368	-	21,036,246	-	(23,243,614)	-
Total Sales	**1,823,770,631**	**24,152,574**	**25,813,121**	**305,489,598**	**(44,322,637)**	**2,134,903,288**
Cost Of Sales (-)	(1,860,531,562)	(26,851,495)	(19,537,513)	(202,642,776)	41,780,927	(2,067,782,419)
GROSS PROFIT/(LOSS)	**(36,760,930)**	**(2,698,921)**	**6,275,608**	**102,846,822**	**(2,541,710)**	**67,120,869**
General Administrative Expenses (-)	(17,001,119)	(499,018)	(1,014,106)	(3,144,409)	928,981	(20,729,671)
Marketing Expenses (-)	(17,663,496)	-	-	-	4,381,821	(13,281,675)
Other Income from Operating Activities	36,067,568	17,743,604	4,465,265	2,234,903	(8,234,055)	52,277,285
Other Expenses from Operating Activities(-)	(17,273,430)	(20,823,221)	(3,184,975)	(1,228,734)	2,958,731	(39,551,629)
OPERATING PROFIT/(LOSS)	**(52,631,407)**	**(6,277,556)**	**6,541,792**	**100,708,582**	**(2,506,232)**	**45,835,179**
Income from Investing Activities	18,346,134	-	10,278	2,400	-	18,358,812
Expense from Investing Activities (-)	(2,797,954)	-	-	-	-	(2,797,954)
OPERATING PROFIT /(LOSS) BEFORE FINANCE EXPENSE	**(37,083,227)**	**(6,277,556)**	**6,552,070**	**100,710,982**	**(2,506,232)**	**61,396,037**
Financial Incomes	166,666,211	-	462,397	55,197,910	(12,609,689)	209,716,829
Financial Expenses (-)	(198,047,354)	(331,824)	(1,672,362)	(117,569,928)	12,134,109	(305,487,359)
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	**(68,464,370)**	**(6,609,380)**	**5,342,105**	**38,338,964**	**(2,981,812)**	**(34,374,493)**
Tax Income/(Expense)	**17,075,974**	**-**	**(994,236)**	**(7,521,001)**	**-**	**8,560,737**
Tax Income/(Expense)	(68,593)	-	(491,787)	(15,117,668)	-	(15,678,048)
Deferred Tax Income / (Expense)	17,144,567	-	(502,449)	7,596,667	-	24,238,785
PROFIT/(LOSS) FOR THE PERIOD	**(51,388,396)**	**(6,609,380)**	**4,347,869**	**30,817,963**	**(2,981,812)**	**(25,813,756)**
Profit/(Loss) Attributable to						
Non-controlling Interests	-	-	739	7,766,976	-	7,767,715
Owners of the Company	(51,388,396)	(6,609,380)	4,347,130	23,050,987	(2,981,812)	(33,581,471)
Segment Assets						
Tangible and intangible fixed assets, investment properties	384,322,730	77,992,514	107,211,855	731,397,052	-	1,300,924,151
Purchases of tangible and intangible fixed assets	14,836,692	-	19,164,225	88,336,690	-	122,337,607
Amortization and depreciation expenses	31,463,289	6,849,566	2,332,202	30,583,359	-	71,228,416

SEGMENT REPORTING

01.01- 31.12.2013	***Iron Steel Operations***	***Ship Operations***	***Harbor Operations***	***Energy Operations***	***Consolidation Adjustments***	***Consolidated***
Domestic Sales	726,630,012	-	3,043,884	-	(21,702,746)	707,971,150
Foreign Sales	984,619,985	27,227,040	154,246	-	-	1,012,001,271
Intersegment Sales	4,037,467	-	13,333,009	-	(17,370,476)	-
Total Sales	**1,715,287,464**	**27,227,040**	**16,531,139**	**-**	**(39,073,222)**	**1,719,972,421**
Cost Of Sales (-)	(1,695,302,768)	(30,693,323)	(14,607,432)	-	34,600,978	(1,706,002,545)
GROSS PROFIT / (LOSS)	**19,984,696**	**(3,466,283)**	**1,923,707**	**-**	**(4,472,244)**	**13,969,876**
General Administrative Expenses (-)	(12,588,157)	(229,047)	(733,324)	(2,602,610)	1,466,144	(14,686,994)
Marketing Expenses (-)	(18,350,890)	-	-	-	4,561,759	(13,789,131)
Other Income from Operating Activities	5,698,662	839,988	4,791,908	1,229,197	(8,260,583)	4,299,172
Other Expenses from Operating Activities(-)	(46,237,034)	(4,417,692)	(912,052)	-	376,659	(51,190,119)
OPERATING PROFIT / (LOSS)	**(51,492,723)**	**(7,273,034)**	**5,070,239**	**(1,373,413)**	**(6,328,265)**	**(61,397,196)**
Income from Investing Activities	7,516,319	-	625,050	-	-	8,141,369
Expense from Investing Activities (-)	(25,962,388)	-	-	-	-	(25,962,388)
OPERATING PROFIT / (LOSS) BEFORE FINANCE EXPENSE	**(69,938,792)**	**(7,273,034)**	**5,695,289**	**(1,373,413)**	**(6,328,265)**	**(79,218,215)**
Financial Incomes	117,246,340	-	112,882	4,392,698	(1,835,104)	119,916,816
Financial Expenses (-)	(149,670,296)	(154,082)	(1,527,880)	(47,119,192)	1,660,044	(196,811,406)
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	**(102,362,748)**	**(7,427,116)**	**4,280,291**	**(44,099,907)**	**(6,503,325)**	**(156,112,805)**
Tax Income / (Expense)	**21,070,495**	**-**	**(811,724)**	**8,795,654**	**-**	**29,054,425**
Current Year Tax Income/ (Expense)	(195,278)	-	(487,700)	-	-	(682,978)
Deferred Tax Income / (Expense)	21,265,773	-	(324,024)	8,795,654	-	29,737,403
PROFIT / (LOSS) FOR THE PERIOD	**(81,292,253)**	**(7,427,116)**	**3,468,567**	**(35,304,253)**	**(6,503,325)**	**(127,058,380)**
Profit / (Loss) Attributable to						
Non-controlling Interests	107	-	595	(8,897,648)	-	(8,896,946)
Owners of the Company	(81,292,360)	(7,427,116)	3,467,972	(26,406,605)	(6,503,325)	(118,161,434)
Segment Assets						
Tangible and Intangible Fixed Assets, Investment Properties	424,901,679	82,754,150	90,406,587	654,412,814	-	1,252,475,230
Purchases of Tangible and Intangible Fixed Assets	32,133,073	1,415	2,425,384	391,005,808	-	425,565,680
Amortization and Depreciation Expenses	26,615,099	6,173,134	2,040,291	383,278	-	35,211,802

6. RELATED PARTY DISCLOSURES

As of 31 December 2014, there is no provision for doubtful receivables for trade and other receivables and guarantee for receivables regarding related parties. Similarly, there is no guarantee given for trade and other payables regarding related parties.

The Group has no guarantees, collaterals, bails and similar commitments given except for fully consolidated companies (Note 28).

The Group's due from related parties, due to related parties, balances and significant related party transactions during the period are summarized below.

Due from related parties

	31 December 2014	31 December 2013
Şahin-Koç Çelik San.A.Ş.	28,472	-
Şahin Şirketler Grubu Holding A.Ş.	28,054	-
İDÇ Denizcilik San. Tic. A.Ş.	9,122	7,860
Begonviller Turizm Yatçılık Ltd. Şti.	1,095	1,077
Şahin Kömür Ticaret A.Ş.	8,209	-
Sarımazı Enerji Elektrik Üretim A.Ş.	-	999
	74,952	**9,936**

Other due from related parties

	31 December 2014	31 December 2013
Şahin - Koç Çelik Sanayi A.Ş.	37,891,021	-
	37,891,021	**-**

The related amount was handed for financial needs.

Due to related parties

	31 December 2014	31 December 2013
İDÇ Denizcilik San. ve Tic. A.Ş.	1,565,807	800,202
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	17,144	40,011
	1,582,951	**840,213**

Other payables to related parties

	31 December 2014	31 December 2013
Şahin - Koç Çelik Sanayi A.Ş.	-	2,924,044
	-	**2,924,044**

Income from related parties in sales income

	01.01.- 31.12.2014	01.01.- 31.12.2013
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	408,173	228,890
Şahin Kömür Ticaret A.Ş	1,432,956	-
	1,841,129	**228,890**

Purchases from related parties in cost of goods sold

	01.01.- 31.12.2014	01.01.- 31.12.2013
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	8,583,661	7,292,590
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	3,175,259	2,447,705
Şahin Kömür Ticaret A.Ş	867,098	-
	12,626,018	**9,740,295**

İDÇ Denizcilik Sanayi ve Ticaret A.Ş., provides personnel, gives maintenance and technical support services for the vessels of the Group.

Expenses from related parties in marketing, selling and distribution expenses

	01.01.- 31.12.2014	01.01.- 31.12.2013
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	1,212,500	1,228,136
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	245,253	188,423
	1,457,753	**1,416,559**

Expenses from related parties in general administrative expenses

	01.01.- 31.12.2014	01.01.- 31.12.2013
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	224,270	198,034
	224,270	**198,034**

Income from related parties in other operating income and profit

	01.01.- 31.12.2014	01.01.- 31.12.2013
İDÇ Denizcilik San. ve Tic. A.Ş.	264,529	215,737
Şahin Şirketler Grubu Holding A.Ş.	25,694	300
Şahin - Koç Çelik Sanayi A.Ş.	26,049	80
Şahin Kömür Ticaret A.Ş.	642,747	-
Begonviller Turizm Yatçılık Ltd. Şti.	2,488	1,273
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	13,461	57,957
İzmaden Madencilik San.ve Tic.A.Ş.	-	1,380
Sarımazı Enerji Elektrik Üretim A.Ş.	1,560	1,207
Sivas Demir Çelik İşletmeleri A.Ş.	-	600
Şahin Gemicilik Nakliyat San. ve Tic. A.Ş.	3,420	3,180
	979,948	**281,714**

Purchase of tangible fixed assets from related parties

	01.01.-31.12.2014	**01.01.-31.12.2013**
Şahin - Koç Çelik Sanayi A.Ş	247,128	-
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	148	46,111
	247,276	**46,111**

Key management personnel compensation

Total benefits provided to top management (Board of Directors, Executive Board, General Manager and Assistants of General Manager) during the current period amounted to TL 2,106,360 (01.01.-31.12.2013: 1,837,530 TL).

As of reporting date, the Group has no payable due to key management personnel.

7. CASH AND CASH EQUIVALENTS

	31 December 2014	**31 December 2013**
Cash on hand	75,171	44,151
Bank - demand deposits	2,415,079	14,762,075
Bank - time deposits	99,308,632	350,133,200
Bank - interest accruals of time deposits	4,275	368,917
Cash and cash equivalents in cash flow	**101,803,157**	**365,308,343**

There are no blockage and pledge over the Group's time and demand deposits (31 December 2013: None).

Demand Deposits

	31 December 2014		**31 December 2013**	
	Foreign Currency	**TL Equivalence**	**Foreign Currency**	**TL Equivalence**
TL	1,293,103	1,293,103	1,284,712	1,284,712
USD	124,183	287,967	5,843,020	12,470,758
EUR	253,770	715,810	253,909	745,603
JPY	4,969,686	96,149	10,135,064	205,042
GBP	1,338	4,813	11,577	40,652
CAD	1,379	2,747	1,379	2,744
DKK	7,926	2,999	7,926	3,115
AUD	4,496	8,494	4,496	8,491
CHF	1,281	2,997	401	958
Total		**2,415,079**		**14,762,075**

Time Deposits

Currency	Weighted Average Interest Rate	Maturity Date	TL Balance 31 December 2014
USD	%1.78	31.12.2014-02.01.2015	41,839,160
TL	%8.83	31.12.2014-02.01.2015	57,469,472
			99,308,632

Currency	Weighted Average Interest Rate	Maturity Date	TL Balance 31 December 2013
USD	2.90%	27.11.2013 - 28.02.2014	326,473,200
TL	8.25%	31.12.2013 - 02.01.2014	23,660,000
			350,133,200

8. FINANCIAL INVESTMENTS

Shareholdings at non-current financial investments are as follows.

Name of Company	Share (%)	31 December 2014	Share (%)	31 December 2013
Investments and Associates				
İtaş İzmir Teknopark Ticaret A.Ş.	0.125	2,547	0.125	2,547
Sivas Demir Çelik İşletmeleri A.Ş.	0.002	445,357	0.002	445,357
Enda Enerji Holding A.Ş.	0.24	415,601	0.24	415,601
Egenda Ege Enerji Üretim A.Ş.	0.03	40,062	0.03	40,062
İHY İzmir Havayolları A.Ş.	0.001	4,333	0.001	4,333
Nemrut Kılavuz ve Römorkör Hizm. A.Ş.	16.66	10,000	-	-
Enerji Piyasaları İşletim Anonim Şirketi	0.80	200,000	-	-
Impairment				
Sivas Demir Çelik İşletmeleri A.Ş.		(445,357)		(445,357)
Total		**672,543**		**462,543**

There is no financial asset given as guarantee for liabilities of the companies (31.12.2013: None).

Since the Company's long-term financial investments do not trade in active market and that fair values cannot be determined reliably, non-current financial investments are reflected in the financial statements at their cost values less any impairment losses. The information about non-current investments is as follows:

Sivas Demir Çelik İşletmeleri A.Ş
The Company was established in Sivas in 1987. The Company deals with iron and steel production and its trading. The Group does not have commercial relationship with Sivas Demir Çelik İşletmeleri A.Ş.

ENDA Enerji Holding A.Ş.
The Company was established in İzmir in 1993. The Company deals with energy production, distribution and trading. The Group does not have commercial relationship with ENDA Enerji Holding A.Ş.

EGENDA Ege Enerji Üretim A.Ş.
The Company was established in İzmir in 1997. The Company deals with energy production, distribution and trading. The Group does not have commercial relationship with EGENDA Ege Enerji Üretim A.Ş.

İHY İzmir Havayolları A.Ş

The Company was established in İzmir in 2005. The Company deals with airline business. The Group does not have commercial relationship with İHY İzmir Havayolları A.Ş.

İTAŞ İzmir Teknopark Ticaret A.Ş.
The Company was established in İzmir in 1988. The Company deals with technologic information production. The Group does not have commercial relationship with İTAŞ İzmir Teknopark Ticaret A.Ş.

Nemrut Kılavuz ve Römorkör Hizmetleri A.Ş.
The Company was established in İzmir in 2014. The Company provides pilot service and towing boat with ships coming to harbors in Aliağa region. The Group does not have commercial relationship with Nemrut Kılavuz ve Römorkör Hizmetleri A.Ş.

9. TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

	31 December 2014	**31 December 2013**
Trade receivables	156,413,347	134,715,584
Notes receivables	8,172,852	44,166,660
Doubtful trade receivables	756,369	47,197
Provision for doubtful trade receivables (-)	(756,369)	(47,197)
Discount on trade receivables (-)	(1,100,293)	(1,269,608)
	163,485,906	**177,612,636**

The Group has set provision for uncollectible receivables. Provision for doubtful receivables is based on past experience regarding the collectability. While determining the collectability, the Group considers the changes between the dates of trade and reporting for the receivables credit quality. Therefore, the Group Management believes that there is no necessity to set more provision than the provision for doubtful receivables already recorded in the financial statements.

Receivables arising from domestic profile sales are secured by an insurance policy and direct debiting system covering certain number of customers.

Trade receivables are rediscounted by using effective interest method. The effective discount rate used is 2.85%, 2.94% and 11.87% for receivables denominated in USD, EUR and TL respectively. (31 December 2013: USD:2.49% EUR:2.95% TL:10.13%)
Maturity detail of notes receivable are as follows.

	31 December 2014	31 December 2013
1-30 days	5,249,751	16,997,375
30-90 days	2,573,580	21,884,303
90-360 days	349,521	5,284,982
	8,172,852	**44,166,660**

Movement of provision for doubtful trade receivables is as follows.

	01.01.- 31.12.2014	01.01.- 31.12.2013
Beginning of the period	47,197	62,316
Collections during the period	7,783	(26,152)
Provision for the period	716,955	11,033
End of the period	**756,369**	**47,197**

The amount of trade receivables arising from foreign exchange gains as of 31 December 2014 is TL 1,399,100. (31 December 2013:3,378,344)

Foreign currency and liquidity risk on short term trade receivables of the Group are disclosed on Note 50.

Short term trade payables

	31 December 2014	31 December 2013
Trade payables	323,058,480	447,674,098
Expense accruals	2,068,541	2,674,992
Discount on trade payables (-)	(225,569)	(720,053)
	324,901,452	**449,629,037**

As of 31 December 2014, trade payable amounting to TL 123,374,5676 is comprised of letters of credit issued for the purchase of raw materials (2013: TL 347,950,703). Letters of credit have deferred payment terms due to the agreement signed by the Group, the local bank that issued the letters of credit and the foreign intermediary bank. In accordance with agreement, foreign suppliers collected their receivables in cash with discount. Expense accruals as of 31 December 2014 and 31 December 2013 consist of interests incurred on deferred payment letters of credit concerning purchase of raw materials.

Trade payables are rediscounted by using effective interest method. The effective discount rate used is 2.85%, 2.94% and 11.87% for payables denominated in USD, EUR and TL respectively. (31 December 2013: USD:2.49% EUR:2.95% TL:10.13%)

Foreign currency and liquidity risk on short term trade payables of the Group are disclosed on Note 50.

10. RECEIVABLES AND PAYABLES FROM FINANCE SECTOR ACTIVITIES

None. (31.12.2013: None)

11. OTHER RECEIVABLES AND PAYABLES

Short term other receivables

	31 December 2014	31 December 2013
Deposit and guarantees given	719,452	688,298
Power transmission line	420,472	-
	1,139,924	**688,298**

As of the date of consolidated statement of financial position, deposits and guarantees were given to Customs Administrations.

Long term other receivables

	31 December 2014	31 December 2013
Deposit and guarantees given	1,453,655	397,257
Power transmission line	3,346,603	-
	4,800,258	**397,257**

Short term other payables

	31 December 2014	31 December 2013
Taxes and duties payable	89,653	276,005
Deposits and guarantees received	75,663	86,109
Other payables	134,640	115,596
	299,956	**477,710**

12. INVENTORIES

	31 December 2014	31 December 2013
Raw materials	132,398,425	75,951,993
Work in process	15,248,188	65,780,721
Finished goods	110,076,106	125,236,076
Goods on transit (*)	-	79,838,806
Merchandised goods	178,694	-
Impairment on inventories (**)	(8,612,480)	(221,487)
	249,288,933	**346,586,109**

(*) Goods in transit are the goods of which import process has not been completed yet as at 31 December 2014.
(**) The Group accounted a provision for impairment on finished goods in case the book value is less than net realizable value and recognized them under cost of goods sold in the consolidated profit or loss statement.

As of 31 December 2014, the insurance coverage on inventories is TL 50,772,600 (31 December 2013: TL 46,984,000). As of 31 December 2014, the depreciation expenses capitalized on inventories is TL 2,860,711 (31 December 2013: TL 3,380,255). (Note 16)

As of 31 December 2014, there is no inventory collateralized against liabilities (31 December 2013: None). The Group has no inventory that will be recovered within more than twelve months starting from the date of statement of financial position.

Movement of provision for impairment on inventories is as follows.

	01.01.-31.12.2014	**01.01.-31.12.2013**
Beginning of the period	221,487	512,969
Reversal of previous period	(221,487)	(512,969)
Impairment on inventories for current period	8,612,480	221,487
End of the period	**8,612,480**	**221,487**

13. BIOLOGICAL ASSETS

None. (31.12.2013: None)

14. PREPAID EXPENSES

Short Term Prepaid Expenses

	31 December 2014	**31 December 2013**
Advances given	11,827,944	13,919,978
Insurance expenses	1,787,544	636,303
Financial expense	346,959	2,003,482
Information technology expenses	99,427	45,820
Rent expenses	293,142	148,197
Other expenses	104,943	15,540
	14,459,959	**16,769,320**

Advances were given to purchase goods and services.

Long Term Prepaid Expenses

	31 December 2014	31 December 2013
Advances given	2,897,314	594,000
Other expenses	6,662	13,525
	2,903,976	**607,525**

Advances were given to purchase fixed assets and for the expenditures of construction in progress.

15. INVESTMENT PROPERTIES

The Group appointed an independent real estate appraisal company holding a CMB license in order to find out the fair values of the investment properties. Correspondingly, investment properties are presented in the consolidated financial statements at their fair values. Change in value is booked in the profit or loss statement. The valuation company used the market value method as valuation model in the valuation works performed earlier.

	01.01-31.12.2014	01.01-31.12.2013
Beginning of the period	44,212,000	39,197,464
Change in fair value	1,822,000	5,014,536
Fair value at the end of the period	**46,034,000**	**44,212,000**

Detail information of the lands owned by İzmir Demir Çelik Sanayi A.Ş. is presented below.

City	District	Village	Nature	Purchase cost	Fair Value 31 December 2014	Fair Value 31 December 2013
İzmir	Foça	Samurlu	Field	1,630,159	9,107,000	8,812,000
İzmir	Foça	Horozgediği	Field	105,768	2,271,000	2,145,000
İzmir	Foça	Horozgediği	Land	2,207,171	34,656,000	33,255,000
				3,943,098	**46,034,000**	**44,212,000**

As of 31 December 2014, there is no insurance coverage or collateral on investment properties. (31 December 2013: None.)

16. PROPERTY, PLANT AND EQUIPMENT

Movement in the property, plant and equipment is as follows for the period ended 31 December 2014.

	Lands	Land Improvements	Buildings	Machinery and Equipment	Vehicles (*)	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Cost									
1 January 2014	198,261,573	17,770,567	252,800,752	547,170,298	123,201,620	9,450,798	7,316,430	658,901,509	1,814,873,547
Additions	2,524,860	33,140	-	6,081,682	5,366,883	3,179,944	-	104,549,464	121,735,973
Disposals	(90,592)	-	-	-	(728,452)	(11,903)	-	(4,204,717)	(5,035,664)
Transfers	-	4,926,156	146,155,416	602,627,528	-	-	-	(753,709,100)	-
31 December 2014	**200,695,841**	**22,729,863**	**398,956,168**	**1,155,879,508**	**127,840,051**	**12,618,839**	**7,316,430**	**5,537,156**	**1,931,573,856**
Accumulated depreciation									
1 January 2014	-	(13,933,125)	(177,568,528)	(371,003,065)	(38,370,804)	(6,207,326)	(482,124)	-	(607,564,972)
Additions	-	(607,927)	(6,859,761)	(51,806,494)	(8,075,285)	(951,919)	(2,488,706)	-	(70,790,092)
Disposals	-	-	-	-	543,246	10,150	-	-	553,396
31 December 2014	**-**	**(14,541,052)**	**(184,428,289)**	**(422,809,559)**	**(45,902,843)**	**(7,149,095)**	**(2,970,830)**	**-**	**(677,801,668)**
Net Book Value as of 31 December 2013	**198,261,573**	**3,837,442**	**75,232,224**	**176,167,233**	**84,830,816**	**3,243,472**	**6,834,306**	**658,901,509**	**1,207,308,575**
Net Book Value as of 31 December 2014	**200,695,841**	**8,188,811**	**214,527,879**	**733,069,949**	**81,937,208**	**5,469,744**	**4,345,600**	**5,537,156**	**1,253,772,188**

(*) Vehicles also contain ships owned by the Group.

As of 31 December 2014, the insurance coverage on fixed assets of the Group amounted to TL 2,705,123,859 (TL 142,612,350 of which is for ships). The depreciation expense of tangible fixed assets for the period 1 January – 31 December 2014 amounted to TL 70,790,093. As of 31 December 2014, the depreciation expenses associated with tangible fixed assets and capitalized on inventories amounted to TL 2,860,711. (Note 12)

A first mortgage was placed on the property in the town of Horozgediği in Aliağa in favor of Türkiye Garanti Bankası A.Ş. on 14 November 2011 amounting to TL 1,100,000,000. The mortgage is related with the long-term loan received from the mentioned bank within the power plant project of İzdemir Enerji Elektrik Üretim A.Ş. (31.12.2013: 1,100,000,000)

Construction in progress as of 31 December 2014 is composed of TL, 2,242,593 for environmental infrastructure expenditures within the frame of modernization of İzmir Demir Çelik Sanayi A.Ş., TL 992,1899 for factory modernization of Akdemir Çelik Sanayi ve Ticaret A.Ş., TL 1,709,388 for building seaport dock for İDÇ Liman İşletmeleri A.Ş.

As of 31 December 2014, net carrying value of fixed assets acquired under finance leases amounted to TL 2,462,388. (31 December 2013: TL 3,249,222)

The carrying amounts of each class of property, plant and equipment that would have been recognized if the assets had been carried at their book values at 31 December 2014 and 31 December 2013 are as follows.

31 December 2014	**Lands**	**Buildings and land improvements**	**Machinery and equipment**
Cost	9,820,512	391,155,293	1,133,415,848
Accumulated depreciation (-)	-	(177,470,347)	(403,254,750)
Net Book Value	**9,820,512**	**213,684,946**	**730,161,098**

31 December 2013	**Lands**	**Buildings and land improvements**	**Machinery and equipment**
Cost	7,299,741	240,040,581	524,706,638
Accumulated depreciation (-)	-	(171,426,085)	(352,586,408)
Net Book Value	**7,299,741**	**68,614,496**	**172,120,230**

As of 31 December 2014, amount of the Group's fixed assets which were depreciated but still in use are TL 52,400,756. (31 December 2013: TL 34,962,943.)

Movement in the property, plant and equipment is as follows for the period ended 31 December 2013

	Lands	Land Improvements	Buildings	Machinery and Equipment	Vehicles (*)	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Cost									
1 January 2013	198,261,573	16,848,678	219,200,882	463,377,697	123,074,980	7,217,520	324,099	362,813,903	1,391,119,332
Additions	-	86,929	6,940	2,680,304	115,316	1,890,648	-	419,826,939	424,607,076
Disposals	-	-	-	(831,710)	-	(21,151)	-	-	(852,861)
Transfers	-	834,960	33,592,930	81,944,007	11,324	363,781	6,992,331	(123,739,333)	-
31 December 2013	**198,261,573**	**17,770,567**	**252,800,752**	**547,170,298**	**123,201,620**	**9,450,798**	**7,316,430**	**658,901,509**	**1,814,873,547**
Accumulated depreciation									
1 January 2013	-	(13,577,717)	(173,506,172)	(348,962,614)	(31,431,374)	(5,732,274)	(248,518)	-	(573,458,669)
Additions	-	(355,408)	(4,062,356)	(22,872,161)	(6,939,430)	(496,203)	(233,606)	-	(34,959,164)
Disposals	-	-	-	831,710	-	21,151	-	-	852,861
31 December 2013	**-**	**(13,933,125)**	**(177,568,528)**	**(371,003,065)**	**(38,370,804)**	**(6,207,326)**	**(482,124)**	**-**	**(607,564,972)**
Net Book Value as of 31 December 2012	**198,261,573**	**3,270,961**	**45,694,710**	**114,415,083**	**91,643,606**	**1,485,246**	**75,581**	**362,813,903**	**817,660,663**
Net Book Value as of 31 December 2013	**198,261,573**	**3,837,442**	**75,232,224**	**176,167,233**	**84,830,816**	**3,243,472**	**6,834,306**	**658,901,509**	**1,207,308,575**

(*) Vehicles also contain ships owned by the Group.

As of 31 December 2013, the insurance coverage for fixed assets of the Group amounted to TL 1,128,593,016 (TL 112,264,180 of which is for ships). The depreciation expense of tangible fixed assets for the period 1 January – 31 December 2013 amounted to TL 34,959,164. As of 31 December 2013, the depreciation expenses associated with tangible fixed assets and capitalized on inventories amounted to TL 3,380,255. (Note 12)

A first mortgage was placed on the property in the town of Horozgediği in Aliağa in favor of Türkiye Garanti Bankası A.Ş. on 14 November 2011 amounting to TL 1,100,000,000. The mortgage is related with the long-term loan received or to be received from the mentioned bank within the power plant project of İzdemir Enerji Elektrik Üretim A.Ş. (31.12.2012: 1,100,000,000)

Construction in progress as of 31 December 2013 is composed of TL, 9,007,564 for environmental infrastructure expenditures within the frame of modernization of İzmir Demir Çelik Sanayi A.Ş., TL 539,658 for factory modernization of Akdemir Çelik Sanayi ve Ticaret A.Ş., TL 555,326 for building seaport dock for İDÇ Liman İşletmeleri A.Ş. and TL 648,798,961 for expenditures for the power plant investment of İzdemir Enerji Elektrik Üretim A.Ş.

As of 31 December 2013, net carrying value of fixed assets acquired under finance leases amounted to TL 3,249,222 (31 December 2012: TL 4,365,859).

Distribution of depreciation expenses relating to property, plant and equipment is as follows.

	01.01.-31.12.2014	**01.01.-31.12.2013**
Cost of goods sold	56,790,184	22,709,729
Cost of service	9,178,384	8,213,425
Capitalized on inventories and investments (*)	3,714,786	3,746,893
General administrative expenses (Note 35)	387,463	202,832
Other operating expenses	719,276	86,285
	70,790,093	**34,959,164**

(*) TL 2,860,711 of the relevant amount is capitalized on inventories. (31 December 2013: 3,380,255 TL)

17. RIGHTS OVER SHARES ARISING FROM DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS

None. (31.12.2013: None)

18. MEMBERS' SHARES IN COOPERATIVE ENTITIES AND SIMILAR FINANCIAL INSTRUMENTS

None. (31.12.2013: None)

19. INTANGIBLE ASSETS

Cost	**Rights**	**Total**
1 January 2014	2,414,473	2,414,473
Purchases	601,634	601,634
31 December 2014	**3,016,107**	**3,016,107**
Accumulated amortization		
1 January 2014	(1,459,818)	(1,459,818)
Charge for the period	(438,322)	(438,322)
31 December 2014	**(1,898,140)**	**(1,898,140)**
Net Book Value as of 31 December 2013	**954,655**	**954,655**
Net Book Value as of 31 December 2014	**1,117,967**	**1,117,967**

Amortization expenses for the period 1 January – 31 December 2014 amounted to TL 438,322. As of 31 December 2014, no amortization expense is capitalized on inventories associated with intangible assets.

Cost	**Rights**	**Total**
1 January 2013	1,455,869	1,455,869
Purchases	958,604	958,604
31 December 2013	**2,414,473**	**2,414,473**
Accumulated amortization		
1 January 2013	(1,207,180)	(1,207,180)
Charge for the period	(252,638)	(252,638)
31 December 2013	**(1,459,818)**	**(1,459,818)**
Net Book Value as of 31 December 2012	**248,689**	**248,689**
Net Book Value as of 31 December 2013	**954,655**	**954,655**

Amortization expenses for the period 1 January – 31 December 2013 amounted to TL 252,638. As of 31 December 2013, no amortization expense is capitalized on inventories associated with intangible assets.

Distribution of amortization expenses relating to intangible assets is as follows.

	01.01.-31.12.2014	**01.01.-31.12.2013**
Cost of goods sold	92,466	-
General administrative expenses (Note 35)	336,223	252,638
Capitalized on investments	9,633	-
	438,322	**252,638**

20. GOODWILL

None. (31.12.2013: None)

21. EXPLORATION AND DEVELOPMENT OF MINERAL RESOURCES

None. (31.12.2013: None)

22. FINANCIAL LEASES

None. (31.12.2013: None)

23. CONCESSION SERVICE ARRANGEMENTS

None. (31.12.2013: None)

24. IMPAIRMENT OF ASSETS

Three ships owned by the Group have been assessed whether there is an indication of impairment as of 31 December 2014 by measuring their recoverable amount.

The estimated future cash flows are discounted to their present value using a pre-tax rate of internal return that reflects current market assessments of the time value of money and the risks specific to ships.

Values used for assumptions are determined by management by evaluating future trends of related sectors and based on data from internal and external resources.

The discount rate, 13.18% and EBITDA margins ranging between 17%-52%, which are the crucial assumptions used to calculate the recoverable amount are consistent with management projections used in budgets for periods starting from 2015.

Cash flow assumptions are comprised of assumptions until 2031 which is the year when three ships will be fully depreciated.

No impairment was recognized since the carrying value of cash generating unit is not higher than the recoverable amount.

While other variables are kept constant, discount rate is increased by 1 percent, recoverable amount of cash generating unit will exceed net book value by TL 3,791,450, rate of EBITDA/Net sales is decreased by 1 percent recoverable amount of cash generating unit will be less than net book value by TL 1,364,714.

25. GOVERNMENT GRANTS AND INCENTIVES

For the period ended 1 January – 31 December 2014, the Group has an income of TL 2,107,029 from insurance premium employer share incentive based on the Labor Law numbered 4857 and Social Insurance and General Health Insurance Law numbered 5510 (1 January–31 December 2013: TL 1,906,760). This incentive granted by government is not collected in cash but deducted from the accrued insurance premiums by treasury. The mentioned incentive income was off set against cost of goods sold in the financial statements.

The Group has obtained an investment incentive certificate in 2011 amounting to TL 475,000,000 pertaining to the construction of İzdemir Enerji Elektrik Üretim A.Ş's power plant. Total tax advantage generated in the reporting period within the context of incentive certificate is TL 579,615.

26. BORROWING COSTS

In the period between 1 January 2014 and 31 December 2014 , borrowing cost amounting to TL 15,405,607 (2013: TL 54,590,286) which relates to the loan withdrawn for power plant of İzdemir Enerji Elektrik Üretim A.Ş. is capitalized over construction in progress.

27. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
Provisions for litigation	45,972	45,972
Provisions for commission	-	21,664
Provision for expenses	2,883,533	-
	2,929,505	**67,636**

Movement of provisions for litigation is as follows.

	01.01.- 31.12.2014	01.01.- 31.12.2013
Balance at the beginning of the period	**45,972**	**45,972**
Charge for the period	-	-
End of the period	**45,972**	**45,972**

As of report date, provision for the litigation of TL 45,972 consists of the court cases for İDÇ Liman İşletmeleri A.Ş. and Akdemir Çelik Sanayi A.Ş. which were prosecuted about employee severance indemnity, overtime payment and job accident. Decisions have been appealed by the Group and the settlement is expected from the Supreme Court. Charge for the period relates to the litigation by a supplier for their receivable from the Group.

28. COMMITMENTS

Guarantees and bails received by the Group	31 December 2014	31 December 2013
Letters of guarantee received	75,083,710	78,869,206
Surety received	2,847,454,339	2,705,482,397
	2,922,538,049	**2,784,351,603**

Letters of guarantee are composed of the letters received from local vendors in return for goods and services rendered by the vendors. Surety received comprise surety provided by the Group's related parties and shareholders for the taking bank borrowings.

Guarantees, pledges and mortgages that are given by the Group at the end of the period are as follows.

	31 December 2014			
	Original Currency			Total
GUARANTEE- PLEDGE-MORTGAGES (GPM)	**EUR**	**USD**	**TL**	**TL**
A. Total amount of GPM given on behalf of own legal entities within Group	700,000	5,500,000	37,050,961	51,779,401
B. Total amount of GPM given in favor of consolidated subsidiaries	-	307,500,000	1,265,512,876	1,978,574,626
C. Total amount of GPM given for assurance of third parties' debts in order to conduct of usual business activities	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
i. Total amount of GPM given in favor of parent company	-	-	-	-
ii. Total amount of GPM given in favor of other Group companies which B and C don't comprise	-	-	-	-
iii. Total amount of GPM given for third parties which C doesn't comprise	-	-	-	-
Total	**700,000**	**313,000,000**	**1,302,563,837**	**2,030,354,027**

The ratio of other GPM given by the Group to the equity of the Group as of 31 December 2014 is 0%.

	31 December 2013			
	Original Currency			Total
GUARANTEE- PLEDGE-MORTGAGES (GPM)	**EUR**	**USD**	**TL**	**TL**
A. Total amount of GPM given on behalf of own legal entities within Group	801,658	-	57,310,065	59,664,134
B. Total amount of GPM given in favor of consolidated subsidiaries	-	307,500,000	1,190,928,311	1,847,225,561
C. Total amount of GPM given for assurance of third parties' debts in order to conduct of usual business activities	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
i. Total amount of GPM given in favor of parent company	-	-	-	-
ii. Total amount of GPM given in favor of other Group companies which B and C don't comprise	-	-	-	-
iii. Total amount of GPM given for third parties which C doesn't comprise	-	-	-	-
Total	**801,658**	**307,500,000**	**1,248,238,376**	**1,906,889,695**

The ratio of other GPM given by the Group to the equity of the Group as of 31 December 2013 is 0%.

As of 31 December 2014, detail of the letters of guarantee given to the various public institutions on behalf of legal entities within the Group is as follows.

	31 December 2014			
	Original Currency			Total
GUARANTEE	**EUR**	**USD**	**TL**	**TL**
Given to customs office	700,000	-	1,997,181	3,971,671
Given to tax office	-	-	1,135,782	1,135,782
Given to electricity distribution companies	-	-	14,973,891	14,973,891
Given to natural gas distribution companies	-	-	18,669,608	18,669,608
Other letters of guarantee given	-	5,500,000	274,500	13,028,450
Total	**700,000**	**5,500,000**	**37,050,962**	**51,779,402**

As of 31 December 2013, detail of the letters of guarantee given to the various public institutions on behalf of legal entities within the Group is as follows.

	31 December 2013			
	Original Currency			Total
GUARANTEE	**EUR**	**USD**	**TL**	**TL**
Given to customs office	250,000	-	242,181	976,306
Given to tax office	-	-	1,038,237	1,038,237
Given to electricity distribution companies	-	-	37,909,365	37,909,365
Given to natural gas distribution companies	551,658	-	6,313,282	7,933,226
Given to energy market regulatory authority ("emra")	-	-	11,615,000	11,615,000
Other letters of guarantee given	-	-	192,000	192,000
Total	**801,658**	**-**	**57,310,065**	**59,664,134**

As of 31 December 2014, detail of the surety that the Group and its subsidiaries are given for using various loans in favor of each other is as follows.

	31 December 2014			
	Original Currency			Total
SURETY	**EUR**	**USD**	**TL**	**TL**
Surety given to fully consolidated companies				
- Given to Akdemir Çelik Sanayi ve Ticaret A.Ş.	-	-	6,035,576	6,035,576
- Given to İDÇ Liman İşletmeleri A.Ş.	-	-	1,027,300	1,027,300
- Given to İzdemir Enerji Sanayi ve Ticaret A.Ş.	-	307,500,000	1,258,450,000	1,971,511,750
Total	**-**	**307,500,000**	**1,265,512,876**	**1,978,574,626**

As of 31 December 2013, detail of the surety that the Group and its subsidiaries are given for using various loans in favor of each other is as follows.

	31 December 2013			
	Original Currency			Total
SURETY	**EUR**	**USD**	**TL**	**TL**
Surety given to fully consolidated companies				
- Given to Akdemir Çelik Sanayi ve Ticaret A.Ş.	-	-	7,502,687	7,502,687
- Given to İDÇ Liman İşletmeleri A.Ş.	-	-	338,124	338,124
- Given to İzdemir Enerji Sanayi ve Ticaret A.Ş.	-	307,500,000	1,183,087,500	1,839,384,750
Total	**-**	**307,500,000**	**1,190,928,311**	**1,847,225,561**

29. EMPLOYEE BENEFITS

Payables within the context of employee benefits

	31 December 2014	31 December 2013
Payable due to personnel	4,739,609	3,258,276
Social security premiums payable	2,375,581	2,385,073
Income tax payable	2,018,823	1,394,881
	9,134,013	**7,038,230**

Long term employee severance indemnity

	31 December 2014	31 December 2013
Employee severance indemnity	10,602,728	9,446,295
Vacation pay liability	2,666,680	2,571,551
	13,269,408	**12,017,846**

Movement of employee severance indemnity is as follows.

Employee Severance Indemnity	01.01.- 31.12.2014	01.01.- 31.12.2013
Provision at the beginning of the period	9,446,295	8,915,472
Service cost	2,905,893	1,946,698
Interest cost	672,735	719,057
Actuarial loss / (gain)	629,712	(112,610)
Employee severance indemnity payment	(2,850,386)	(1,759,052)
Provisions no longer required	(201,521)	(263,270)
Provision at the end of the period	**10,602,728**	**9,446,295**

Actuarial gain amounting to TL 629,711 is recognized in other comprehensive income as of 31 December 2014. (31 December 2013: TL 112,610)

Under the Turkish Labor Law, employees whose contracts are terminated by the employer for reasons set by the law are entitled to be paid compensation.

As of 31 December 2014, the amount payable as compensation for each year served is equal to one month's salary subject to a ceiling of TL 3,438.22. (31 December 2013: TL 3,254.44)

Employee severance indemnity is not subject to any funding as statutory requirement.

Employee severance indemnity of the Group has been calculated as expressed in Note 2. As at 31 December 2014, the liability is computed on a thirty day wage base with a maximum of TL 3,438.22 for each year of service and utilizing the rates on date of retirement or departure.

Based on the basis that is mentioned above, the Group calculated provisions for employee severance indemnity and recorded to the financial statements by estimating the present value of the future probable obligation arising from the retirement of the employees.

Accordingly, the following actuarial assumptions were used in the calculation of the provision.

	31 December 2014	31 December 2013
Inflation rate	%6.00	5.50%
Real discount rate	%2.52	3.78%

As of 31 December 2014, the Group's expected probability rate to pay the employee severance indemnity is 97% except those quitting their jobs on their own wish and those not eligible for severance pay (31 December 2013: 97%).

Movement of the vacation pay liability is as follows.

	01.01.- 31.12.2014	01.01.- 31.12.2013
Beginning of the period	2,571,551	-
Change for the period	95,129	2,571,551
End of the period	**2,666,680**	**2,571,551**

Vacation pay liability was calculated by multiplying remaining vacation days with daily salaries. Current period allowance is accounted under long term provisions in consolidated financial statements.

30. EXPENSES BY NATURE

	01.01.- 31.12.2014	01.01.- 31.12.2013
Raw material costs	1,508,383,270	1,360,675,223
Utility expenses	189,077,396	199,060,073
Labor costs	109,434,922	86,527,626
Freight costs	48,476,224	49,830,633
Material cost	43,016,198	31,632,639
Depreciation and amortization	66,784,720	30,999,566
General manufacturing expenses	34,331,307	22,462,092
Change in inventories	69,666,115	(79,439,836)
Other	32,623,613	32,730,654
	2,101,793,765	**1,734,478,670**

31. OTHER ASSETS AND LIABILITIES

Other Current Assets

	31 December 2014	31 December 2013
Prepaid tax	1,644,723	1,802,208
Deferred VAT (*)	22,085,419	26,484,037
Work advances	72,113	77,284
Personnel advances	29,852	21,297
Other various current assets	487,615	12,931
	24,319,722	**28,397,757**

(*) The related amount is composed of VAT deductible of İzdemir Enerji Elektrik Üretim A.Ş.

Other Current Liabilities

	31 December 2014	31 December 2013
VAT payable	10,436,433	9,795,838
Order advances received	7,593,690	11,213,495
Deferred income	-	118,834
Other liabilities	2,501	2,239
	18,032,624	**21,130,406**

32. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid in Capital

The Company adopted registered paid- in capital system pursuant to the articles of the Law numbered 2499 after the permission from the Capital Market Board on 22 August 1984. The Company's registered capital is TL 600,000,000; shares are divided into 60,000,000,000 each with a nominal value of Kurus 1.

The permission granted by the Capital Market Board to be on the registered capital ceiling is valid for the years between 2013 and 2017 (5 years). Board of directors cannot take decision after 2017 for increase of capital even if the registered capital ceiling allowed till the end of 2017 is not reached. It is compulsory to obtain authorization for a new capital ceiling from the General Assembly provided that the Capital Market Board endorses the ceiling. If mentioned authority is not taken, the Company is deemed to have come out from the registered capital system.

The Company's issued share capital is, fully paid TL 375,000,000. This capital is formed in total 37,500,000,000 unit shares which are comprised of Group A shares with 800 units written to name each valued 1 Kurus (700 pieces to Şahin Koç Çelik Sanayi A.Ş., 100 pieces to Deba Holding A.Ş.) and Group B shares with 37,499,999,200 units written to name each valued 1 Kurus. Registration to stock register of the shares written to name is subject to the approval of the Board. Registered shares may be withheld from the record by the Group even with no reason.

The capital structure is as follows.

Shareholders	(%)	31 December 2014	(%)	31 December 2013
Şahin – Koç Çelik Sanayi A.Ş.	61.54	230,776,003	61.54	230,776,003
Halil Şahin	14.52	55,459,438	14.79	54,459,438
Other (Publicly traded)	23.94	88,764,559	23.67	89,764,559
Capital with historic value	**100.00**	**375,000,000**	**100.00**	**375,000,000**

Group A shares are the preference shares. Members of Board of Directors are elected by General Assembly from the candidates presented by more than the half of owners of the Group A shares. 10% of the remaining profit after distribution of the first dividend are distributed to founder shareholders. Then, Board of Directors are entitled to receive 10% of the remaining profit.

Inflation Adjustment on Capital

	31 December 2014	31 December 2013
Inflation adjustment on capital	22,763,962	22,763,962
	22,763,962	**22,763,962**

Legal Reserves

	31 December 2014	31 December 2013
Legal reserves	25,832,374	25,832,374
	25,832,374	**25,832,374**

The legal reserves are comprised of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in-capital and at the rate of 9% p.a. of all cash distribution in excess of 5% of the paid-in-share capital in case of full distribution of respective profit as dividend. The legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in-capital.

Publicly-traded companies are obligated to execute distribution of dividend in compliance with the communique No. II-19.1 issued by the CMB, effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend policies settled and dividend payment decision taken in general assembly and also conforming to relevant legislations. The communique does not dictate a minimum dividend rate. Companies distribute dividend in accordance with the frame defined in their dividend policy or articles of incorporation. Furthermore, dividend can be distributed by fixed or variable installments and advance dividend can be paid on the profit reported on interim financial statements.

Retained earnings

Retained earnings in legal books can be distributed taking the following article into consideration.
In accordance with the Communiqué II, No: 14.1; at the first time application of inflation adjustments on financial statements, equity items, namely Share Premiums, Legal Reserves, Statue Reserves, Special Reserves and Extraordinary Reserves were carried at nominal value in the statement of financial position and restatement differences of such items were presented in equity under the retained earnings in total.

Revaluation Fund Gains and Losses

Revaluation Fund Gains and Losses composed of increases/decreases on valuation of tangible fixed asset and actuarial gains/losses on employee benefits.
Lands, buildings, land improvements, machinery and equipment are stated in the financial statements at their fair values determined by an independent real estate appraisal company accredited by CMB on 15 August 2011, 31 December 2011 and 31 March 2012.

Independent real estate appraisal company determined the fair values of lands and buildings with precedent comparison valuation method, land improvements and machinery and equipment with reconstruction cost assumption excluded depreciation. Land, land improvements, buildings, machinery and equipment are accounted with their fair value determined on valuation report.
With amendments to standard of TAS 19 Employee Benefits, actuarial gains and losses taken into consideration in calculation of severance indemnity provision are not allowed to be accounted in profit or loss statement. Gains and losses arising from changes in actuarial assumptions are recorded as revaluation fund gains and losses in equity.

Movement of Revaluation Fund Gains/ (Losses) is as follows.

	2014	**2013**
Beginning of the period	196,933,723	199,829,275
Depreciation transfer from revaluation fund	(2,561,540)	(3,732,658)
Deferred tax calculated over depreciation	512,308	746,532
Losses on revaluation of employee benefits	(603,738)	113,218
Deferred tax calculated over losses on revaluation of employee benefits	120,747	(22,644)
Fund outflow due to fixed asset transfer to subsidiary	(4,742,667)	-
Fund outflow due to sale of fixed asset	(66,269)	-
End of the period	**189,592,564**	**196,933,723**

Non-Controlling Interests

	31 December 2014	**31 December 2013**
Shares in capital	37,806,027	37,806,027
Revaluation fund	4,763,529	24,692
Actuarial loss / (gain)	(21,265)	(486)
Shares in accumulated profit / (losses)	(10,695,775)	(1,802,658)
Share in profit / (loss) for the period	7,767,715	(8,896,946)
	39,620,232	**27,130,629**

33. REVENUE AND COST OF SALES

	01.01.- 31.12.2014	01.01.- 31.12.2013
Domestic sales	1,258,556,431	708,700,607
Export sales	898,148,791	1,013,129,381
Sales returns (-)	(19,948,155)	(296,081)
Other deductions from sales (-) (*)	(1,853,779)	(1,561,486)
Revenue	**2,134,903,288**	**1,719,972,421**
Cost of goods sold	(1,973,035,023)	(1,606,886,621)
Cost of merchandise sold	(6,137,019)	(7,487,353)
Cost of services	(86,487,444)	(91,139,764)
Cost of other sales	(2,122,933)	(488,807)
Cost of Sales	**(2,067,782,419)**	**(1,706,002,545)**
Gross Profit	**67,120,869**	**13,969,876**

Details of the reportable segments used in management reporting are disclosed in Note 5.

34. CONSTRUCTION CONTRACTS

None. (31.12.2013: None)

35. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	01.01.- 31.12.2014	01.01.- 31.12.2013
General administrative expenses	(20,729,671)	(14,686,994)
Marketing expenses	(13,281,675)	(13,789,131)
	(34,011,346)	**(28,476,125)**

General Administrative Expenses

	01.01.-31.12.2014	**01.01.-31.12.2013**
Board and audit committee expenses	183,732	207,115
Personnel expenses	8,836,361	7,230,806
Travelling expenses	390,221	114,347
Food expenses	192,382	148,225
Utility expenses	121,550	134,896
Repair and maintenance expenses	423,026	408,252
Counseling and consultation expenses	576,131	369,393
Rent expenses	165,910	147,445
Insurance expenses	627,907	299,106
Communication expenses	429,272	323,707
Court and notary expenses	212,054	84,785
Subscription expenses	414,085	367,496
Taxes and other legal dues	3,814,324	1,652,606
Depreciation and amortization expenses	723,686	455,470
Employee severance indemnity expenses	255,818	327,610
Stationery expenses	104,712	117,619
Representation and accommodation expenses	328,248	183,503
Vehicle expenses	846,283	812,346
Donations	-	138,741
Stock quotation fee expense	98,438	93,750
Other expenses	1,985,531	1,069,776
	20,729,671	**14,686,994**

Marketing Expenses

	01.01.-31.12.2014	**01.01.-31.12.2013**
Transportation expenses	4,425,077	4,462,302
Brand and registration expenses	410,561	432,186
Commission expenses	4,852,490	5,098,577
Harbor service expenses	104,178	209,925
Export expenses	1,404,138	775,843
Personnel expenses	1,142,568	2,158,745
Other expenses	942,663	651,553
	13,281,675	**13,789,131**

36. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other Income from Operating Activities

	01.01.- 31.12.2014	**01.01.- 31.12.2013**
Foreign exchange gains -net	1,265,777	-
Rediscount income	1,478,266	224,457
Bunker	16,070,686	-
Reversal of unnecessary provisions	209,304	289,422
Warehouse income	576,484	306,131
Indemnity income (*)	27,888,564	797,163
Finance income over sales with maturity	1,689,571	485,592
Incomes from customs charges	761,897	704,551
Income from carriage	969,394	238,141
Income from ship operating charges	136,901	459,891
Other income and profits	1,230,441	793,824
	52,277,285	**4,299,172**

(*) The litigation which was sued by the Group demanding to collect over invoiced energy fees in prior period, has resulted in favor of the Group. The Group collected the over invoiced energy fees with interests paid in 2014.

Other Expenses from Operating Activities

	01.01.- 31.12.2014	**01.01.- 31.12.2013**
Litigation expenses (**)	(6,077,019)	-
Foreign exchange losses -net	(14,189,555)	(45,642,298)
Cost of bunker	(12,652,871)	-
Rediscount expenses	(1,803,435)	(1,373,902)
Warehouse expenses(*)	(1,072,550)	(386,648)
Customs charges	(835,834)	(816,500)
Carriage expenses	(875,264)	(450,307)
Ship operating charges	(136,901)	(285,727)
Other expense and losses	(560,265)	(198,672)
Penalty and compensations	-	(2,036,065)
Litigation expenses (**)	(716,955)	-
Foreign exchange losses -net	(630,980)	-
	(39,551,629)	**(51,190,119)**

(*) Warehouse expenses include depreciation expense amounting to TL 719,277.
(**) Fees of litigation which relates to over invoiced energy fees.

37. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities

	01.01.- 31.12.2014	01.01.- 31.12.2013
Changes in the fair value of derivative financial instruments	15,656,540	920,180
Premium income from option contracts	609,199	1,580,787
Gain on sale of property, plant and equipment	271,073	625,866
Value increase in investment properties	1,822,000	5,014,536
	18,358,812	**8,141,369**

Expenses from Investing Activities

	01.01.- 31.12.2014	01.01.- 31.12.2013
Changes in the fair value of derivative financial instruments	(1,169,941)	(14,363,800)
Foreign exchange losses, net	(1,628,013)	(11,598,588)
	(2,797,954)	**(25,962,388)**

38. EXPENSES CLASSIFIED BY VARIETIES

Expenses are demonstrated by their function for the periods ended 31 December 2014 and 31 December 2013, and details of expenses are disclosed in Note 30, 33 and 35.

39. FINANCIAL INCOME AND EXPENSES

Financial Income

	01.01.- 31.12.2014	01.01.- 31.12.2013
Foreign exchange gains	200,507,838	110,388,825
Interest income	8,813,949	8,631,264
Rediscount income	-	573,900
Premium income on letter of credit	395,042	322,827
	209,716,829	**119,916,816**

Financial Expenses

	01.01.- 31.12.2014	01.01.- 31.12.2013
Interest expenses	(35,098,669)	(11,922,626)
Foreign exchange losses	(267,751,357)	(182,450,618)
Commission expenses	(1,742,326)	(1,321,194)
Bank charges	(895,007)	(1,116,968)
	(305,487,359)	**(196,811,406)**

40. ANALYSIS OF OTHER COMPREHENSIVE INCOME COMPONENTS

The Group has other comprehensive expense amounted to TL 503,770 for the period ended 31 December 2014 not to be reclassified to profit or loss (31 December 2013: (922,272)). The amount is composed of actuarial losses on re-measurement of employee benefits.

41. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None. (31.12.2013: None)

42. INCOME TAXES (INCLUDED DEFERRED TAX ASSETS AND LIABILITIES)

Corporate Tax Payable	31 December 2014	31 December 2013
Provision for corporate tax payable	(15,678,048)	(682,978)
Prepaid taxes and funds	8,047,647	1,871,352
	(7,630,401)	**1,188,374**

Tax Provision for the Period	01.01.- 31.12.2014	01.01.- 31.12.2013
Corporate tax provision	(15,678,048)	(682,978)
Deferred tax income / (expense)	24,238,785	29,737,403
	8,560,737	**29,054,425**

Corporate Tax

The Company and its subsidiaries in Turkey, are subject to corporate tax in Turkey. The estimated tax liabilities, which is regarding Group's current period operating results, are recognized in the accompanying financial statements. Corporate tax that will be accrued over corporation tax base is calculated over the tax base that remains after adding expenses recorded as expense in determination of commercial profit that are non-deductible from tax base and subtracting tax-exempt profit, tax- free income and other deductions (if there are losses from previous years and used investment allowances if preferred).

Effective corporation tax rate applied in Turkey since 2005 is 20 %. Temporary tax is calculated and accrued quarterly in Turkey. As of temporary tax periods, the effective corporation tax rate is 20%. Losses may be carried forward for a maximum period of five years in order to be deducted from the taxable profit to be earned in the coming years.

There is no absolute and certain confirmation procedure related to tax evaluation in Turkey. Companies submit their tax declarations between 1-25 April coming after the related year's balancing period (for the companies having special account period, between 1 and 25 of fourth month following the closing of period). These tax declarations and concerning accounting records may be inspected and changed by tax department in five years.

Withholding Tax:

In addition to Corporation Tax, it is required to calculate withholding tax from the dividends distributed by full pledge taxpayer enterprise and include in its income tax base and except dividends distributed by foreign companies to its subsidiary in Turkey. As of 23 July 2006 withholding tax rate was altered to 15%. Dividends that are added to capital without distribution are not subject to withholding tax. It is necessary to make tax withholding at 19.8% over investment allowance balance utilized based on investment incentive certificate received prior to 24 April 2003. 40% of investment expenditures which are directly related to production operations of companies and incurred after 24 April 2003 can be deducted from taxable income. Tax withholding cannot be made on investment expenditures without incentive certificate.

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported in accordance with TAS and the statutory tax financial statements. The differences which are explained below usually result in the recognition of revenue and expenses in different reporting periods for TAS.

Timing differences arise from differences which occurred because of change in income and expense items between accounting and tax base. Time differences are being calculated based on tangible fixed assets (except land and area), intangible fixed assets, revaluation of stocks; rediscount of receivables and payables, financial liabilities, provision for employee severance indemnity and previous years' losses. The ratio of deferred tax applied is 20% in the reporting period.

Items that constitute base to deferred tax and corporate tax are presented below.

	31 December 2014		31 December 2013	
	Temporary Difference	**Deferred Tax**	**Temporary Difference**	**Deferred Tax**
Deferred Tax Assets				
Inventories	8,849,674	1,769,935	1,444,258	288,852
Employee severance indemnity	8,840,792	1,768,158	8,314,071	1,662,814
Trade receivables	1,140,075	228,015	1,317,045	263,409
Financial investments	445,357	89,071	445,357	89,071
Fair values of derivative financial instruments	(1,042,979)	(208,596)	13,443,620	2,688,724
Other non-current and current liabilities	2,894,397	578,879	2,886,750	577,350
Debt provisions	45,972	9,194	45,972	9,194
Tangible and intangible assets	150,493,551	30,098,710	89,953,108	17,990,622
Other current assets	1,949,495	389,899	(5,581,344)	(1,116,269)
Trade payables	(1,713,023)	(342,605)	(2,261,207)	(452,241)
Tax losses carried forward	162,953,660	32,590,732	105,847,996	21,169,599
Actuarial loss fund on severance indemnity	1,761,936	352,387	1,132,224	226,445
		67,323,779		**43,397,570**
Deferred Tax Liabilities				
Fair values of property, plant equipment	202,815,907	40,563,181	205,463,990	41,092,799
Investment properties	42,090,902	2,104,545	40,268,902	2,013,445
		42,667,726		**43,106,244**
Deferred Tax Assets / (Liabilities)		**24,656,053**		**291,326**

Movements in Deferred Tax Asset / (Liability)	**01.01.-31.12.2014**	**01.01.-31.12.2013**
Balance at the beginning of the period	291,326	(29,423,555)
Tax effect of actuarial loss /(gain) of severance indemnity	125,942	(22,522)
Deferred tax income	24,238,785	29,737,403
Balance at the end of the period	**24,656,053**	**291,326**

Movement of deferred tax assets and liabilities are presented below.

	1 January 2014	Current period deferred tax income	Recognized in other comprehensive income	31 December 2014
Deferred Tax Assets				
Inventories	288,852	1,481,083	-	1,769,935
Employee severance indemnity	1,662,814	105,344	-	1,768,158
Trade receivables	263,409	(35,394)	-	228,015
Financial investments	89,071	-	-	89,071
Fair values of derivative financial instrumeı	2,688,724	(2,897,320)	-	(208,596)
Other non-current and current liabilities	577,350	1,529	-	578,879
Debt provisions	9,194	-	-	9,194
Tangible and intangible fixed assets	17,990,622	12,108,088	-	30,098,710
Other current assets	(1,116,269)	1,506,168	-	389,899
Trade payables	(452,241)	109,636	-	(342,605)
Tax losses carried forwards	21,169,599	11,421,133	-	32,590,732
Actuarial loss fund on severance indemnity	226,445	-	125,942	352,387
	43,397,570	**23,800,267**	**125,942**	**67,323,779**
Deferred Tax Liabilities				
Fair values of property, plant equipment	41,092,799	(529,618)	-	40,563,181
Investment properties	2,013,445	91,100		2,104,545
	43,106,244	**(438,518)**	**-**	**42,667,726**
Net Deferred Tax Assets/ (Liabilities)	**291,326**	**24,238,785**	**125,942**	**24,656,053**

	1 January 2013	Current period deferred tax income	Recognized in other comprehensive income	31 December 2013
Deferred Tax Assets				
Inventories	180,760	108,092	-	288,852
Employee severance indemnity	1,534,128	128,686	-	1,662,814
Trade receivables	31,654	231,755	-	263,409
Financial investments	89,071	-	-	89,071
Fair values of derivative financial instruments	-	2,688,724	-	2,688,724
Other non-current and current liabilities	54,752	522,598	-	577,350
Debt provisions	9,194	-	-	9,194
Tangible and intangible fixed assets	11,124,109	6,866,513	-	17,990,622
Other current assets	(56,204)	(1,060,065)	-	(1,116,269)
Trade payables	(421,043)	(31,198)	-	(452,241)
Tax losses carried forwards	1,383,112	19,786,487	-	21,169,599
Actuarial loss fund on severance indemnity	248,967	-	(22,522)	226,445
	14,178,500	**29,241,592**	**(22,522)**	**43,397,570**
Deferred Tax Liabilities				
Fair values of property, plant equipment	41,839,337	(746,538)	-	41,092,799
Investment properties	1,762,718	250,727		2,013,445
	43,602,055	**(495,811)**	**-**	**43,106,244**
Net Deferred Tax Assets/ (Liabilities)	**(29,423,555)**	**29,737,403**	**(22,522)**	**291,326**

Reconciliation of tax provision that is presented in the profit or loss statement is as follows.

Reconciliation of tax provision	**01.01.- 31.12.2014**	**01.01.- 31.12.2013**
Net profit/(loss) for the period	(25,813,756)	(127,058,380)
Total tax income / (expense)	8,560,737	29,054,425
Profit /(loss) before tax	(34,374,492)	(156,112,805)
Tax on profit per statutory tax rate of the parent company	6,874,898	31,222,561
Discount on tax rate	273,300	752,180
Non-deductible expenses	(2,073,907)	(1,617,004)
Tax exempt income	3,886,518	3,643
Effect of consolidation transactions	(596,362)	(1,300,665)
Recognition of previously unrecognized tax losses	196,290	-
Other	-	(6,290)
Total tax income	**8,560,737**	**29,054,425**

The maturity of the tax losses are as follows:

		31 December 2014	**31 December 2013**
Period of tax losses occurred	Maturity of tax losses	Tax losses carried forward	Tax losses carried forward
2010	2015	-	950,878
2011	2016	-	1,685,709
2012	2017	492,737	2,898,668
2013	2018	98,182,361	100,312,741
2014	2019	64,278,562	-
Total		**162,953,660**	**105,847,996**

43. EARNINGS PER SHARE

Weighted average number of the Company shares and calculated earnings per share are as follows

	01.01.- 31.12.2014	**01.01.- 31.12.2013**
Profit for the period attributable to parent company	(33,581,471)	(118,161,434)
Weighted average number of ordinary shares	375,000,000	375,000,000
Earnings / (losses) per lot amounting to 1 TL	(0.0896)	(0.3151)
Earnings / (losses) per share	(%8.96)	(%31.51)

44. SHARE-BASED PAYMENT

None. (31.12.2013: None)

45. INSURANCE CONTRACTS

None. (31.12.2013: None)

46. EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

None. (31.12.2013: None)

47. FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

None. (31.12.2013: None)

48. DERIVATIVE INSTRUMENTS

	31 December 2014	31 December 2013
Income accrual on derivative instruments	1,292,740	920,180
	1,292,740	**920,180**

Income accrual on derivative instruments consists of fair value differences of option contracts and future contracts recognized in profit or loss statement.

	31 December 2014	31 December 2013
Expense accrual on derivative instruments	249,761	14,363,800
	249,761	**14,363,800**

Expense accrual on derivative instruments consists of fair value differences of option contracts and future contracts recognized in profit or loss statement.

Forward exchange transactions

The Group's business operations are exposed to financial risk due to changes in currency rate and interest rate basically. The Group utilizes derivative financial instruments (primarily currency exchange forward contracts) to avoid fair value risks.

Derivative financial instruments are calculated at fair value on contract date and recalculated at their fair value at next reporting date. The variations on market values are accounted in the profit or loss statement of relevant period.

The Group does not adopt hedge accounting for derivative financial instruments. As of 31 December 2014, details of forward and option contracts entered by the Group are summarized below.

Forward contracts:

	Maturity	Exchange rate parity	To be handed over to bank	To be received from bank
USD Sale EUR Purchase	3-4 month	1.2229 -1.2326	6,147,400	5,000,000
EUR Sale USD Purchase	3-4 month	1.2374 -1.2535	5,000,000	6,230,750
USD Sale TL Purchase	1-9 month	2.3325 -2.4990	20,771,000	50,733,218

Option contracts:

	Maturity	Exchange rate parity	To be handed over to bank	To be received from bank
USD Sale TL Purchase	1-3 month	2.7000 -3.7500	15,000,000	51,525,000

49. FINANCIAL INSTRUMENTS

	31 December 2014	31 December 2013
Financial assets		
Cash and cash equivalents (Note 7)	101,803,157	365,308,343
Trade receivables (Note 6 and 9)	163,560,858	177,622,572
Financial investments (Note 8)	672,543	462,543
Financial liabilities		
Financial liabilities	1,080,015,266	1,185,884,073
Trade payables (Note 6 and 9)	326,484,403	450,469,250

Financial Borrowings

	31 December 2014	31 December 2013
Short term borrowings	462,060,505	517,799,814
Short term portion of long term borrowings	98,815,991	22,147,534
Factoring borrowings	-	67,820,190
Total short term financial borrowings	**560,876,496**	**607,767,538**
Long term borrowings	519,138,770	578,116,535
Total financial borrowings	**1,080,015,266**	**1,185,884,073**

As of 31 December 2014, there is interest expense accrual amounting to TL 7,981,150 on total financial borrowings (31 December 2013: TL 4,470,872). The mentioned accrual is included in short term borrowings.

The pledges and mortgages given by the Group against borrowings are disclosed in Note 16 and 28.

Breakdown of short term and long term financial borrowings in terms of currency are as follows.

31 December 2014

Currency	Short term	Long term	Total	TL equivalent
USD	219,431,343	218,726,568	438,157,911	1,016,044,379
EUR	4,032,308	4,230,769	8,263,077	23,307,662
TL	32,682,075	-	32,682,075	32,682,075
				1,072,034,116
Interest expense accrual				7,981,150
Total				**1,080,015,266**

31 December 2013

Currency	Short term	Long term	Total	TL equivalent
USD	244,829,061	259,500,543	504,329,604	1,076,390,674
EUR	4,032,308	8,263,077	12,295,385	36,105,398
TL	1,096,939	-	1,096,939	1,096,939
				1,113,593,011
Interest expense accrual				4,470,872
Total				**1,118,063,883**

The contractual interest rates at the statement of financial position date are as follows.

Short term	31 December 2014	31 December 2013
USD borrowings	1.75% - Libor+1	Libor+0.75 - Libor+1
TL borrowings	10.90% - 13.60%	-

Long term	31 December 2014	31 December 2013
USD borrowings	2.05% - Libor+3.40	2.05% - Libor+3.40
EUR borrowings	Euribor+2.2 - Euribor+3	Euribor+2.2 - Euribor+3

As of the statement of financial position date, principal repayment plans of total borrowings are as follows. Interest accruals and factoring borrowings are excluded.

	31 December 2014	31 December 2013
2014	529,706,346	540,219,365
2015	105,098,332	92,535,276
2016	71,603,109	76,178,088
2017-2023	365,626,329	404,660,282
	1,072,034,116	**1,113,593,011**

50. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Credit risk

Registered values of financial assets show the maximum credit risk exposed. Maximum credit risk exposed as of the reporting date is as follows.

	Receivables						
	Trade Receivables		Other Receivables				
Current Period 31 December 2014	**Related Party**	**Third Party**	**Related Party**	**Third party**	**Bank Deposits**	**Derivate Instruments**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D) (*)	**74,952**	**163,485,906**	**37,891,021**	**5,940,182**	**101,723,711**	**1,292,740**	**-**
- The secured part of maximum credit risk	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither impaired nor overdue	74,952	160,804,183	37,891,021	5,940,182	101,723,711	1,292,740	-
B. Net book value of impaired assets	-	2,681,723	-	-	-	-	-
C. Net book values of the impaired assets	-	-	-	-	-	-	-
- Overdue (gross book value)	-	756,369	-	-	-	-	-
- Impairment (-)	-	(756,369)	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

	Receivables						
	Trade Receivables		Other Receivables				
Prior Period 31 December 2013	**Related Party**	**Third Party**	**Related Party**	**Third party**	**Bank Deposits**	**Derivate Instruments**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D) (*)	**9,936**	**143,424,135**	**-**	**1,085,555**	**364,895,275**	**920,180**	**-**
- The secured part of maximum credit risk	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither impaired nor overdue	9,936	177,013,898	-	1,085,555	364,895,275	920,180	-
B. Net book value of impaired assets	-	598,738	-	-	-	-	-
C. Net book values of the impaired assets	-	-	-	-	-	-	-
- Overdue (gross book value)	-	47,197	-	-	-	-	-
- Impairment (-)	-	(47,197)	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(*) Items that enhance the loan security such as collaterals were not taken into consideration in determining the amount.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has an influence on credit risk. Since the Group mainly operates in production, sales, marketing, transportation of iron and steel, port services, ship operations and production, distribution and trading of energy, geographically the concentration of credit risk for the Group's entities operating in the mentioned businesses are mainly in Turkey.

The companies operating under these segments have set a credit policy under which each new customer is analyzed individually for the creditworthiness before each company's standard payment and delivery terms and conditions are offered.

The Group establishes an allowance for impairment losses that represent its estimate of incurred losses in its receivables portfolio.

The Group set provisions for receivables that are legally insolvent.

As of 31 December 2014, the ageing details of receivables of the Group which are overdue but not impaired are as follows with their due dates.

	Receivables				
Current Period 31 December 2014	**Trade Receivables**	**Other Receivables**	**Bank Deposits**	**Derivate Instruments**	**Other**
Past due 1-30 days	1,605,422	-	-	-	-
Past due 1-3 months	308,453	-	-	-	-
Past due 3-12 months	726,758	-	-	-	-
Past due 1-5 years	41,090	-	-	-	-
Past due 5 years or more	-	-	-	-	-
	2,681,723	**-**	**-**	**-**	**-**

	Receivables				
Current Period 31 December 2013	**Trade Receivables**	**Other Receivables**	**Bank Deposits**	**Derivate Instruments**	**Other**
Past due 1-30 days	76,692	-	-	-	-
Past due 1-3 months	109,136	-	-	-	-
Past due 3-12 months	412,898	-	-	-	-
Past due 1-5 years	12	-	-	-	-
Past due 5 years or more	-	-	-	-	-
	598,738	**-**	**-**	**-**	**-**

Foreign Currency Risk

	Current Period 31 December 2014						Prior Period 31 December 2013					
	TL Equivalent (Functional currency)	USD	Euro	JPY	GBP	Other (TL Equivalent)	TL Equivalent (Functional currency)	USD	Euro	JPY	GBP	Other (TL Equivalent)
1. Trade receivables	69,013,724	29,761,406	-	-	-	-	75,932,288	35,577,139	-	-	-	-
2a. Monetary financial assets	42,966,899	18,169,337	253,770	4,969,686	1,338	17,237	340,323,781	158,982,887	253,909	10,135,064	11,577	15,308
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	**111,980,623**	**47,930,743**	**253,770**	**4,969,686**	**1,338**	**17,237**	**416,256,069**	**194,560,026**	**253,909**	**10,135,064**	**11,577**	**15,308**
5. Trade receivables	-	-	-	-	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**111,980,623**	**47,930,743**	**253,770**	**4,969,686**	**1,338**	**17,237**	**416,256,069**	**194,560,026**	**253,909**	**10,135,064**	**11,577**	**15,308**
10. Trade payables	297,131,943	127,077,316	759,360	1,533,477	78,044	100	415,717,850	190,561,497	2,920,608	6,313,451	84,995	99
11. Financial liabilities	408,209,443	171,087,349	4,068,135	-	-	-	538,820,002	246,833,095	4,087,903	-	-	-
12a. Monetary other liabilities	87,584	37,770	-	-	-	-	80,613	37,770	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
13. Short Term Liabilities (10+11+12)	**705,428,970**	**298,202,435**	**4,827,495**	**1,533,477**	**78,044**	**100**	**954,618,465**	**437,432,362**	**7,008,511**	**6,313,451**	**84,995**	**99**
14. Trade payables	-	-	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	631,454,502	267,161,487	4,230,769	-	-	-	578,116,535	259,500,543	8,263,077	-	-	-
16a. Monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	**631,454,502**	**267,161,487**	**4,230,769**	**-**	**-**	**-**	**578,116,535**	**259,500,543**	**8,263,077**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**1,336,883,472**	**565,363,921**	**9,058,264**	**1,533,477**	**78,044**	**100**	**1,532,735,000**	**696,932,905**	**15,271,588**	**6,313,451**	**84,995**	**99**
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	(48,165,872)	(20,771,002)	-	-	-	-	(359,107,000)	(160,000,000)	(6,000,000)	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-	10,141,600	2,000,000	2,000,000	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	48,165,872	20,771,000	-	-	-	-	369,248,600	162,000,000	8,000,000	-	-	-
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	**(1,273,068,721)**	**(538,204,179)**	**(8,804,494)**	**3,436,209**	**(76,707)**	**17,138**	**(1,475,585,931)**	**(662,372,879)**	**(21,017,679)**	**3,821,613**	**(73,418)**	**15,209**
21. Net foreign currency asset / (liability) position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(1,224,902,849)	(517,433,179)	(8,804,494)	3,436,209	(76,707)	17,138	(1,116,478,931)	(502,372,879)	(15,017,679)	3,821,613	(73,418)	15,209
22. Fair value of financial instruments used in foreign currency hedges	-	-	-	-	-	-	-	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

Foreign currency risk sensitivity analysis

In case of a fluctuation by 10% in TL against foreign currencies as shown below, the profit or loss statement is expected to be affected as below. While making the analysis, all other variables are assumed to remain unchanged.

Foreign Currency Risk Sensitivity Analysis				
Current Period 31 December 2014	**Profit / Loss**		**Equity**	
	Appreciation of foreign currency	Devaluation of foreign currency		Appreciation of foreign currency
Change in the USD against TL by 10 % :				
1- Net asset / liability of USD	(119,987,580)	119,987,580	-	-
2- USD risk hedged (-)	(4,816,587)	4,816,587	-	-
3- USD net effect (1+2)	**(124,804,167)**	**124,804,167**	**-**	**-**
Change in the EUR against TL by 10 % :				
4- Net asset / liability of EURO	(2,483,484)	2,483,484	-	-
5- EUR risk hedged (-)	-	-	-	-
6- EUR net effect (4+5)	**(2,483,484)**	**2,483,484**	**-**	**-**
Change in the other foreign currencies against TL by 10 %				
7- Net asset / liability of other currency	(19,221)	19,221	-	-
8- Other currency risk hedged (-)	-	-	-	-
9- Other currencies net effect (7+8)	**(19,221)**	**19,221**	**-**	**-**
TOTAL (3+6+9)	**(127,306,872)**	**127,306,872**	**-**	**-**

Foreign Currency Risk Sensitivity Analysis				
Current Period 31 December 2013	**Profit / Loss**		**Equity**	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
Change in the USD against TL by 10 % :				
1- Net asset / liability of USD	(107,221,444)	107,221,444	-	-
2- USD risk hedged (-)	(34,148,800)	34,148,800	-	-
3- USD net effect (1+2)	**(141,370,244)**	**141,370,244**	**-**	**-**
Change in the EUR against TL by 10 % :				
4- Net asset / liability of EURO	(4,409,942)	4,409,942	-	-
5- EUR risk hedged (-)	(1,761,900)	1,761,900	-	-
6- EUR net effect (4+5)	**(6,171,842)**	**6,171,842**	**-**	**-**
Change in the other foreign currencies against TL by 10 % :				
7- Net asset / liability of other currency	(16,507)	16,507	-	-
8- Other currency risk hedged (-)	-	-	-	-
9- Other currencies net effect (7+8)	**(16,507)**	**16,507**	**-**	**-**
TOTAL (3+6+9) (*)	**(147,558,593)**	**147,558,593**	**-**	**-**

Interest rate sensitivity

Interest Position Table			
		Current Period	**Prior Period**
Financial instruments with fixed interest rate			
Financial Assets	Fair value through profit or loss assets	-	-
	Available for sale assets	-	-
Financial Liabilities		457,951200	516,944,845
Financial instruments with floating interest rate			
Financial Assets		-	-
Financial Liabilities		614,833,162	596,648,166

If annual interest rate on bank loans received as of 31 December 2014 was higher/lower by 100 basis point (1%) with all other variables remain constant, the profit before tax and non-controlling interest would be lower/higher by TL 2,025,745.

The Group's financial liabilities expose the Group to interest rate risk. The Group's financial liabilities mainly consist of borrowings with floating rate. The Group attempts to acquire loans with lower interest rate to minimize interest rate risk.

Liquidity Risk

Liquidity risk is the probability of the Group defaulting on its liabilities. Occurrence of events like deteriorations in markets or decrease in credit score that causes decreases in fund resources bring about liquidity risk. The Group management manages liquidity risk by distributing the funds and by keeping sufficient cash and cash equivalents resources to cover the current and possible liabilities.

Funding risk of the current and future liabilities is managed by providing sustainability of the access to sufficient high quality creditors and the sustainability of the sufficient cash flows obtained from operating activities. The Group management, in order to ensure continuous liquidity, closely follows up the timely collection of receivables, allocates high intensity focus to prevent any financial burden sourcing from late collections and determines cash and non-cash credit limits to be activated in case of need by the Group. Besides, Group's liquidity management policy consists to prepare cash flow projections, follow up and evaluate actual liquidity rates by comparing to budgeted ratios.

The Group's liquidity risk table for the period ending at 31 December 2014 is as follows.

Contractual maturities	**Carrying Amount**	**Total contractual cash outflows (=I+II+III+IV)**	**Less than 3 months (I)**	**Between 3 – 12 months (II)**	**Between 1- 5 Year (III)**	**More than 5 Years (IV)**
Non-derivative Financial Liabilities						
Bank borrowings	1,080,015,266	1,176,530,732	298,259,632	254,579,407	375,359,593	248,332,100
Trade payables	326,484,403	328,197,426	230,319,098	97,878,328	-	-
Other payables *	210,304	210,304	210,304	-	-	-
Other current liabilities *	19,570,446	19,570,446	19,570,446	-	-	-
Derivative Financial Liabilities (Net) **		-	-	-	-	-
Derivative cash inflows	-	75,638,618	53,722,900	21,915,718	-	-
Derivative cash outflows	1,042,979	(73,856,501)	(53,517,429)	(20,339,072)	-	-

31 December 2013

Contractual maturities	Carrying Amount	Total contractual cash outflows (=I+II+III+IV)	Less than 3 months (I)	Between 3 – 12 months (II)	Between 1- 5 Year (III)	More than 5 Years (IV)
Non-derivative Financial Liabilities						
Bank borrowings	1,118,063,883	1,226,796,864	214,890,727	342,275,656	369,334,094	300,296,387
Other financial borrowings	67,820,190	69,221,541	69,221,541	-	-	-
Trade payables	450,469,250	452,730,458	191,230,703	261,499,755	-	-
Other payables *	3,315,645	3,315,645	391,601	2,924,044	-	-
Other current liabilities *	16,834,067	16,834,067	16,834,067	-	-	-
Derivative Financial Liabilities (Net) **						
Derivative cash inflows	-	389,794,202	386,853,777	2,940,425	-	-
Derivative cash outflows	(12,516,687)	(396,214,900)	(393,278,400)	(2,936,500)	-	-

(*) Non-financial assets such as deposits received, advances taken, deferred incomes are not included in other payables and other current liabilities.

(**) By their nature, option contracts that are mentioned in Note 48 are not included in the table above since the right is fully under the control of the bank.

Capital risk management

In capital management, the Group aims to enhance profitability while keeping a reasonable leverage and sustainability in its operations.

The Group monitors its capital with debt / total capital ratio. This ratio is defined as net debt divided by total capital. Net debt is calculated by deducting cash and cash equivalents from total debt, which includes bank borrowings and financial leases. Total equity is calculated by summing the total equity and net debt as pointed out in the consolidated statement of financial position.

The net debt / total equity ratio is as follows.

	31 December 2014	31 December 2013
Total debt (Note 49)	1,080,015,266	1,185,884,073
Less: Cash and cash equivalents (Note 7)	101,803,157	365,308,343
Net debt	978,212,109	820,575,730
Total shareholders' equity	469,667,962	495,985,488
Total equity	1,447,880,071	1,316,561,218
Net debt/Total equity ratio	%68	62%

51. FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

"IFRS 7 – *Financial Instruments: Disclosure*" requires the Companies to disclose the classification and hierarchy of the data used in determining the fair values of the financial assets. The basis for the hierarchy is dependent on the conformity of the data used in fair value calculation. The independency of the source of the data, the assumptions used in calculation of the fair value effects the level of hierarchy.
In the following table, the valuation methodologies of financial instruments made valuation with their fair values are presented. They are described in terms of their levels as follows.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market (unobservable inputs).

31 December 2014	**Level 1**	**Level 2**	**Level 3**
Investment properties	-	-	46,034,000
Forward contracts	-	1,042,979	-
	-	**1,042,979**	**46,034000**

31 December 2013	**Level 1**	**Level 2**	**Level 3**
Investment properties	-	-	44,212,000
Forward contracts	-	(13,443,620)	-
	-	**(13,443,620)**	**44,212,000**

52. SUBSEQUENT EVENTS

Controlling shareholder Şahin- Koç Çelik Sanayi A.Ş has conducted stock sales on various times after the date of balance sheet, finally dropping its stake to 57.09%

53. OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR MAKE THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None. (31.12.2013: None)

54. DISCLOSURES IN RELATION TO STATEMENT OF CASH FLOW

As at 31 December 2014, the Group's cash flow generated from operating activities amounted to TL 53,238,386 (31 December 2013: TL 87,916,203). Cash used in investing activities amounted to TL 108,999,908 (31 December 2013: TL 382,573,421). Cash used in financing activities amounted to TL 207,743,664 (31 December 2013: TL 217,432,034).

55. DISCLOSURES IN RELATION TO STATEMENT OF CHANGES IN EQUITY

As at 31 December 2014, the Group's total equity amounted to TL 469,667,962 (31 December 2013: TL 495,985,488), which is the sum of TL 430,047,730 (31 December 2013: TL 468,854,859) and TL 39,620,232 (31 December 2013: TL 27,130,629) stands for equity attributable to owners of the company and non-controlling interests respectively.