İZMİR DEMİR ÇELİK SANAYİ A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2012**

İZMİR DEMİR ÇELİK SANAYİ A.Ş.

<u>Notes to The Consolidated Financial Statements</u>

CONSOLIDATED FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
İZMİR DEMİR ÇELİK SANAYİ ANONİM ŞİRKETİ,
İzmir

We have audited the accompanying consolidated balance sheets, statements of income, comprehensive statements of income, changes in shareholders' equity and cash flows of İzmir Demir Çelik Sanayi Anonim Şirketi and its subsidiaries (Group) as of 31 December 2012. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue an opinion on these consolidated in financial statements based on our audit.

Responsibility of management regarding financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with financial reporting standards by Capital Markets Board. This responsibility implies choosing appropriate accounting principle, making acceptable accounting estimation according to the term and conceiving, application of and carrying on with internal control to prepare financial statements free of mistakes derived from inconsistency with the established rules of procedure.

Responsibility of Auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our independent audits. Our independent audit is performed compatible with the independent audit standards published by the Capital Markets Board. These standards require the independent audit to be submissive to ethical principals and performance with planning to verify fair assurance whether the financial statements are reflecting the truth or not.

Our independent audit essentially based on applying analytical audit procedures, in order to collect the related proof and understand the entries and notes in the financial statements. The preference of independent audit standards is based on occupational contentment to evaluate whether financial statements contain risk of significant error derived from mistakes including deception and inconsistency or not. In this risk evaluation, the internal control was taken into account. However, our purpose is not to provide an opinion about internal control efficiency, is to display the inter correlation between the financial statements prepared by company management and internal control system with appropriate independent audit standards. Our independent audit embraces the valuation of coherence as a complete; financial statements presentation and significant accounting estimations along with adopted accounting policy by company management.

We believe that the evidences obtained during the independent audit procedure constitute an adequate base to form our opinion.

Opinion

In our opinion, accompanying consolidated financial statements are represented fairly the financial position of İzmir Demir Çelik Sanayi Anonim Şirketi as of 31 December 2012 and the results of its operations, cash flow statement for the period then ended in accordance with "Accounting Standards in Capital Markets" published by the Capital Markets Board ("CMB").

ATA Uluslararası Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Member Firm of Kreston International

Dr. Ali YÜRÜDÜ
Managing Partner

İstanbul, 03 April 2013

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İZMİR DEMİR ÇELİK SANAYİ A.Ş.
BALANCE SHEET (TL)
(XI-29 CONSOLIDATED)

	Notes	*Audited*	*Audited*
ASSETS		**31.12.2012**	**31.12.2011**
Current Assets		**440,294,931**	**621,961,880**
Cash and Cash Equivalents	6	88,440,657	316,000,602
Financial Investments	7.1	0	927,838
Trade Receivables	10.1	110,144,534	41,417,790
Other Receivables	11.1	108,453	7,814
Inventories	13	216,941,789	233,973,331
Other Current Assets	27.1	24,659,498	29,634,505
Non-currents Assets		**911,048,315**	**614,696,696**
Other Receivables	11.2	98,688	67,693
Financial Investments	7.2	462,543	435,511
Investment Properties	17	39,197,464	39,197,464
Tangible Assets	18	819,662,836	503,875,941
Intangible Assets	19	248,689	162,755
Deferred Tax Assets	36	4,138,257	4,094,464
Other Non-currents Assets	27.2	47,239,838	66,862,868
TOTAL ASSETS		**1,351,343,246**	**1,236,658,576**
LIABILITIES			
Current Liabilities		**419,657,293**	**496,612,580**
Financial Borrowings	8	226,842,833	172,969,843
Other Financial Liabilities	9	0	1,042,535
Trade Payables	10.3	179,991,658	243,578,866
Other Payables	11.3	3,895,064	8,332,521
Corporation Tax Liabilities	36	572,153	12,407,207
Provisions for Liabilities	22	45,972	806,757
Other Current Liabilities	27.3	7,905,011	57,202,339
Benefits Provided for Employees	24.1	404,602	272,512
Non-current Liabilities		**324,678,793**	**137,162,515**
Financial Borrowings	8	254,192,812	96,455,818
Other Liabilities	11.4	27,864,823	-
Benefits Provided for Employees	24.2	8,510,870	6,332,924
Deferred Tax Liabilities	36	33,991,453	34,096,492
Other Non-current Liabilities	27.4	118,835	277,281
SHAREHOLDERS' EQUITY		**607,007,160**	**602,883,481**
Shareholders' Equity		**588,644,280**	**595,452,383**
Paid in Capital Share	28.1	375,000,000	300,000,000
Inflation Adjustments to Shareholders' Equity	28.2	22,763,962	22,763,962
Appraisal Funds	28.5	148,267,150	151,508,933
Profit Reserves	28.3	25,832,374	20,322,687
Retained Earnings/Losses	28.4	16,366,446	48,229,580
Net Profit / Loss for the Period		414,348	52,627,221
Minority Interest	25	**18,362,880**	**7,431,098**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,351,343,246**	**1,236,658,576**

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş.
INCOME STATEMENT (TL)
XI-29 CONSOLIDATED

	Notes	*Audited*	*Audited*
		01.01 - 31.12.2012	**01.01 - 31.12.2011**
OPERATING ACTIVITIES			
Sales	29.1	1,598,860,763	1,424,211,534
Cost of Sales (-)	29.2	(1,605,158,043)	(1,332,974,636)
GROSS PROFIT / LOSS		**(6,297,280)**	**91,236,898**
Marketing, Sales and Distribution Expenses (-)	31.1	(9,453,958)	(8,734,294)
General Administrative Expenses (-)	31.2	(16,911,980)	(14,987,150)
Other Operating Incomes	32.1	7,388,870	4,416,952
Other Operating Expenses (-)	32.2	(1,323,085)	(408,226)
OPERATING PROFIT / LOSS		**(26,597,433)**	**71,524,180**
Financial Incomes	33	115,821,428	68,563,234
Financial Expenses (-)	34	(86,740,062)	(77,159,568)
INCOME/ LOSS BEFORE TAXES		**2,483,933**	**62,927,846**
Taxes from Operating Profit / Loss		**(1,230,911)**	**(12,228,088)**
- Income / Expense Tax for the Period	36	(572,153)	(12,407,207)
- Deferred Tax Income / Expense	36	(658,758)	179,119
NET OPERATING PROFIT / LOSS		**1,253,022**	**50,699,758**
Attributable to			
Minority Interest		838,674	(1,927,463)
Parent Company's Share		414,348	52,627,221

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş.
STATEMENT OF COMPREHENSIVE INCOME (TL)
XI-29 CONSOLIDATED

	Audited	*Audited*
	01.01 - 31.12.2012	**01.01 - 31.12.2011**
Profit / (Loss) for the Period	**1,253,022**	**50,699,758**
Other comprehensive income / (loss):		
Fair value reserve of financial assets	-	-
Change in revaluation of fixed assets	(4,037,947)	182,790,405
Change in hedge fund	-	-
Change in currency conversion difference	-	-
Actuarial loss / income from retirement pay provision	-	-
Other comprehensive income share from subsidiaries subject to equity pick up method	-	-
Tax income / expenses relating other comprehensive income	807,590	(31,269,926)
Other comprehensive income / (loss)	**(3,230,357)**	**151,520,479**
Total comprehensive income / (loss)	**(1,977,335)**	**202,220,237**
Attributable to		
Minority interest	850,101	(1,915,917)
Parent Company's share	(2,827,436)	204,136,154

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş.
STATEMENT OF CHANGES IN EQUITY
(XI-29 CONSOLIDATED)

	Share Capital (Footnote 28.1)	Legal Reserves (Footnote 28.3)	Inflation Adjustment Difference in Equity (Footnote 28.2)	Revaluation Fund (Footnote 28.5)	Retained Earnings / (Losses)	Net Income for the period (Footnote 37)	Parent Company's Equity	Minority Interest (Footnote 25)	Total Equity
Balances at 01 January 2011	150,000,000	20,322,687	172,763,962	-	30,856,389	17,373,191	391,316,229	174,215	391,490,444
Capital increase	150,000,000	-	(150,000,000)	-	-	-	-	-	-
Capital increase of subsidiary	-	-	-	-	-	-	-	9,172,800	9,172,800
Revaluation effect	-	-	-	151,508,933	-	-	151,508,933	11,546	151,520,479
Transfer to retained earnings and legal reserves	-	-	-	-	17,373,191	(17,373,191)	-	-	-
Net income / (loss) for the period	-	-	-	-	-	52,627,221	52,627,221	(1,927,463)	50,699,758
Balances at 31 December 2011	**300,000,000**	**20,322,687**	**22,763,962**	**151,508,933**	**48,229,580**	**52,627,221**	**595,452,383**	**7,431,098**	**602,883,481**
Balances at 01 January 2012	300,000,000	20,322,687	22,763,962	151,508,933	48,229,580	52,627,221	595,452,383	7,431,098	602,883,481
Capital increase	75,000,000	-	-	-	(75,000,000)	-	-	-	-
Capital increase through bonus issues	-	-	-	-	25,353	-	25,353	1,679	27,032
Dividend payment	-	-	-	-	(4,006,021)	-	(4,006,021)	-	(4,006,021)
Capital increase of subsidiary	-	-	-	-	-	-	-	10,080,000	10,080,000
Revaluation effect	-	-	-	(3,241,783)	-	-	(3,241,783)	11,429	(3,230,354)
Transfer to retained earnings and legal reserves	-	5,509,687	-	-	47,117,534	(52,627,221)	-	-	-
Net income / (loss) for the period	-	-	-	-	-	414,348	414,348	838,674	1,253,022
Balances at 31 December 2012	**375,000,000**	**25,832,374**	**22,763,962**	**148,267,150**	**16,366,446**	**414,348**	**588,644,280**	**18,362,880**	**607,007,160**

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş.
CASH FLOW STATEMENT
(XI-29 CONSOLIDATED)

	Notes	*Audited*	*Audited*
		01.01 - 31.12.2012	**01.01 - 31.12.2011**
Cash flows from operating activities			
Net profit for the period		1,253,022	50,699,758
Amortization and depreciation expense	18-19	27,046,020	25,130,456
Change in deferred tax assets / liabilities	36	658,758	(179,119)
Severance pay provision	24	2,310,036	465,545
Provision for taxation	36	572,153	12,407,207
Unrealized foreign exchange (income) / expense	8-10-11-13-22-27	(24,105,713)	38,092,501
Changes in operating assets and liabilities	10-11-13-22-27	(105,840,075)	20,276,930
Net cash generated from operating activities		**(98,105,799)**	**146,893,278**
Cash flows provided by investment activities:			
Changes in financial assets	7	9,965,303	8,463,484
Expenditures on tangible and intangible fixed assets	18-19	(344,519,908)	(77,237,058)
Net cash provided by investing activities		**(334,554,606)**	**(68,773,574)**
Cash flow provided by financing activities:			
Change in long and short term financial borrowing	8	209,106,480	135,073,151
Dividend paid		(4,006,021)	-
Net cash provided by financing activities		**205,100,459**	**135,073,151**
Changes in cash and cash equivalents		(227,559,945)	213,192,855
Cash and cash equivalents at the beginning of the period	6	316,000,602	102,807,747
Cash and cash equivalents at the end of the period		**88,440,657**	**316,000,602**

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

1. CORPORATE INFORMATION AND NATURE OF ACTIVITIES

İzmir Demir Çelik Sanayi A.Ş. ("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 trade registered address of İzmir Demir Çelik Sanayi A.Ş. is Şair Eşref Bulvarı No: 23, 35210 in İzmir.

According to Capital Markets Board ("CMB") about accounting standards, companies those are included accompanying consolidated financial statements are as follows.

Company Name	Operating Activities	31 December 2012 Shareholding rate	31 December 2011 Shareholding rate
Akdemir Çelik Sanayi ve Tic. A.Ş.	Iron&Steel production	99.98%	99.98%
İDÇ Liman İşletmeleri A.Ş.	Harbor business	99.98%	99.98%
İzdemir Enerji Elektrik Üretim A.Ş.	Energy production	74.80%	74.80%

The financial statements of Akdemir Çelik Sanayi ve Ticaret A.Ş. have been put through independent auditing of 31 December 2012 and 31 December 2011, consolidated by eliminating the intra-company sales, service invoices, intra-company receivables, payables and related adjustments and elimination capital share in accordance with Communiqué XI, No: 29 published by the Capital Markets Board ("CMB") and other related principles.

The financial statements of İDÇ Liman İşletmeleri A.Ş. have been put through independent auditing of 31 December 2012 and 31 December 2011, consolidated by eliminating the intra-company sales, service invoices, intra-company receivables, payables and related adjustments and elimination capital share in accordance with Communiqué XI, No: 29 published by the Capital Markets Board ("CMB") and other related principles.

The financial statements of İzdemir Enerji Elektrik Üretim A.Ş. have been put through independent auditing of 31 December 2012 and 31 December 2011, consolidated by eliminating the intra-company sales, service invoices, intra-company receivables, payables and related adjustments and elimination capital share in accordance with Communiqué XI, No: 29 published by the Capital Markets Board ("CMB") and other related principles.

Shareholding structure:

Shareholders name	Share Amount (TL)	Share (%)
Şahin – Koç Çelik Sanayi A.Ş.	230,776,003	61.54
Halil Şahin	54,459,438	14.52
Other (Publicly held)	89,764,559	23.94
Total	**375,000,000**	**100.00**

Shareholding structure of parent company Şahin – Koç Çelik Sanayi A.Ş is as follows:

Shareholder's name	Share Amount (TL)	Share (%)
Halil Şahin	52,724,585	28.50
Nuri Şahin	43,012,184	23.25
Ahmet Baştuğ	31,912,265	17.25
Selim Şahin	5,549,973	3.00
Serkan Şahin	5,549,973	3.00
Adil Koç	4,624,966	2.50
Ahmet Koç	4,624,966	2.50
Koç Haddecilik Teks. İnş. San. ve Tic. A.Ş.	36,999,728	20.00
Total	**184,998,640**	**100.00**

Category-based number of employees as of 31 December 2012 and of 31 December 2011 is as follows:

Term	Blue collar	White collar	Manager	Top level manager	Total
31 December 2012	946	376	26	7	1,355
31 December 2011	748	305	29	3	1,085

Company's subsidiaries and investments as of 31 December 2012 are as follows:

	Share (%)	TL
<u>Securities and Equity Participations</u>		
İtaş İzmir Teknopark Ticaret A.Ş.	0.13	2,547
Sivas Demir Çelik İşletmeleri A.Ş.	0.002	445,357
Enda Enerji Holding A.Ş.	0.38	415,601
Egenda Ege Enerji Üretim A.Ş.	0.07	40,062
İzmir Hava Yolları A.Ş.	0.01	4,333
<u>Provision for diminution in value</u>		
Sivas Demir Çelik İşletmeleri A.Ş.		(445,357)
TOTAL		**462,543**

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.a. Accounting standards

Company prepares their statutory financial statements in accordance with the principles of the Capital Market Board (CMB), Turkish Commercial Code ("TCC") and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and presents in Turkish Liras. Consolidated financial statements are prepared on statutory records, which are maintained with historical cost, with the necessary adjustments and reclassifications made for the fair presentation in accordance with Communiqué XI, No: 29 "Accounting Standards in Capital Markets" published by the Capital Markets Board.

Communiqué XI, No: 29 "Accounting Standards in Capital Markets" published by the Capital Markets Board is published in Official Gazette date 09 April 2008 and numbered 26842. This communiqué is effective for the first interim period financial statements after 1 January 2008 regarding companies in stock market, financial intermediary agencies, portfolio management companies and businesses connected to these partnerships, subsidiaries and business partnerships.

Capital Market Board defines principles, procedures and basis to prepare financial reports to be prepared by the companies and to be presented to the authorities in accordance with Communiqué XI, No: 29 "Accounting Standards in Capital Markets". This communiqué is effective starting for first interim financial statements after 1 January 2008 and Communiqué XI, No: 25 "Accounting Standards in Capital Markets" has been abolished. Based on Communiqué XI, No: 29, companies are obliged to prepare their financial statements according to International Financial Reporting Standards (IAS/IFRS) accepted by European Union. However, it will be applied IAS/IFRS published by International Financial Reporting Standard Committee and accepted by European Union until the difference between IAS/IFRS and Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) is published. In this manner, TAS/TFRS published by Turkish Financial Reporting Committee (TFRC) will be basis and not contradictory to adopted standards.

Till difference between IAS/IFRS published by International Financial Reporting Committee (IFRSC) and accepted by European Union and Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) by Turkish Financial Reporting Committee (TFRC) is published, financial statements will be prepared in accordance to IAS/IFRS within the frame of Communiqué XI, No: 29 by the Capital Market Board. Accompanying financial statements and notes are prepared compatible with formats obliged by announcement dated 14 April 2008 and 9 January 2009 by the Capital Market Board.

Approval of Financial Statements

Consolidated financial statements are approved by the Board of Directors and granted authority to publish on 03 April 2013. Boards of Directors have the authority to change financial statements.

Financial Statements Correction in High Inflation Period

The CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Therefore the Company was abolished inflation accounting application for the year 2005.

Comparative Information and Previous Periods Adjustments

When it necessitates, there have been reclassifications to be compared with current period consolidated financial statements presentation.

For the purpose of conducting a comparison of financial position and performance trend, Group's consolidated financial statements are prepared comparative with previous periods. Group has prepared consolidated balance sheets comparing 31 December 2012 and 31 December 2011, income statements are compared with the period of 31 December 2012 and 31 December 2011, changes in shareholders' equity and cash flow statements are compared with the period of 1 January -31 December 2012 and period of 1 January – 31 December 2011.

Consolidation

Consolidated financial statements are prepared from the financial statements of the company and subsidiaries based on the matters stated in Note 1. Payable and receivables, sale and purchase, equity participation and capital of the companies included in the consolidation are eliminated.

The companies are subject to "Complete Consolidation Method" if directly or indirectly 50% or more than 50% of their shares or over 50% of their voting rights or the controlling rights regarding companies' operations are belonging to the Parent Company. Parent Company has controlling rights if it is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The financial statements of the consolidated subsidiaries have been equipped according to the accounting principles of the Parent Company.

All the significant transactions between the company and the subsidiaries included in consolidation are eliminated during the consolidation. If Company does not control 100% of consolidating party then it pursues shareholders' equity and net profit of third parties under minority interest.

Consolidating party then it pursues shareholders' equity and net profit of third parties under minority interest. The companies and power to govern Parent Company's policies and management relationship are considered as subsidiaries. The companies which have continuous relationship on management and power to govern Parent Company's policies and/or which have direct or indirect capital and management relationship or which have voting share of Parent Company in between the rates 20-50% are accounted by using equity method. The participations of the Parent Company, are carried at cost, restated, then eliminated with the shareholders' equity of the participations which are restated in accounting policies of the Company, the difference occurred from previous years are booked in "Previous Period Expenses and Losses or Previous Period Income and Profit", current differences are booked in "Other Operating Income and Profit or Other Operating Expenses and Losses".

Companies those have less than 20% of their voting rights or the controlling rights regarding companies' operations are belonging to the Parent Company are taken into account with their restated costs.

Goodwill

Positive or negative goodwill represents the remaining amount after reflecting the acquirements of assets and liabilities in the financial statements.

Reporting Currency

Financial position of the Group and results of the operation, valid currency type in the transactions and consolidated financial statements are sated in terms of Turkish Lira.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a basis, or realize the asset and settle the liability simultaneously.

2.b. Changes in Accounting Policies

A company only could change its accounting policy under following circumstances;
- If a standard or interpretation makes it necessary or
- If the change make effect of operations or incidents on financial position and performance or cash flows more appropriate and reliable.

Financial statements have to be comparable to see trends in financial position of companies, performance and cash flows for user of financial statements. This is why, if the change is not granting one of above conditions, each interim and fiscal periods has to be applied same accounting policy.

Group adopted to net off the income from severance pay provisions no longer required against cost of goods sold.

The group enjoys revenue from 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 income statements are not revenue collected in cash but deducted from the accrued insurance premiums by treasury.

2.c. Changes and Errors in Accounting Estimates

The accompanying financial statements necessitate that some predictions about income and expenses regarding possible assets and liabilities in the financial statements prepared by the group management to be compatible with statements required by Capital Market Board. Realized amounts can differ from the predictions. These predictions are observed regularly and reported periodically in income statements.

2.d. Adoption of New and Revised International Financing Reporting Standards

The accounting policies adopted in preparation of the financial statements as at 31 December 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2012. The effects of these standards and interpretations on the Company'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 2012 are as follows:

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non- depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. Adoption of this amendment did not have any impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Comparative disclosures are not required. The amendment affects disclosures only and did not have any impact on the financial position or performance of the Company.

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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after 1 July 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or ‗recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The significant impact of the amended standard is reclassification of actuarial gain/loss to other comprehensive income statement which is already disclosed in income statement.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amended)

The amendments clarify the meaning of ―currently has a legally enforceable right to set-off‖ and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (ii) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments – Classification and Measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 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. This standard has not yet been endorsed by the EU. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This amendment will not have any impact on the financial position or performance of the Company.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This amendment will not have any impact on the financial position or performance of the Company.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This amendment will not have any impact on the financial position or performance of the Company.

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This amendment will not have any impact on the financial position or performance of the Company.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as the beginning of the annual reporting period in which IFRS 10 is applied for the first time‘. The assessment of whether control exists is made at the date of initial application‘ rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Company.

Improvements to IFRS

The IASB has issued the Annual Improvements to IFRS 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Company.

IAS 1 Financial Statement Presentation:

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment:

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments: Presentation:

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Interim Financial Reporting:

Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The amendment applies for annual periods beginning on or after 1 January 2014 with earlier application permitted. The amendment has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Company.

2.e. Summary of Significant Accounting Policies

Revenue

Revenues are recognized on an accrual basis when the amount of the revenue can be measured reliably. Net sales represent the invoiced value of goods shipped less sales returns and sales deductions. The main activities of the company and its subsidiaries are production, sales, marketing, transportation of iron and steel, port services and ship operations. Production, distribution and trading of energy activities are in investment stage therefore there are no revenues recorded for these activities.

Sales of iron and steel:

Revenue from sale of goods is recognized and accounted on base of market value accruals when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods,
- The Group retains neither continuing managerial involvement to the degree usually 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, and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services:

Rendering of services consists of shipping transportation and harbor management. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction as of the balance sheet date.

Revenue from rendering of services is recognized and accounted on base of market value accruals 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 Group;
- The stage of completion of the transaction at the balance sheet date can be measured reliably;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Dividend and interest income:

Interest income is accrued in proportion as effective interest rate which reduces estimated cash addition to recorded value of the asset in corresponding period.

Dividend income which obtained from share investments, is recorded when shareholders' have the right to get dividend.

Rent income:

Rent incomes from real estate are accounted linearly for the rent agreement period.

Inventories

Inventories are valued at weighted average method on the monthly basis. Temporary difference from term prices among the purchased goods is deducted from the cost of sold goods and inventories. Inventories are valued at the lower of weighted average cost or net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

The allowance for decrease in value of inventories degrade inventories to net realizable value and losses about the inventories are recognized as expense during the formation of degrade and losses. Allowance for decrease in value of inventories reversed because of the increase of realizable value, recognized to reduce the accrued selling cost in the reverse period. As of every financial statement period, net realizable value is reviewed once again. The provision for losses is reversed in the case of either the conditions causing to degrade the inventories' net realizable value lose validity or changing economic conditions forming an increase in net realizable value is proved (reversed amount is limited with the previous impairment amount).

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

Property, plants, buildings, infrastructure and land improvements, machineries, equipment and appliances are stated in the financial statements at fair market values determined on 15 August 2011 and 31 March 2012, by the valuing company ABC Gayrimenkul Değerleme ve Danışmanlık, which is accredited by Capital Market Board.

The appraisal company appraised land and parcel values with precedents comparison method and property current values; buildings and land improvements values with cost method; as to machinery, installation and equipment values with current value.

The revaluation frequency depends on the differences of the realistic values of tangible fixed assets. If a net book value of an asset increases during the revaluation, this increase will be recognized at other comprehensive income and allocated under revaluation value increase directly in the owners' equity account. However a revaluation value increase can only be recognized as the same amount of value decrease occurred from profit or loss for the same asset.

If a net book value of an asset increases during the revaluation, this increase will be recognized at other comprehensive income and allocated under revaluation value increase directly in the owners' equity account. However a revaluation value increase can only be recognized as the same amount of value decrease occurred from profit or loss for the same asset

If a net book value of an asset decreases during the revaluation, this decrease 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 owners' equity under revaluation surplus.

Tangible assets are stated by deducting the accumulated depreciation, permanent cost value of the entries purchased after 1 January 2005 from adjusted cost value according to the inflation effective for the entries purchased before 1 January 2005, in the booking.

Property, plant and equipment are carried at cost, restated by deduction of the yearly accumulated depreciation. Depreciation is provided on the acquired values of property, plant and equipment on a straight-line method starting from the acquired date.

The depreciation ratios of tangible fixed assets used by the company are as follows:

Buildings	2 - 10%
Infrastructure and land improvements	10%
Machinery and equipment	10 - 20%
Motor vehicles	5 – 33%
Furniture and fixtures	10 – 20%
Lease hold Improvements	20% – Rent period

Impairment of Assets

In the case of detecting that carrying values of fixed assets fall below the level that can realize / can be gained from this asset in the future due to different events and situations, material and non-material fixed assets are tested in terms of value losses. In the case of being over the value of book value of material and non-material fixed assets realizable value or the value that can be gained from this asset in the future, provision are made for fixed asset value diminution.

Impairment loss related to the land, buildings and machinery and equipment which are carried at revalued amounts are treated as a revaluation decrease to the extent that impairment loss does not exceed the amount held in revaluation surplus.

Leasing

Financial Leasing

Group acquired assets under finance lease agreements and capitalized at the inception of the lease starting from acquired date. Payables to lease are pursued under financial leasing liability in balance sheet. Calculation of minimum leasing payment is to find out current market value as the valid proportion is calculated practically in financial leasing process then it is, otherwise proportion of interest rate of loan is used as discount factor. Expenses of asset acquisition through financial leasing are included in costs. The liability from financial leasing is decomposed into interest rate and the main loan. Expenses of interest rate are calculated with the fixed interest rate and are issued in related periods.

Operating Leases

The Group as the Lessee
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 are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group as the Lessor
Assets leased out under operating leases are included in property, plant and equipment in the consolidated balance sheet. Rental income is recognized in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

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 there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

The group enjoys revenue from 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 income statements are not revenue collected in cash but deducted from the accrued insurance premiums by treasury. Incentive income was nett off against cost of goods sold. The group has obtained an investment incentive certificate worth TL 475.000.000 within ongoing investment projects. The incentive provides exemption of VAT and customs duty.

Investment Properties

Investment properties were valued by ABC Gayrimenkul Değerleme ve Danışmanlık A.Ş at 31 December 2011. Investment properties detected to show real value in valuation on financial statement.

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

If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply IAS 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 IAS 16 and its fair value in the same way as a revaluation in accordance with IAS 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

Intangible assets are stated by deducting the accumulated amortization, permanent cost value of the entries purchased after 01 January 2005 from adjusted cost value according to the inflation effective for the entries purchased before 01 January 2005, in the booking.

Intangible fixed assets recorded at acquisition cost, restated to and amortized on a straight-line method over their estimated useful lives in the income statements. Intangible fixed assets are amortized over their estimated useful lives starting from the date of acquirement.

Amortization rates given below are formed according to their expected useful lifespan of the assets:

Rights	20 – 33%
Other intangible assets	10 – 20%

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 between the dates of 1 January 2012 and 31 December 2012, borrowing costs are capitalized under constructions in progress. This cost is associated with loans received for the investment of energy production facility of İzdemir Enerji Elektrik Üretim A.Ş.

All of the other borrowing costs are recorded in the income statement in the period in which they are incurred.

Financial Investments

Except diminution in accordance with Communiqué XI, No: 29 published by CMB, income or loss related to ready to be liquidated financial assets are stated in the financial statements through changes in shareholders' equity statements until these financial assets are out of financial statements. When these assets are cashed out financial statements, retained income or loss previously reflected in the shareholders' equity is booked in current period net income. However, the difference between the amount when the ready to be liquidated assets are booked for the first time and timed amount is subject to effective interest method and the accrued amount stands for interest and it is reflected in the financial statements as profit or loss. As a result of this communiqué, the ready to be liquidated assets are valued with its 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 other operating activities expenses in the income statements.

Fair value of shares quoted in stock exchange is taken from closing price of Istanbul Stock Exchange as of the balance sheet date.

Financial Instruments

Financial instruments are classified as assets for investments, financial instruments for purchase and sale, financial instruments which can be hold to the due date and financial instruments which are ready to be sold. The financial instruments which are bought to make gain of short term fluctuations are classified as commerce financial instruments and included to the current assets. Financial instruments which the company management can have the ability or the will to control to the due date and have specific or fixed payment date and the financial instruments which had a fixed due date are classified as financial instruments that are hold to the due date.

The financial instruments which are hold to sell for cash requirements or for changes of rate interests are called as ready to sell financial instruments. Ready to sell financial instruments are included in fixed assets if the management don't have the will to hold it or don't need (in this case, it includes current assets) it for capital increase in less than 12 months after balance sheet date.

Estimated current value of financial instruments is set by using the information about the markets and necessary valuation method. However, to set current value it is needed the commented market data. Because of this, presented estimates in this report can't be the obtained values in the current market if the group charges the assets off.

All financial instruments are shown with the acquirement costs included the expenses of purchase of investment. Financial assets after reflecting financial statements are classified as ready to sell financial instruments are appreciated with the reasonable value if it is possible to calculate.

Bank deposits and receivables are important financial instruments which can affect the company's financial state negatively if the other side doesn't fill the conditions.

The cost value of some financial instruments is equal to the entered value and because of their short term character and it is assumed as equal to the current value.

All the methods and estimations used in order to set the appropriate current value of the financial instruments are summarized in the following.

Cash and cash equivalents

Cash and cash equivalent values contain cash on hand, bank deposits and high liquidity investments. Cash and cash equivalents are showed with obtaining costs and the total of accrued interests.

Trade Receivables

Trade receivables occurred from time deposit sales of a good or service of the Group to a debtor are appraised on rediscounted costs by using effective interest method. Financial costs included by trade receivables are calculated by using effective interest rates and founded amounts are stated in financial expenses at the financial statements.

Trade Payables

Trade payables are appraised from rediscounted costs by using effective interest method. Financial costs included by trade payables are calculated by using effective interest rates and founded amounts are stated in financial expenses at the financial statements.

Due to / from Related Parties

The balance sheet values of receivables / payables from related parties are truthful estimated values except the receivables and payables from related parties which hold in a specific credit period.

Financial Liabilities

The interest rates of the credits are fixed at the using date but then it can follow fluctuation of interest rate in the market. The Group uses risky financial instruments at the time of ordinary activities as letter of credit. The cost of these financial instruments is equal to commitment amount.

Credit Risk

The reason of the Group's credit risk can rise from the receivables. The receivables are shown as net in the balance sheet with past experiments and current economic situation and after setting provision with an acceptable ratio. The risk of liquid funds is limited because liquid funds are used as short term bank deposit.

Market Risk

Market risk is the changes of interest rate, rates or securities and values of other financial commitments which affect the group negatively. The base important risks for the Group are changes of interest and exchange rate.

Liquidity Risk

Generally, the Group creates fund by turning short term financial instruments and bank deposits into cash. The amounts of these items are showed with their current values.

If the Group needs cash, creates fund by increasing capital from partners or creditors.

Derivative Financial Instruments

Group's derivative financial instruments are composed of timed foreign currency exchange purchase-sale agreements (forward and option) and swap process of interest rates.

The group does not apply hedge accounting for derivative financial instruments. The group reflects the realized value difference of the derivative financial instruments, to the income statement.

The acquisition cost is used by recording derived financial instruments transaction cost is added to acquisition cost. Derived financial instruments are appreciated with reasonable value in the following periods. All derived financial instruments are reclassified as financial instruments of no balance sheet but associated with income sheet. All derived financial instruments are reclassified as financial instruments of no balance sheet but associated with income sheet.

At the end of valuation, the derived financial instruments which are appreciated with the reasonable value and associated with income statement will be reflected as a result of valuation to the income sheet.

It has been calculated with comparison of the revalue gains and losses in the forward purchase and sale agreements of foreign currency with the foreign exchange spot rate as of balance sheet date and the revalue original amount calculated with linear method with valid foreign exchange spot rate as of starting date of agreements. Amounts related with income statement have been classified as income/ expense accruals under other assets and liabilities in the balance sheet.

Related Parties

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

(a) Directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);

(ii) has an interest in the Group that gives it significant influence over the Group; or

(iii) has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venture;

(d) the party is member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);

(g) the party has a defined benefit plan for the employees of the Group or a related party of the Group.

Transactions with related parties are transfer of resources 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 (Note 38).

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, The Baltic and International Maritime Council Standard Ship Management Agreement.

İzmaden Madencilik San.ve Tic.A.Ş.

It was established in 2008 in İzmir operating mining, mineral exploration, There is no commercial relationship between the Group and İzmaden Madencilik San. ve Tic. A.Ş.

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 all kinds transportation of goods and passengers by road and sea port in domestic and international maritime and land transportation and subcontract them. Company owns 55,803 DWT dry cargo ship. There is occasional 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 Dortyol, Hatay. It is active in the production of rebar. There is an occasional commercial relationship between the Group and Koç Haddecilik San. ve Tic. A.Ş.

Dagi Giyim Sanayi ve Ticaret A.Ş.

It was established in Istanbul in the year 1988. On textiles has been operating. There is an occasional 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. The relationship between the Group and Begonviller Turizm Yatçılık ve Ticaret Ltd. Şti. is a sort of nonessential property.

Sarımazı Enerji Elektrik Üretim A.Ş.

It was established in İzmir in the year 2011. The company's main activity is electric production, distribution and electricity trade. Sarımazı Enerji Elektrik Üretim A.Ş has not started to production yet. There is an occasional commercial relationship between the Group and Sarımazı Enerji Elektrik Üretim A.Ş.

Other Balance Sheet Entries

Other balance sheet entries are stated at their booked values.

Taxes Calculated from Corporate Profit

Because Turkish Tax Legislation does not allow preparing consolidated tax return to parent company and its subsidiary, as reflected on the attached consolidated financial statements, provisions for taxes are calculated separately.

Current Tax

Current year tax liability is calculated from liable to tax part of the period profit. Because liable to tax profit excludes taxable items in other years or tax deductibles and the items that is not possible to make taxable or reduction of tax, it is different than profit on the income statement. The Group's current tax liability is calculated by using the tax rate that became law as of balance sheet date or the tax rate that significantly became law.

Deferred Tax

Deferred tax liability or asset, is determined by calculating temporary differences between the balances of assets and liabilities on financial statements and the balances considered in legal tax base account according to balance sheet method by considering legal tax rates of tax effects. While the deferred tax liability is calculated for all the taxable temporary differences, tax assets that consist of deductible temporary differences are calculated if there is a possibility of benefiting from the temporary profit in the future. The assets and liabilities are not accounted if temporary difference related with the operation that does not affect commercial or fiscal profit/loss stems from taking to financial statements goodwill or other assets or liabilities (except business combinations) firstly.

Deferred tax liabilities are calculated for all taxable temporary differences associated with shares in the business associations and investments in subsidiaries and affiliates except in the cases when the group's temporary differences are controlled and when the probability of the elimination of this difference is very low in near future. Deferred tax liabilities stemming from taxable temporary differences that is associated with this kind of investments and shares are calculated on condition when the probability of utilizing the related differences by gaining sufficient liable to tax profits in near future is very high and when elimination of the differences about future is probable.

The recorded value of deferred tax asset is revised as of each balance sheet date. Financial profit is deducted with unlikely performing amount to ensure future partial or complete benefit of booked value of deferred tax assets.

Deferred tax assets and liabilities are calculated over the tax rates (tax regulations) that are expected to be valid in the period when assets will realize or liabilities will be fulfilled and that become law as of balance sheet date or significantly become law. At the time of the calculation of the deferred tax assets and liabilities, as of balance sheet date the tax results of the methods are considered that the group forecasted for recovery of the book value of the assets or fulfillment of the liabilities. The existence of legal right to deduct deferred tax assets and liabilities from current tax assets and liabilities or income tax collected by very same tax authorities related to these assets and liabilities or deduction will be realized when there payment will by netting of Group's assets and liabilities.

Current and deferred tax of period

Associated with the items that are booked in shareholders' equity accounts as debit or credit directly, (in this case, related deferred tax of the items are directly entered in shareholders' equity account) or current tax except that stem from first recording of business combinations and deferred tax of the period are entered in income or expense accounts in income statements. Tax effect are considered in business combinations, goodwill calculations or determination of the exceeding part of the cost of purchase of buyer's obtained share from purchased subsidiary's fair value of definable asset, liability and conditional payables.

Provision Employee Benefits / Severance Pay

- **Severance Pay**
  According to the present laws and collective bargaining agreement severance pay is given in case of retirement and dismissal. The payments in accordance with updated IAS 19 Employee Benefits Standard ("IAS 19") are described as defined retirement benefit plans.

  The severance pay liability booked in balance sheet indicates the present value of the liability remained after correction at the rate of actuarial income and losses excluded from income statement.

- **Social Insurance Premium**
  The company pays social security contribution to social security organization compulsorily. So long as the company pays these premiums, it has no liability. These premiums are reflected as personnel expenses in the period in which they are paid.

Provisions, Contingent Assets and Liabilities

Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent Assets and Liabilities

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non-occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements of Group if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

The Effects of Exchange Rates

Foreign currency transactions are entered in the accounts with current rates in transaction date. Foreign currency assets and liabilities in the balance sheet are converted to the TL as the rates in the balance sheet date. Foreign exchange and losses are reflected to the financial statements. The foreign currency rates used at the end of the period are as follows:

	31 December 2012	31 December 2011
USD	1.7826	1.8889
EUR	2.3517	2.4438
GBP	2.8708	2.9170
CHF	1,9430	2.0062
JPY	0.0207	0.0243
AUD	1.8477	1.9166
CAD	1.7919	1.8509
DKK	0.3152	0.3289

Earnings Per Share

Gain/ (loss) per share is calculated by dividing the gain/ (loss) for the current year by the weighted number of ordinary shares in issue during the period (Note 37).

Companies can increase their capitals by distributing "Bonus share" from accumulated profits to current shareholders in proportion to their shares. These bonus shares are accepted as issued shares in diluted earnings per share calculation. Accordingly, weighted average of the number of shares used in earnings per share calculation is obtained by issuing bonus shares retroactively. In case a dividend distribution is made, earnings / (loss) per share would be determined by considering the outstanding amount of shares as of data instead of dividing net loss for the year by the weighted average number of shares that have been outstanding during the year concerned.

Subsequent Events

Although subsequent events arise after the explanation of the financial information to the public or any announcement related to profitability, it encloses all the events with balance sheet date and authorization date for the diffusion of the balance sheet. The Company adjusts the amounts in the financial statements if there exists any events necessitates adjustment.

Accounting Policies, Changes in the Expectations and Mistakes

Important changes and important mistakes in the accounting policies are applied retrospectively and previous financial statements are reordered. The changes of accounting estimations are applied forward, if it encloses just one period, in the current period as the changes are done, if it encloses future periods, in the current period as the changes are done also in the future periods.

Segment Reporting of Operation Results

Operation parts are evaluated according to the inside reports presented to the official board or to the individuals and strategic parts correspondingly. The executive manager is defined as follows: decisions making for allocating the sources to the subjected parts and authorized organs and individuals which can make strategic decisions about the Group's operations for evaluating the performance of the parts.

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

Retirement Plans

None.

Agricultural Activities

None.

Cash Flow Statement

Liquid assets change related to the period in the cash flow statement are reported by classifying according to the investment and financial activities. Liquid assets are the assets as cash and bank accounts, which are hold at hands for short term liabilities but not used for investment or other reasons.

Important Accounting Evaluation, Expectations and Assumptions

Group Management has to make assumption and expectations to determine commitments and contingency to effect assets, liabilities as of balance sheet date, income and expenses as of report date in preparation of the financial statement. These assumptions and expectation are revised continually. If there is necessity to adjust, these adjustments are made and reflected on the operation of the period.

Comments those would have significant effect on balances reflected in the financial statements and important expectations and valuations considering present or future expectation as of report date, are as follows:

Note 2.e – Useful lives of tangible and intangible assets
Note 10 – Impairment loss on account receivables
Note 22 – Provisions, contingent assets and liabilities
Note 24 – Provisions for employee benefits
Note 35 – Tax assets and liabilities

3. BUSINESS MERGERS

None (31.12.2011 - None).

4. BUSINESS PARTNERSHIP

None (31.12.2011 - None).

5. SEGMENT REPORTING

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

Information about Geographic Regions

Regional distribution of the group's overseas proceeds from the iron-steel operations is as follows:

Region	01.01.-31.12.2012	01.01.-31.12.2011
South America	8%	-
Far East	-	23%
Africa	16%	32%
Middle East	74%	32%
Other	2%	13%
	100%	**100%**

Information about Major Clients

Sale operations of the group are run depending on the fluctuations and competitive conditions experienced in domestic and international markets. It is explicitly cared not to focus on a certain industry, country, individual or company in terms of the dispersion of risks. Thereby, the share of the largest buyer in proceeds from iron steel operations is 15% (2011: 25%).

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş.
SEGMENT REPORTING

01.01- 31.12.2012	*Iron Steel Operations*	*Ship Operations*	*Port Operations*	*Energy Operations*	*Consolidation Adjustments*	*Consolidated*
Domestic Sales	533,771,992	-	5,684,546	-	-	539,456,538
Overseas Sales	1,055,874,977	23,771,681	464,480	-	-	1,080,111,138
Interdepartmental Sales	7,060,662	-	17,048,274	-	(44,815,849)	(20,706,913)
Total Sales	**1,596,707,631**	**23,771,681**	**23,197,300**	**-**	**(44,815,849)**	**1,598,860,763**
Cost of Sales (-)	(1,594,935,293)	(24,804,053)	(22,125,380)	-	36,706,683	(1,605,158,043)
GROSS PROFIT/LOSS	**1,772,338**	**(1,032,372)**	**1,071,920**	**-**	**(8,109,166)**	**(6,297,280)**
Marketing, Sales and Distribution Expenses (-)	(15,218,605)	-	-	-	5,764,647	(9,453,958)
General Administrative Expenses (-)	(14,808,014)	(166,884)	(1,573,419)	(2,021,005)	1,657,342	(16,911,980)
Other Operating Incomes	7,686,438	-	2,166,486	191,303	(2,655,357)	7,388,870
Other Operating Expenses (-)	(1,360,890)	(3,536)	(153,841)	-	195,182	(1,323,085)
OPERATING PROFIT/LOSS	**(21,928,731)**	**(1,202,792)**	**1,511,146**	**(1,829,702)**	**(3,147,352)**	**(26,597,433)**
Financial Incomes	107,277,212	259,321	258,696	9,220,412	(1,194,213)	115,821,428
Financial Expenses (-)	(81,768,399)	(1,567,984)	(731,619)	(3,869,401)	1,197,342	(86,740,062)
OPERATING PROFIT/LOSS BEFORE TAXES	**3,580,081**	**(2,511,455)**	**1,038,223**	**3,521,309**	**(3,144,223)**	**2,483,933**
Taxes Income (Expense)	**(852,144)**	**-**	**(183,226)**	**(195,541)**	**-**	**(1,230,911)**
- Tax expense for the period	(572,153)	-	-	-	-	(572,153)
- Deferred Tax Income/Expense	(279,991)	-	(183,226)	(195,541)	-	(658,758)
NET PROFIT/LOSS	**2,727,935**	**(2,511,455)**	**854,997**	**3,325,768**	**(3,144,223)**	**1,253,022**
NET INCOME(LOSS) FOR THE PERIOD	**2,727,935**	**(2,511,455)**	**854,997**	**3,325,768**	**(3,144,223)**	**1,253,022**
Attributable to						
Minority Interest	379	-	110	838,186	-	838,674
Parent Company's Share	2,727,556	(2,511,455)	854,887	2,487,582	(3,144,223)	414,348
Assets of Segmentation						
Tangible and Intangible Fixed Assets, Investment Properties (Net Book Value	377,649,395	126,227,219	91,442,089	263,790,285	-	859,108,989
Purchases of Tangible and Intangible Fixed Assets	103,910,745	41,854	1,021,418	243,882,323	404,710	349,261,049
Amortization and depreciation Expenses	19,605,510	6,173,889	2,477,458	120,463	-	28,377,321

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and IT'S SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012
(Amounts are expressed as Turkish Lira "TL" unless otherwise stated.)

İZMİR DEMİR ÇELİK SANAYİ A.Ş.
SEGMENT REPORTING

01.01- 31.12.2011	***Iron Steel Operations***	***Ship Operations***	***Port Operations***	***Energy Operations***	***Consolidation Adjustments***	***Consolidated***
Domestic Sales	586,755,236	-	4,890,284	-	-	591,645,520
Overseas Sales	825,575,424	29,948,094	489,977	-	-	856,013,495
Interdepartmental Sales	-	-	12,780,277	-	(36,227,758)	(23,447,481)
Total Sales	**1,412,330,660**	**29,948,094**	**18,160,538**	**-**	**(36,227,758)**	**1,424,211,534**
Cost of Sales (-)	(1,319,999,447)	(26,153,862)	(19,223,047)	-	32,401,720	(1,332,974,636)
GROSS PROFIT/LOSS	**92,331,213**	**3,794,232**	**(1,062,509)**	**-**	**(3,826,038)**	**91,236,898**
Marketing, Sales and Distribution Expenses (-)	(12,832,949)	-	--	-	4,098,655	(8,734,294)
General Administrative Expenses (-)	(11,745,758)	(195,215)	(1,366,043)	(1,825,556)	145,422	(14,987,150)
Other Operating Incomes	3,032,944	85,014	1,903,289	-	(604,295)	4,416,952
Other Operating Expenses (-)	(564,763)	-	(29,719)	-	186,256	(408,226)
OPERATING PROFIT/LOSS	**70,220,687**	**3,684,031**	**(554,982)**	**(1,825,556)**	**-**	**71,524,180**
Financial Incomes	68,531,372	226,749	158,998	758,554	(1,112,439)	68,563,234
Financial Expenses (-)	(67,655,334)	(1,655,538)	(1,022,463)	(7,938,672)	1,112,439	(77,159,568)
OPERATING PROFIT /LOSS BEFORE TAXES	**71,096,725**	**2,255,242**	**(1,418,447)**	**(9,005,674)**	**-**	**62,927,846**
Taxes Income (Expense)	**(13,963,251)**	**-**	**280,421**	**1,454,742**	**-**	**(12,228,088)**
- Tax expense for the period	(12,407,207)	-	-	-	-	(12,407,207)
- Deferred Tax Income/Expense	(1,556,044)	-	280,421	1,454,742	-	179,119
NET PROFIT/LOSS	**57,133,474**	**2,255,242**	**(1,138,026)**	**(7,550,932)**	**-**	**50,699,758**
NET INCOME(LOSS) FOR THE PERIOD	**57,133,474**	**2,255,242**	**(1,138,026)**	**(7,550,932)**	**-**	**50,699,758**
Attributable to						
Minority Interest	1,044	-	(213)	(1,928,295)	-	(1,927,463)
Parent Company's Share	57,132,430	2,255,242	(1,137,813)	(5,622,637)	-	52,627,221
Assets of Segmentation						
Tangible and Intangible Fixed Assets, Investment Properties (Net Book Value)	305,326,412	126,227,219	92,114,814	19,972,425	404,710	543,236,160
Tangible Fixed Asset and Investment Properties Revaluation Surplus	113,418,461	-	69,371,945	-	-	182,790,406
Purchases of Tangible and Intangible Fixed Assets	58,387,794	54,736	2,156,675	19,675,050	-	80,274,255
Amortization and depreciation Expenses	16,277,172	6,617,316	2,645,568	40,400	-	25,130,456

6. CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash	63,484	47,713
Bank - demand deposits	5,586,800	26,154,339
Bank - time deposits	82,694,421	289,174,286
Bank - interest accruals of time deposits	95,952	624,264
	88,440,657	**316,000,602**

As of 31 December 2012, there is no collateral guarantee and blockage (31 December 2011: None) on the Group's demand and time deposits.

Demand Deposit

	31 December 2012		31 December 2011	
	Foreign Currency Balance	TL Balance	Foreign Currency Balance	TL Balance
TL	867,082	867,082	359,425	359,425
USD	2,348,449	4,186,345	12,993,361	24,543,160
EUR	119,833	281,811	482,118	1,178,200
JPY	9,409,767	194,368	2,023,314	49,247
GBP	12,346	35,443	1,781	5,195
CAD	5,670	10,160	5,670	10,495
DKK	7,926	2,498	-	-
AUD	4,496	8,306	4,496	8,617
CHF	405	787	-	-
Total		**5,586,800**		**26,154,339**

Time Deposits

Currency	Weighted Average Effective Interest Rates	Maturity Date	TL Balance at 31 December 2012
USD	2.25%	02.01.2013	29,605,421
TL	9,17%	02.01 - 07.01.2013	53,089,000
			82,694,421

Currency	Weighted Average Effective Interest Rates	Maturity Date	TL Balance at 31 December 2011
USD	4.88%	02.01-27.01.2012	119,369,036
EUR	2.22%	02.01.2012	21,383,250
TL	12.02%	02.01-31.01.2012	148,422,000
			289,174,286

7. FINANCIAL INVESTMENTS

7.1 Current financial securities

	31 December 2012	31 December 2011
Currency futures contracts	-	927,838
	-	**927,838**

The realistic value differences are composed of exchange difference income accruals of the foreign currency buying/selling agreements reflected to income statement. (Note: 39 Derivative Financial Instruments / Timed Foreign Currency Transactions).

7.2 Non-current financial securities

As of 31 December 2012 and 31 December 2011, share capitals and rates of non-current financial investments are as follows:

Name of Companies	Share (%)	31 December 2012	Share (%)	31 December 2011
Long-term Securities and Equity Participations				
İtaş İzmir Teknopark Ticaret A.Ş.	0.13	2,547	0.13	2,547
Sivas Demir Çelik İşletmeleri A.Ş.	0.01	445,357	0.01	445,357
Enda Enerji Holding A.Ş.	0.38	415,601	0.38	388,612
Egenda Ege Enerji Üretim A.Ş.	0.07	40,062	0.07	40,019
İzmir Havayolları A.Ş.	0.02	4,333	0.22	4,333
Provision for Diminution in Value				
Sivas Demir Çelik İşletmeleri A.Ş. [1]		(445,357)		(445,357)
Total		**462,543**		**435,511**

[1] A full provision is made against Sidemir Sivas Demir Çelik İşletmeleri A.Ş. which was transferred to Savings Deposit Insurance Fund in 2004 since it lost its paid in capital within the frame of article 376; Turkish commercial Code The mentioned provision is effective as of 31 December 2012.

As of 31 December 2012, there is no guarantee given for financial assets for Company's payables (31.12.2011 - None).

In terms of accompanying financial statements, Group's shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, Associates and Joint Ventures are considered and referred to as "related parties". The information about related companies is as follows:

ENDA Enerji Holding A.Ş.

The Company was established in İzmir in 1993. The activities of the Company are energy production, distribution and trade. 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 activities of the Company are energy production, distribution and merchandise. Group does not have commercial relationship with EGENDA Ege Enerji Üretim A.Ş.

İTAŞ İzmir Teknopark Ticaret A.Ş.

The Company was established in İzmir in 1988. The activity of the Company is the production of Information Technology. Group does not have commercial relationship with İTAŞ İzmir Teknopark Ticaret A.Ş.

Sivas Demir Çelik İşletmeleri A.Ş

The Company was established in Sivas in 1987. The activities of the Company are iron and steel production and its merchandise. Group does not have commercial relationship with Sivas Demir Çelik isletmeleri A.Ş.

İHY İzmir Havayolları A.Ş

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

8. FINANCIAL BORROWINGS

	31 December 2012	**31 December 2011**
Short term borrowings	214,791,939	146,359,435
Current installments of long term borrowings	12,050,894	26,610,408
Total short term financial borrowings	**226,842,833**	**172,969,843**
Long term borrowings	254,192,812	96,455,818
Total financial liabilities	**481,035,645**	**269,425,661**

As of 31 December 2012, there is an accrual of interest expense amounting to TL 1,882,499 on total financial borrowings (31 December 2011: TL 1,057,926). The subject accrual is shown in short term bank credits.

As of 31 December 2012and 31 December 2011, short term and long term bank borrowings consist of the following:

	31 December 2012		**31 December 2011**	
Currency	Short term	Long term	Short term	Long term
USD	120,384,615	126,375,944	79,884,615	29,940,286
EUR	4,032,308	12,295,385	8,577,922	16,327,691
TL (*)	879,939	-	55,143	-

The effective interest rates on the balance sheet date are as follows:

Short term	**31 December 2012**	**31 December 2011**
USD borrowings	2,75%- Libor+0,75	2,05% - 5,25%
		Libor+0,5 - Libor+0,75
EUR borrowings	Euribor+2,2-Euribor+3	Euribor+1,5 - Euribor+3
TL borrowings (*)	-	-

Long term	**31 December 2012**	**31 December 2011**
USD borrowings	2.05%-Libor+3,40	2,05% - Libor+3,40
EUR borrowings	Euribor+2,2 - Euribor+3	Euribor+2,2 - Euribor+3

(*) Borrowings denominated in TL are composed of company credit card expenses and interest-free loans used in tax payments.

Principal repayment plans of total borrowings are depicted below, excluding interest accruals.

	31 December 2012	**31 December 2011**
2012	-	171,911,917
2013	224,960,333	10,580,653
2014	10,168,393	10,580,653
2015	36,299,394	16,764,001
2016	30,796,418	11,045,509
2017-2023	176,928,608	47,485,002
	479,153,146	**268,367,735**

9. OTHER FINANCIAL LIABILITIES

	31 December 2012	**31 December 2011**
Currency futures contracts	-	1,042,535
	-	**1,042,535**

The realistic value differences are composed of exchange difference income accruals of the foreign currency buying/selling agreements reflected to income statement. (Note: 39 Derivative Financial Instruments / Timed Foreign Currency Transactions).

10. TRADE RECEIVABLES AND PAYABLES

10.1 Short term trade receivables

	31 December 2012	31 December 2011
Trade receivables	95,343,167	41,430,475
Notes receivable	14,894,063	80,701
Doubtful trade receivables	62,316	46,759
Provision for doubtful trade receivables (-)	(62,316)	(46,759)
Unearned interest on receivables (-)	(92,696)	(93,386)
	110,144,534	**41,417,790**

The Group has set provision for doubtful receivables for uncollectible receivables. Provision for doubtful receivables is based on past experience regarding whether collectible or not. While determining the collectability, the Group considers the changes during first come into existence and as of balance sheet date and the credit quality. Sales operation aims to be widespread and avoids concentrating in particular country, sector, individual or company. Group does not have a concentrated credit risk in particular. Therefore, the Group Management believes that there is no necessity to set more provision than provision for doubtful receivables in the financial statements.

Trade receivables are rediscounted by using effective interest method. The effective discount rate used is 2,75%, 2,93% and 6,87% for receivables denominated in USD, EUR and TL respectively.

Maturity schedule of notes receivable as of 31 December 2012 and 31 December 2011 are as follows.

	31 December 2012	31 December 2011
1-30 days	14,565,035	80,701
30-60 days	329,028	-
	14,894,063	**80,701**

The movement of provision for doubtful receivables is as follows:

	01.01.- 31.12.2012	01.01.- 31.12.2011
Opening balance	46,759	45,327
Reversal of unnecessary provision	(2,198)	(11,117)
Provision for the period	17,755	12,549
Balance at the end of period	**62,316**	**46,759**

10.2 Long term trade receivables

None (31.12.2011 -None).

10.3 Short term trade payables

	31 December 2012	31 December 2011
Trade payables	178,207,989	242,434,731
Accrued expenses	1,907,325	1,288,132
Unearned interest on payables (-)	(123,656)	(143,997)
	179,991,658	**243,578,866**

TL 162,357,143 of trade payables as of 31 December 2012 is comprised of letters of credit issued for the purchase of commodities (2011: TL 210,405,679). In accordance with letter of credit terms, foreign suppliers collected their receivables in cash with discount. Accrued expenses as of 31 December 2012 and 31 December 2011 consist of interests incurred on deferred payment letters of credit concerning purchase of raw materials.

Trade receivables are rediscounted by using effective interest method. The effective discount rate used is 2,75%, 2, 93% and 6,87% for payables denominated in USD, EUR and TL respectively.

10.4 Long term trade payables

None (31.12.2011 -None).

11. OTHER RECEIVABLES AND PAYABLES

11.1 Other current receivables

	31 December 2012	31 December 2011
Deposit and guarantees given	108,453	7,814
	108,453	**7,814**

11.2 Other non-current receivables

	31 December 2012	31 December 2011
Deposits and guarantees given	98,688	67,693
	98,688	**67,693**

11.3 Other current payables

	31 December 2012	31 December 2011
Deposits and guarantees received	67,328	71,343
Due to shareholders (*)	6,704	59,012
VAT payable	321,099	4,522,055
Taxes and dues payable	1,846,805	1,540,641
Social security premiums payable	1,550,072	2,049,653
Other payables	103,056	89,817
	3,895,064	**8,332,521**

(*) Due to shareholders is related to shareholders' share of profit receivables that do not enter up shares and stocks and claim dividend receivables.

11.4 Other non-current payables

	31 December 2012	31 December 2011
Deposits and guarantees received	27,864,823	-
	27,864,823	**-**

Deposit and guarantees received are the progress billings set aside as a collateral associated with the construction of power plant investment. The amount concerned will be paid up to the engineering corporations erecting the plant, upon the utterly commissioning of the project
.

12. RECEIVABLES AND PAYABLES FROM FINANCE SECTOR ACTIVITIES

None (31.12.2011- None).

13. INVENTORIES

	31 December 2012	31 December 2011
Raw materials	100,622,381	89,509,808
Work in process	50,006,748	22,759,992
Finished goods	58,315,912	99,592,151
Goods on transit (*)	8,509,717	22,060,387
Other inventories	-	50,993
Less: Provision for impairment on inventories (**)	(512,969)	-
	216,941,789	**233,973,331**

As of 31 December 2012, the insurance coverage on inventories is TL 42,330,600. The depreciation expenses capitalized on inventories is TL 1,331,301 (31 December 2011: TL 1,112,553).

As of 31 December 2012, No inventory is collateralized against company liabilities (31 December 2011: None).

(*) Goods on transit are composed of the imported goods by the Group on the way and not completed their freight.

(**) the Group set a provision for impairment on finished goods and also recognized under "cost of goods sold" in the financial statements in case the book value is less than fair value.

Movement of provision for impairment is as follows:

	01.01.-31.12.2012	01.01.-31.12.2011
Opening balance	-	-
Current year charge	512,969	-
Closing balance	**512,969**	**-**

14. BIOLOGICAL ASSETS

None (31.12.2011-None).

15. RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS

None (31.12.2011-None).

16. INVESTMENTS SUBJECT TO EQUITY PICK-UP METHOD

None (31.12.2011-None).

17. INVESTMENT PROPERTY

Investments are stated in the financial statements at their fair market values determined by valuation work dated 15 August 2011 and 31 December 2011 of the appraisal company ABC Gayrimenkul Değerleme ve Danışmanlık A.Ş.

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

City	District	Village	Parcel	Size (sqm.)	Nature	Book Value	Fair Market Value
İzmir	Foça	Kabaktepe Samurlu	877	28,020	Field	499,591	2,381,700
İzmir	Foça	Kabaktepe Samurlu	879	32,235	Field	574,744	2,901,150
İzmir	Foça	Kabaktepe Samurlu	874	4,660	Field	83,177	396,100
İzmir	Foça	Kabaktepe Samurlu	876	26,480	Field	472,647	2,383,200
İzmir	Foça	Hayıtlıdere Horozgediği	583		Field	10,905	266,720
İzmir	Foça	Hayıtlıdere Horozgediği	63		Field	83,264	1,819,000
İzmir	Foça	Hayıtlıdere Horozgediği	372		Field	11,599	48,750
İzmir	Foça	Hayıtlıdere Horozgediği	1055/2	79,219	Land	1,192,612	17,428,107
İzmir	Foça	Hayıtlıdere Horozgediği	1056/3	18,762	Land	408,269	3,377,117
İzmir	Foça	Hayıtlıdere Horozgediği	1059/3	35,263	Land	496,070	7,052,520
İzmir	Foça	Hayıtlıdere Horozgediği	1055/1	2,914	Land	24,134	524,520
İzmir	Foça	Hayıtlıdere Horozgediği	1060/1	3,940	Land	86,086	618,580
						3,943,098	**39,197,464**

	Lands	Total
	TL	TL
Cost		
1 January 2012 opening balance	39,197,464	39,197,464
Additions	-	-
Disposals	-	-
Transfer		
31 December 2012 closing balance	**39,197,464**	**39,197,464**
Accumulated depreciation		
1 January 2012 opening balance	-	-
Additions	-	-
Disposals	-	-
Transfer		
31 December 2012 closing balance	**-**	**-**
Net Book Value as of 31 December 2011	**39,197,464**	**39,197,464**
Net Book Value as of 31 December 2012	**39,197,464**	**39,197,464**

18. TANGIBLE FIXED ASSETS

Movements in the fixed assets for the period ended at 31 December 2012 are as follows:

	Lands	Infrastructure and land improvements	Buildings	Machinery and equipment	Vehicles (*)	Fittings	Lease hold Improvements	Construction in progress	Total
Cost									
1 January 2012	198,205,573	16,495,391	158,938,794	470,947,196	121,245,110	7,534,633	324,099	57,587,063	1,031,277,859
Additions	-			2,995,871	1,422,383	748,056	-	343,898,122	349,064,432
Disposals	-	-	-	(44,067,604)	(55,656)	(1,066,653)	-	-	(45,189,913)
Transfers	-	353,287	4,037,733	33,815,634	463,144	1,484	-	(38,671,282)	
Revaluation Effect	56,000	-	-	(313,400)	-	-	-	-	(257,400)
31 December 2012 closing balance	198,261,573	16,848,678	162,976,527	463,377,697	123,074,980	7,217,520	324,099	362,813,903	1,334,894,978
Accumulated depreciation									
1 January 2012	-	(11,862,786)	(109,834,273)	(374,853,229)	(24,296,613)	(6,335,075)	(219,942)	-	(527,401,918)
Additions	-	(331,050)	(4,536,986)	(15,718,554)	(7,187,619)	(463,852)	(28,576)	-	(28,266,637)
Disposals	-	-	-	43,094,652	55,656	1,066,653	-	-	44,216,961
Revaluation Effect	-	(1,386,679)	(1,036,539)	(1,357,329)	-	-	-	-	(3,780,547)
31 December 2012 closing balance	-	(13,580,515)	(115,407,798)	(348,834,461)	(31,428,576)	(5,732,274)	(248,518)	-	(515,232,142)
Net Book Value as of 31 December 2011	198,205,573	4,632,605	49,104,521	96,093,967	96,948,497	1,199,558	104,157	57,587,063	503,875,941
Net Book Value as of 31 December 2012	198,261,573	3,268,163	47,568,729	114,543,237	91,646,404	1,485,246	75,581	362,813,903	819,662,836

(*)Vehicles also comprise ships owned by the company details of which are disclosed in note 5.

As of 31 December 2012, The insurance coverage for fixed assets of the group amounts to TL 947,560,952 (122,108,100 of which is for ships). The depreciation expense of tangible fixed assets for the period 1 January – 31 December 2012 is TL 28,266,637. As of 31 December 2012, the depreciation expenses associated with tangible fixed assets and capitalized on inventories is TL 1,331,303.

A prior mortgage was placed on the property in the small town of Horozgediği in Aliağa borough 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 financing loan received or to be received from the mentioned bank within the power plant project of İzdemir Enerji Elektrik Üretim A.Ş.(31.12.2011: 1,100,000.000)

Construction in progress in 31 December 2012 is composed of , TL 96,404,855 for medium section mill TL 3,088,949 for other environmental infrastructure expenditures within the frame of reindustrialization of İzmir Demir Çelik Sanayi A.Ş., TL 176,816 for factory reindustrialization of Akdemir Çelik Sanayi ve Ticaret A.Ş., TL 349,809 for building seaport dock for İDÇ Liman İşletmeleri A.Ş. and TL 262,793,471 for expenditures for the power plant investment of İzdemir Enerji Elektrik Üretim A.Ş..

In the reporting period between the dates of 1 January 2012 and 31 December 2012, a borrowing cost of TL 4,957,557 is capitalized in construction in progress. This cost is associated with long-term financing loan received for the investment of power plant project of İzdemir Enerji Elektrik Üretim A.Ş, (2011: TL 7,733,867).

As of 31 December 2012, net carrying value of fixed assets acquired under finance leases amounted to TL 4,365,859 (31 December 2011: TL 5,208,656).

Market Valuation

Property, plants, buildings, infrastructure and land improvements, machineries, equipment and appliances are stated in the financial statements at their fair market values determined by valuation work dated 15 August 2011, by the appraisal company ABC Gayrimenkul Değerleme ve Danışmanlık A.Ş., which is also accredited by the Capital Market Board.

The appraisal company revalued lands with sales comparison approach, buildings with sales comparison and rebuilding cost approach. Whereas infrastructure, land improvements and machineries, equipment and appliances were assessed with rebuilding cost approach.

Movements in the fixed assets for the period ended at 31 December 2011 are as follows:

	Lands	Infrastructure and land improvements	Buildings	Machinery and equipment	Vehicles	Fittings	Leasehold Improvements	Construction in progress	Total
	TL	TL	TL	TL	TL	TL	TL	TL	TL
Cost									
01 January 2011	10,903,033	12,981,619	199,855,313	422,601,492	120,472,647	6,966,828	321,850	8,181,691	782,284,473
Additions	339,807	-	-	2,680,331	904,906	567,805	2,249	75,663,212	80,158,310
Disposals	-	-	-	(337,576)	(132,443)	-	-	-	(470,019)
Transfer	-	7,646	3,414,301	22,835,893	-	-	-	(26,257,840)	-
Transfers to IP	(3,943,098)	-	-	-	-	-	-	-	(3,943,098)
Revaluation Effect	190,905,831	3,506,126	(44,330,820)	23,167,056	-	-	-	-	173,248,193
31 December 2011 closing balance	198,205,573	16,495,391	158,938,794	470,947,196	121,245,110	7,534,633	324,099	57,587,063	1,031,277,859
Accumulated depreciation									
1 January 2011	-	(9,125,092)	(96,817,277)	(346,337,660)	(17,554,924)	(5,862,521)	(176,555)	-	(475,874,029)
Additions	-	(360,813)	(4,974,128)	(13,461,158)	(6,853,975)	(472,554)	(43,387)	-	(26,166,015)
Disposals	-	-	-	237,993	112,286	-	-	-	350,279
Depreciation of Revaluation Effect	-	(2,376,881)	(8,042,868)	(15,292,404)	-	-	-	-	(25,712,153)
31 December 2011 closing balance	-	(11,862,786)	(109,834,273)	(374,853,229)	(24,296,613)	(6,335,075)	(219,942)	-	(527,401,918)
Net Book Value as of 31 December 2010	**10,903,033**	**3,856,527**	**103,038,036**	**76,263,832**	**102,917,723**	**1,104,307**	**145,295**	**8,181,691**	**306,410,444**
Net Book Value as of 31 December 2011	**198,205,573**	**4,632,605**	**49,104,521**	**96,093,967**	**96,948,497**	**1,199,558**	**104,157**	**57,587,063**	**503,875,941**

As of 31 December 2011, the insurance coverage for fixed assets amounts to TL 701,770,050 (156,778,700 of which is for ships). The depreciation expense of tangible fixed assets for the period 1 January – 31 December 2011 is TL 26,166,015. As of 31 December 2011, the depreciation expenses associated with tangible fixed assets and capitalized on inventories is TL 1,109,289.

A prior mortgage was placed on the property in the small town of Horozgediği in Aliağa borough in favor of Türkiye Garanti Bankası A.Ş. on 14 November 2011 amounting to TL 1,100,000000. The mortgage is related with the long-term financing loan received or to be received from the mentioned bank within the power plant project of İzdemir Enerji Elektrik Üretim A.Ş (31 December 2010: None).

Construction in progress in 2011 is composed of TL 36,879,833 for continuous casting machine and medium section mill; TL 878,881 new finished goods hallway in rolling plant; TL 26,049 for other environmental infrastructure expenditures within the frame of reindustrialization of İzmir Demir Çelik Sanayi A.Ş, TL 217,663 for factory reindustrialization of Akdemir Çelik Sanayi ve Ticaret A.Ş., TL 256,805 for building seaport dock for İDÇ Liman İşletmeleri A.Ş. and TL 436,441 for purchase of trucks and TL 18,891,391 for expenditures concerning power plant investment of İzdemir Enerji Elektrik Üretim A.Ş.

In the reporting period between the dates of 1 January 2011 and 31 December 2011, a borrowing cost of TL 7,733,867 is included in construction in progress. This cost is associated with long-term financing loan received for the investment of power plant project of İzdemir Enerji Elektrik Üretim A.Ş.

As of 31 December 2011, net carrying value of fixed assets acquired under finance leases amounted to TL 5,208,656 (31 December 2010: TL 6,051,453).

Breakdown of depreciation expenses relating tangible fixed assets is as follows:

	01.01.-31.12.2012	**01.01.-31.12.2011**
Cost of goods sold	17,917,662	15,924,147
Cost of service	8,651,347	8,812,884
Capitalized on inventories	1,331,303	1,109,289
General administrative expenses	366,325	319,695
	28,266,637	**26,166,015**

19. INTANGIBLE FIXED ASSETS

Cost	Rights	Other Intangible Assets	Total
01 January 2012	1,259,251	1,057,834	2,317,085
Purchases	196,618	-	196,618
31 December 2012 closing balance	**1,455,869**	**1,057,834**	**2,513,703**
Accumulated amortization			
01 January 2012	(1,096,496)	(1,057,834)	(2,154,330)
Expense for the period	(110,684)	-	(110,684)
31 December 2012 closing balance	**(1,207,180)**	**(1,057,834)**	**(2,265,014)**
Net Book Value as of 31 December 2011	**162,755**	**-**	**162,755**
Net Book Value as of 31 December 2012	**248,689**	**-**	**248,689**

The amortization expenses for the period 01 January – 31 December 2012 is TL 196,618. As of 31 December 2012, no amortization expense is capitalized on inventories associated with intangible fixed assets.

As of 31 December 2012, the value of intangible asset made up by the company is TL 7,116,613.(31 December 2011: None).

Cost	Rights	Other Intangible Assets	Total
01 January 2011	1,143,306	1,057,834	2,201,140
Purchases	115,945	-	115,945
31 December 2011 closing balance	**1,259,251**	**1,057,834**	**2,317,085**
Accumulated amortization			
01 January 2011	(1,019,502)	(1,057,834)	(2,077,336)
Expense for the period	(76,994)	-	(76,994)
31 December 2011 closing balance	**(1,096,496)**	**(1,057,834)**	**(2,154,330)**
Net Book Value as of 31 December 2010	**123,804**	**-**	**123,804**
Net Book Value as of 31 December 2011	**162,755**	**-**	**162,755**

Amortization expenses for the period 01 January – 31 December 2011 is TL 76,994. As of 31 December 2011, the depreciation expenses associated with intangible fixed assets and capitalized on inventories is TL 3,264.

Breakdown of depreciation expenses relating intangible fixed assets is as follows:

	01.01.-31.12.2012	**01.01.-31.12.2011**
Capitalized on inventories	-	3,264
General administrative expenses	110,684	73,730
	110,684	**76,994**

20. GOODWILL

None (31.12.2011 -None).

21. GOVERNMENT GRANTS AND INCENTIVES

The group enjoys a revenue of TL 1,511,257 from insurance premium employer share incentive based on the Labor law numbered 4857 and Social Insurance and general Health Insurance Law numbered 5510 (01 January – 31 December 2011: TL 917,571). This incentive granted by government is not revenue collected in cash but deducted from the accrued insurance premiums by treasury. The mentioned incentive revenue was nett off against cost of goods sold in the financial statements.

The group has obtained an investment incentive certificate in 2011 worth 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 26,836,011.

22. PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

	31 December 2012	**31 December 2011**
Provision for court cases	45,972	806,757
	45,972	**806,757**

Movement of provisions for lawsuits is as follows:

	01.01.-31.12.2012	**01.01.-31.12.2011**
Balance at the beginning of the period	806,757	100,877
Paid within the period	(760,785)	(40,400)
Closed within the period	-	(14,505)
Provision expense	-	760,785
	45,972	**806,757**

As of 31 December 2012, details of ongoing court cases are summarized below.

a. Competition Board has started investigation about iron and steel sector and producers to detect whether the prohibited course actions in the 4th article, Law numbered 4054 on the Protection of Competition are realized or not. The copy of this investigation report has been notified to the company on 25 April 2005, necessary legal defending rights were used by the company. As a result of the investigation representing whole sector by Competition Board, it is imposed a penalty of TL 314,000 to the company and justified written decision was notified to the company. The company has objected by filing court case to Council of State Related amount has been paid under protest on 20 June 2006. 13^{th} Department, Council of State has rejected the motion to cease the process. The ultimate decision about case is expected from 13^{th} Council of State. Case is appealed.

b. Lawsuits were filed against company in Karşıyaka Labor Court in 2010 by redundant former 40 employees for reinstatement after board resolution on 15th January 2010 to reduce number of employees terminating their employments. The Court ruled out the reinstatement of the employees. The three files out of 40 are at the stage of appeal examination. Following a board resolution on 2nd January 2012 to reject employees returning their jobs, a settlement of TL 590,785 was made in accordance with court ruling.

c. As of report date, provision for the lawsuits of TL 45,972 consists of the cases for İDÇ Liman İşletmeleri A.Ş. and Akdemir Çelik Sanayi A.Ş. that was prosecuted about severance pay provision, overtime payment and work accident. Decisions have been appealed by company, expecting settlement from Supreme Court of Appeals.

d. Local Court has rejected the 2 of 3 lawsuits filed against İzmir Demir Çelik Sanayi A.Ş. by present and former employees with same acquisitions of wage. The remaining 2 lawsuits rejected by local court, are in Supreme Court of Appeal. One lawsuit is still in trial at local court. In the accompanying financial statements, there is no provision set due to expectation of no significant liability from these lawsuits.

23. COMMITMENTS

Guarantees and deposits received by the Group	31 December 2012	31 December 2011
Letters of Guarantee received	75,865,544	149,610,528
Bails received	2,047,130,317	1,681,813,488
	2,122,995,861	**1,831,424,016**

Letters of guarantee are composed of the letters received from local vendors in return for goods and services rendered by the vendors. Bails received include guarantees provided by the Group's related parties and partners for the bank loans.

	31.12.2012			
	Original Currency			Total
COLLATERAL, PLEDGE AND MORTGAGE	EUR	USD	TL	TL
A. Total amount of CPM given for its own corporation	250,000	-	45,356,696	45,944,621
B. Total amount of CPM given for partnerships which are included in full consolidation	-	319,500,000	1,138,540,885	1,708,081,585
C. Total amount of CPM given for the purpose of guaranteeing third party' loans for its ordinary commercial activities	-	-	-	-
D. Total amount of other CPM given	-	-	-	-
i. Total amount of CPM given for the parent company	-	-	-	-
ii. Total amount of CPM given for other group companies not included in clauses B and C	-	-	-	-
iii. Total amount of CPM given for third parties not included in clause C	-	-	-	-
Total	**250,000**	**319,500,000**	**1,183,897,581**	**1,754,026,206**

Ratio of other CPM given by the Group to Shareholders' Equity as of 31.12.2012 is 0%.

	31.12.2011			
	Original Currency			Total
COLLATERAL, PLEDGE AND MORTGAGE	**EUR**	**USD**	**TL**	**TL**
A Total amount of CPM given for its own corporation	250,000	660,751	28,530,109	30,389,152
B Total amount of CPM given for partnerships which are included in full consolidation	111	292,000,000	1,120,467,477	1,672,026,548
C. Total amount of CPM given for the purpose of guaranteeing third party' loans for its ordinary commercial activities	-	-	-	-
D. Total amount of other CPM given	-	-	-	-
i. Total amount of CPM given for the parent company	-	-	-	-
ii. Total amount of CPM given for other group companies not included in clauses B and C	-	-	-	-
iii. . Total amount of CPM given for third parties not included in clause C	-	-	-	-
Total	**250,111**	**292,660,751**	**1,148,997,586**	**1,702,415,700**

Ratio of other CPM given by the Group to Shareholders' Equity as of 31.12.2011 is 0%.

As of 31 December 2012, the breakdown of the guarantee letters given to various public institutions by the Group is as follows:

	31.12.2012			
	Original Currency			Total
GUARANTEE	**EUR**	**USD**	**TL**	**TL**
Customs Office	250,000	-	242,181	830,106
Tax Office	-	-	1,762,045	1,762,045
Electricity Distribution Company	-	-	29,759,822	29,759,822
Natural Gas Company	-	-	1,753,648	1,753,648
EMRB	-	-	11,615,000	11,615,000
Other given letter of guarantees	-	-	224,000	224,000
Total	**250,000**	**-**	**45,356,696**	**45,944,621**

As of 31 December 2011, the breakdown of the guarantee letters given to various public institutions by the Group is as follows:

	31.12.2011			
	Original Currency			Total
GUARANTEE	**EUR**	**USD**	**TL**	**TL**
Customs Office	250,000	-	1,181	612,131
Tax Office	-	-	1,762,045	1,762,045
Electricity Distribution Company	-	-	20,927,907	20,927,907
Natural Gas Company	-	660,751	-	1,248,093
EMRB	-	-	5,750,000	5,750,000
Other given letter of guarantees	-	-	88,976	88,976
Total	**250,000**	**660,751**	**28,530,109**	**30,389,152**

As of 31 December 2012 the details of the guarantee letters given to Group Companies and Subsidiaries for various loans are as follows.

	31.12.2012			
	Original Currency			Total
BAILMENT	**EUR**	**USD**	**TL**	**TL**
Bailments given to fully consolidated companies				
- İzmir Demir Çelik Sanayi A.Ş.	-	12,000,000	200,000	21,591,200
- Akdemir Çelik Sanayi ve Ticaret A.Ş.	-	-	4,155,000	4,155,000
- İDÇ Liman İşletmeleri A.Ş.	-	-	185,885	185,885
- İzdemir Enerji Sanayi ve Ticaret A.Ş.	-	307,500,000	1,134,000,000	1,682,149,500
Total	**-**	**319,500,000**	**1,138,540,885**	**1,708,081,585**

As of 31 December 2011, the details of the guarantee letters given to Group Companies and Subsidiaries for various loans are as follows;

	31.12.2011			
	Original Curerncy			Total
BAILMENT	**EUR**	**USD**	**TL**	**TL**
Bailments given to fully consolidated companies				
- İzmir Demir Çelik Sanayi A.Ş.	-	12,000,000	200,000	22,866,800
- Akdemir Çelik Sanayi ve Ticaret A.Ş.	-	-	4,153,000	4,153,000
- İDÇ Liman İşletmeleri A.Ş.	111	-	114,477	114,748
- İzdemir Enerji Sanayi ve Ticaret A.Ş.	-	280,000,000	1,116,000,000	1,644,892,000
Total	**111**	**292,000,000**	**1,120,467,477**	**1,672,026,548**

24. EMPLOYMENT BENEFITS

24.1 Severance Pay Provisions – Short term

	31 December 2012	31 December 2011
Severance pay provision	404,602	272,512
	404,602	**272,512**

24.2 Severance Pay Provisions – Long term

	31 December 2012	31 December 2011
Severance pay provision	8,510,870	6,332,924
	8,510,870	**6,332,924**

Movement of short and long term severance pay provisions is as follows:

Severance Pay	**01.01.- 31.12.2012**	**01.01.- 31.12.2011**
Provision at the beginning of the period	6,605,436	6,139,891
Expense for the period	3,535,737	1,431,570
Paid within the period	(1,287,478)	(785,346)
Reversal of unnecessary provisions	61,777	(180,679)
Provision at the end of period	**8,915,472**	**6,605,436**

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

As of 31 December 2012, the amount payable as compensation for each year served is equal to one month salary subject to a ceiling of TL 3,033.98 (31 December 2011: TL 2,731.85).

Employment termination liabilities are not subject to any funding as there is no statuary requirement for funding.

The provision has been calculated as expressed in note 2. The liability is computed on a thirty day wage base with a maximum of TL 3,033.98 for each year of service, utilizing the rates on date of retirement or departure (31 December 2011 – TL 2,731.85).

Based on above, the group calculated provisions for employment termination liabilities and stated in 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 2012	31 December 2011
Discount rate	10.00%	12.00%
Inflation rate	6.74%	6.80%
Real discount rate	3.05%	4.87%

Consequently, as of 31December 2012, a provision of TL 8,915,472 is stated in the financial statements by estimating the present value of the future probable obligation of the Company arising from the retirement of employees (31 December 2011: TL 6,605,436).

As of 31 December 2012, the group's expected probability rate to pay the severance pay is 97.05% except those quitting their jobs on their own wish and those not eligible for severance pay (31 December 2011: 98.88%).

25. MINORITY INTEREST

	31 December 2012	31 December 2011
Shares in capital	20,140,826	10,086,027
Shares in reserves	1,483	810
Share in revaluation fund	22,975	11,546
Shares in accumulated losses	(2,641,078)	(739,822)
Share in period's (losses) / profit	838,674	(1,927,463)
	18,362,880	**7,431,098**

26. RETIREMENT PLANS

None (31.12.2011- None).

27. OTHER ASSETS AND LIABILITIES

27.1 Other Current Assets

	31 December 2012	31 December 2011
Order advances given	5,276,977	15,651,108
VAT reclaimed	468,344	537,791
VAT carried forward	13,219,297	3,116,185
Prepaid tax	2,815,896	7,912,579
Prepaid tax and funds	2,036,794	1,674,813
Business advances	44,971	18,533
Prepaid expenses	797,219	723,496
	24,659,498	**29,634,505**

27.2 Other Non-Current Assets

	31 December 2012	31 December 2011
Order advances of fixed assets	47,028,148	66,862,868
Prepaid expenses	211,690	-
	47,239,838	**66,862,868**

Fixed asset order advances are related with the construction of medium section mill and with the investment of power plant facilities of İzdemir Enerji Elektrik Üretim A.Ş.

27.3 Other Current Liabilities

	31 December 2012	31 December 2011
Order advances received	5,328,997	55,230,001
Expense accruals	-	177,920
Deferred revenues	167,883	158,446
Due to personnel	2,405,855	1,629,374
Other Liabilities	2,276	6,598
	7,905,011	**57,202,339**

27.4 Other Non-Current Liabilities

	31 December 2012	31 December 2011
Deferred revenues	118,835	277,281
	118,835	**277,281**

28. SHARE CAPITAL

28.1 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 22nd August 1984. The company's registered capital is TL 400,000,000; shares are divided into 40,000,000,000 each with a nominal value of Kurush 1.

The permission granted by the Capital Market Board to be on the registered capital ceiling is valid for the years between 2010 and 2014 (5 years). Board of directors cannot take decision after 2014 for increase of capital even if f the registered capital ceiling allowed till the end of 2014 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, company is deemed to have come out from the registered capital system.

Board of Directors of the Group decided at its meeting numbered 12 on May 15, 2012 to increase the issued capital by 25% from TL 300,000,000 to TL 375,000,000.Accordingly, necessary applications have been compledted at the Capital Market Board, İstanbul Stock Exchange and Central Registry Agency on the 3rd of July 2012 .capital increase has been registered on 10 July 2012. The 41,034,563.68 of the increase has been funded by dividend payment, while the 33,965,436.32 of the increase has been funded by retained earnings.

The company's issued share capital is, fully paid TL 375,000,000. This capital is formed in total 30,000,000,000 unit shares of Group A which has 800 units written to name each valued 1 Kurush (700 pieces to Şahin Koç Çelik Sanayi A.Ş., 100 pieces to Deba Holding A.Ş.) and of Group B which has 37,499,999,200 units written to name each valued 1 Kurush. Registration to stock register of the shares written to name is subject to the approval of the Board. The shares written to name may be withheld from the record by the company even without reason.

As of 31 December 2012 and 31 December 2011 the capital structure is as follows:

Shareholders	**(%)**	**31 December 2012**	**(%)**	**31 December 2011**
Şahin – Koç Çelik Sanayi A.Ş.	61.54	230,776,003	61.52	184,555,821
Halil Şahin	14.52	54,459,438	14.52	43,567,535
Foreign shareholders (Al Rajhi family)	-	-	0.65	1,937,021
Other (Publicly held)	23.94	89,764,559	23.31	69,939,623
Historic amounts	**100.00**	**375,000,000**	**100.00**	**300,000,000**

A Company is the privileged shares presenting the capital. More than the half of the Members of Board is elected from the owners of A Company share by the General Board. Moreover, founding Shareholders and Member of Boards are given 10% portion from remaining profit after distributing the 1st dividends.

28.2 Inflation Adjustment to Share Capital

	31 December 2012	31 December 2011
Inflation adjustment on shareholders' equity	22,763,962	22,763,962
	22,763,962	**22,763,962**

28.3 Restricted reserves assorted from profit

	31 December 2012	31 December 2011
Legal reserves	25,832,374	20,322,687
	25,832,374	**20,322,687**

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.

The companies whose shares are quoted on the Istanbul Stock Exchange are subject to the following regulations laid down by Capital Markets Board related to dividends:

Upon the CMB's resolution on January 27, 2010, there is no mandatory level of dividend distribution for the listed companies for profits arising from operations in 2009. (31 December 2009: 20%). In this context, the listed companies will distribute their profit under the scope of the requirements of the CMB's Communiqué IV, No: 27, their own articles of association and their own dividend policies publicly disclosed.

Moreover, according to the CMB's resolution mentioned, companies which are obligated to prepare consolidated financial statements must calculate their distributable profit taking into consideration the net profit reported in the consolidated financial statements prepared in line with the regulations of CMB's Communiqué IV, No: 29. This is only applicable as long as the distributable profit is covered in the statuary records.

28.4 Previous year's profit / (loss)

Retained earnings in legal books can be distributed taking the following article into consideration.

According to the Turkish Commercial Code, legal reserves consist of first and second legal reserves. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. The statutory accumulated profits and statutory current year profit are available for distribution, subject to the reserve requirements referred to above.

In accordance with the Communiqué XI, No: 29; at the first time application of inflation adjustments on financial statements, equity items, namely "Issue premiums", "Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the past year profit / (loss) line item in aggregate.

28.5 Appraisal Fund / (Revaluation Fund)

Property, plants, buildings, infrastructure and land improvements, machineries, equipment and appliances are stated in the financial statements at their revalued fair market values determined by valuation work dated 15 August 2011, 31 December 2011 and 31 March 2012 of ABC Gayrimenkul Değerleme ve Danışmanlık Anonim Şirketi.

The appraisal company revalued lands with sales comparison approach, buildings with sales comparison and rebuilding cost approach. Whereas infrastructure, land improvements and machineries, equipment and appliances were assessed with rebuilding cost approach.

Property, plants, buildings, infrastructure and land improvements, machineries, equipment and appliances are stated in the financial statements with their revalued fair market values based on valuation study.

	31 December 2012	31 December 2011
Increase in value	208,245,158	208,502,558
Accumulated depreciation	(29,492,699)	(25,712,153)
Deferred tax	(30,462,336)	(31,269,926)
Revaluation Fund	**148,290,125**	**151,520,479**

	31 December 2012	31 December 2011
Parent Company's Revaluation Fund	148,267,150	151,508,933
Minority's Revaluation Fund	22,975	11,546
Revaluation Fund	**148,290,125**	**151,520,479**

29. SALES AND COST OF SALES

29.1 Sales Income

	01.01.- 31.12.2012	**01.01.- 31.12.2011**
Domestic sales	519,737,732	569,052,978
Overseas sales	1,137,395,790	895,507,593
Sales returns (-)	(16,946)	(34,543)
Sales deductions (-) (*)	(58,255,813)	(40,314,494)
Sales Income (net)	**1,598,860,763**	**1,424,211,534**

(*) According to the Group's accounting policy, freight and insurance expenses for export sales are booked under sales deductions.

Details of the reportable segments used in management reporting are provided in note 5.

29.2 Cost of sales (-)

	01.01.- 31.12.2012	**01.01.- 31.12.2011**
Raw material cost (-)	(1,284,784,853)	(1,127,340,468)
Direct labor cost (-)	(42,772,506)	(38,029,111)
General production overheads (-)	(196,608,009)	(140,926,202)
Depreciation expenses (-)	(17,917,662)	(15,924,147)
Change in work in process inventory	27,229,185	4,085,858
Change in finished goods inventory	(39,287,093)	34,970,910
Cost of goods sold (-)	**(1,554,140,938)**	**(1,283,163,160)**
Cost of merchandises sold (-)	(3,622,457)	(4,465,956)
Provision for diminution in value of inventories	(512,969)	-
Service costs:		
Labor expense (-)	(12,751,088)	(16,546,910)
Depreciation expenses (-)	(8,651,347)	(8,812,884)
Other service expense (-)	(25,479,244)	(19,985,726)
	(1,605,158,043)	**(1,332,974,636)**

29.3 Interest, wage, premium, commission and other income

None (31.12.2011- None).

30. RESEARCH AND DEVELOPMENT EXPENSES

None (31.12.2011 - None).

31. MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	01.01.- 31.12.2012	01.01.- 31.12.2011
Marketing, Sales and Distribution Expense	(9,453,958)	(8,734,294)
General Administrative Expense	(16,911,980)	(14,987,150)
	(26,365,938)	**(23,721,444)**

31.1 Marketing, selling and distribution expenses

	01.01.- 31.12.2012	01.01.- 31.12.2011
Transportation expenses	1,036,693	605,050
Brand and registration expenses	398,698	378,879
Commission expenses	5,415,932	5,222,542
Seaport services expenses	215,228	134,858
Export expenses	762,578	851,998
Staff wages	1,320,629	1,309,789
Other expenses	304,200	231,178
	9,453,958	**8,734,294**

31.2 General administrative expenses

	01.01.- 31.12.2012	01.01.- 31.12.2011
Board of directors and audit committee expenses	223,544	168,526
Personnel wages	5,255973	5,267,317
Travelling expenses	147,799	119,416
Food expenses	139,659	132,351
Water heating and lighting expenses	139,675	136,271
Repair and maintenance expenses	192,706	172,988
Counseling and consultation expenses	360,639	612,862
Rent expenses	141,619	129,750
Insurance expenses	1,055,066	937,805
Communication expenses	296,018	239,616
Court and notary expenses	128,725	183,184
Trade union contributions	309,680	260,399
Tax and duties	1,398,293	990,783
Depreciation expenses	477,008	393,425
Severance pay provision	3,535,737	1,431,570
Stationery expenses	94,658	66,389
Representation and accommodation expenses	188,225	167,910
Vehicle expenses	614,889	427,424
Donation and charity expenses	342,010	96,340
Stock quotation expense	150,000	187,500
Provision for doubtful receivables	17,754	12,549
CMB's capital increase expense	180,000	360,000
Customs charges	636,994	470,547
Provision for court cases expenses	-	760,785
Establishment costs	-	601,597
Other expenses	885,309	659,846
	16,911,980	**14,987,150**

32. OTHER OPERATING INCOME / EXPENSE

32.1 Other operating income and profits

	01.01.- 31.12.2012	01.01.- 31.12.2011
Reversal of unnecessary provisions	61,777	180,679
Reversal of lawsuit provision	2,199	25,622
Custom expense income	575,957	417,963
Warehouse income	725,530	918,020
Insurance indemnity income	1,172,054	1,619,383
Profit from sales of fixed asset	4,286,769	697,692
Rental income	94,264	54,501
Other ordinary income and profit	470,320	503,092
	7,388,870	**4,416,952**

32.2 Other operating expense and losses

	01.01.- 31.12.2012	01.01.- 31.12.2011
Loss on sale of tangible assets	(972,952)	(28,433)
Warehouse expenses	(283,901)	(248,180)
Subsidiary capital decrease losses	-	(109,415)
Other ordinary expense and losses	(66,232)	(22,198)
	(1,323,085)	**(408,226)**

33. FINANCIAL INCOME

	01.01.- 31.12.2012	01.01.- 31.12.2011
Interest income	13,088,705	11,633,881
Foreign exchange gains	100,326,010	53,663,784
Foreign exchange gains on financial instruments	-	927,838
Rediscount income	201,836	151,436
Finance income due to sales with maturity	287,465	335,849
Gains on options contracts	615,370	1,586,798
Premium incomes from Letter of credits	1,302,042	263,648
	115,821,428	**68,563,234**

Group's hedging transactions and option contracts :

	31 December 2012	
	Amount of foreign currency to be handed over to banks	**Amount of foreign currency to be picked up from banks**
Currency future contracts		
USD/EUR	-	-
EUR/USD	-	-
Option contracts		
USD/TL	6,000,000	14,200,000

	31 December 2011	
	Amount of foreign currency to be handed over to banks	**Amount of foreign currency to be picked up from banks**
Currency future contracts		
EUR/USD	3,000,000	4,242,700
USD/EUR	6,201,400	4,500,000
Option contracts		
USD/TL	43,500,000	87,865,000

As 31 December 2011, foreign exchange gain of TL 334,919 arising from hedging transactions and option contracts is stated in financial incomes (Note 33). Foreign exchange loss of TL 175,759 is stated in financial expenses (Note 34).

34. FINANCIAL EXPENSES

	01.01.- 31.12.2012	01.01.- 31.12.2011
Interest expenses	(9,232,836)	(7,134,942)
Foreign exchange losses	(75,139,604)	(67,907,969)
Rediscount expenses	(221,487)	(185,266)
Banks commission expenses	(1,392,161)	(526,168)
Bank charges	(753,716)	(362,490)
Leasing expenses	(258)	(198)
Foreign exchange loss on financial instruments	(141,865)	(1,042,535)
	(86,740,062)	**(77,159,568)**

35. FIXED ASSETS HELD FOR FURTHER SALE AND ABOLISHED ACTIVITIES

None (31.12.2011- None).

36. TAX ASSETS AND LIABILITIES

Corporation tax payable	31 December 2012	31 December 2011
Provision for corporation tax payables	572,153	12,407,207
Prepaid taxes and funds	(4,852,690)	(9,587,392)
	(4,280,537)	**2,819,815**

Provision for current tax	01.01.- 31.12.2012	01.01.- 31.12.2011
Provision for current corporation tax	(572,153)	(12,407,207)
Deferred tax (expense) / income	(658,758)	179,119
	(1,230,911)	**(12,228,088)**

Corporation Tax
Turkish Corporation Tax does not allow declare tax from the consolidated financial statements of Parent Company with affiliates and subsidiaries. Because of this reason, the provided taxes in the accompanying financial statements are calculated per company separately.

Corporation tax rate 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 earnings 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).

The applied effective corporation tax in 2012 is 20 % (2011: 20%).

Permanent tax is calculated and accrued quarterly in Turkey. As of temporary tax periods, the effective corporation tax rate is 20% (2011: 20%) in 2011.

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 1th -25 Aprils 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 income tax stoppage rate was altered to 15%. Dividends that are added to capital without distribution are not subject to income tax stoppage. 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 company activities directly related to production investment certificate. Investment expenses made after this date can be deducted. Tax withholding cannot be made on investment expenses 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 CMB Communiqué XI, No: 29 Communiqué standards and the statutory tax financial statements. The differences which are explained below usually emanate from amounts for taxable value of some income – expense items and being in different periods of financial statements which are prepared according to Account Standards Communiqué of CMB.

Time differences arise from differences which occurred because of change in income expense items, which are recorded with accounting and tax aim. Time differences are being calculated based on intangible fixed assets (excluding land and area), revaluation of intangible fixed assets and stocks; rediscount of receivables and payables, financial leases, provision for severance pay, provision unused allowance, previous year's losses and benefit able amount of investment incentive. The ratio of deferred tax applied is 20% in 2012 (2011: 20%).

The entries relating to deferred tax and corporation tax are depicted below:

	31 December 2012		**31 December 2011**	
	Temporary Difference	**Deferred Tax**	**Temporary Difference**	**Deferred Tax**
Deferred tax assets				
Effect of depreciation adjustments of inventories	220,926	44,185	417,924	83,585
Severance pay provision	8,915,472	1,783,094	6,605,436	1,321,086
Provision for doubtful receivables	62,316	12,463	46,759	9,352
Rediscount on receivables	92,696	18,539	93,396	18,679
Reversal of capitalized financial expenses	2,727,809	545,581	8,535,261	1,707,052
Other	12,510	2,502	126,132	25,227
Reserve for stock decrease in value	512,969	102,594	-	-
Provision for courts	45,972	9,194	806,757	161,351
Reclassification of prepaid incomes	277,280	55,456	613,647	122,729
Destruction of establishment costs	462,323	92,465	778,830	155,766
Provision for subsidiaries	445,357	89,071	445,357	89,071
Taxable losses	6,915,565	1,383,11	2,002,831	400,566
		4,138,257		**4,094,464**
Deferred Tax Liabilities				
Economic life differences of tangible assets	15,560,721	3,112,144	11,725,651	2,345,131
Rediscount on payables	123,656	24,731	145,430	29,086
Adjustment of maturity difference related to trade payables	1,960,116	392,023	2,247,363	449,473
Revaluation fund deferred tax effect	178,752,460	30,462,337	182,790,405	31,269,926
Other	1,089	218	14,380	2,876
		33,991,453		**34,096,492**
Deferred Tax (Asset) / (Liabilities)		**(29,853,196)**		**(30,002,028)**

Movements of Deferred Tax (Asset) / Liability	**01.01.- 31.12.2012**	**01.01.- 31.12.2011**
Opening balance	30,002,028	(1,088,779)
Deferred tax effect on revaluation fund	(807,588)	31,269,926
Deferred tax expense / income	658,756	(179,119)
Closing balance	**29,853,196**	**30,002,028**

Non-monetary assets in the financial statements of the company and its subsidiaries, dated 31 December 2003 was subject to application of inflationary accounting in accordance with 25th article, Tax Procedure Law numbered 213 and conditions of 298th article in the different reiterated law. There has been set depreciation of building based on acquired cost in accordance with Tax Procedure Law prior to inflationary accounting. Company and its subsidiaries have reflected the accumulated depreciation that is revalued past accumulated depreciation sticking to its active value in calculation of inflationary accounting and applied inflationary accounting by keeping related accumulated depreciation proportional to active value subject to inflationary accounting, in their legal booking. As a result of this procedure, excess depreciation amount of TL 55,806,740 formed from the buildings completed their useful life to be added their accumulated depreciation as of 2007. Thereby in calculation of carrying amount of buildings in terms of tax, only the depreciation expense during the use of buildings has been written and the amount that may be able to deduct has been taken into account.

In the financial statements prepared in accordance with standards of CMB, depreciation is set for value of building and accumulated depreciation same as other fixed assets on a straight line method according to base year. Management of the company has applied policy of not deducting the remaining balance as expense.

Reconciliation of tax provision accrued in income statement is as follows;

Reconciliation of tax provision	**01.01.- 31.12.2012**	**01.01.- 31.12.2011**
Profit / (loss) before tax on statutory accounts	2,853,577	68,153,822
Non-deductible expenses	7,189	3,467,336
Deductions and exemptions	-	(3,832,681)
Utilization of previous years losses	-	(5,752,443)
Tax base	2,860,766	62,036,033
Effective tax rate	20%	20%
Tax provision in the income statements	**(572,153)**	**(12,407,207)**

Calculations were made on fully consolidated companies for which a tax liability occurred.

As of 31 December 2012 and 31 December 2011, the terms in which the carry forward previous year losses of the group's subsidiaries were incurred and the latest maturity in which these losses could be carried are below:

İDÇ Liman İşletmeleri A.Ş.		**31 December 2012**	**31 December 2011**
Loss occurred	Latest term of utilizing loss	Loss carried forward	Loss carried forward
2010	2015	324,550	988,634
2011	2016	1,055,575	1,055,755
Total		**1,380,125**	**2,044,389**

The deductible loss of the subsidiary İDÇ Liman İşletmeleri A.Ş. is considered in deferred tax calculation.

İzdemir Enerji Elektrik Üretim A.Ş.		**31 December 2012**	**31 December 2011**
Loss occurred	Latest term of utilizing loss	Loss carried forward	Loss carried forward
2007	2012	3,751	3,751
2008	2013	599,680	599,680
2009	2014	981,448	981,448
2010	2015	950,878	950,878
2011	2016	1,685,709	1,685,709
2012	2017	2,405,931	-
Total		**6,627,397**	**4,221,466**

The deductible loss of the subsidiary İzdemir Enerji Elektrik Üretim A.Ş. in the 2010 and onwards is included in deferred tax calculation. However, the loss for the year 2009 and preceding years are not considered.

37. EARNINGS PER SHARE

For the period's 1 January – 31 December 2012 and 1 January - 31 December 2011 weighted average for the Company shares and calculation of profit per unit share are as follows:

	01.01.- 31.12.2012	**01.01.- 31.12.2011**
Profit for the period attributable to parent company	414,348	52,627,221
Weighted average number of shares	335,645,604	208,241,758
Earnings per share TL	0.0012	0.2527
Earnings per share %	0,12 %	25,27%

38. RELATED PARTY DISCLOSURES

As of 31 December 2012, there is no doubtful receivables provision for trade and other receivables and guarantee for receivables regarding related parties. Similarly, there is no given guarantee letters for trade and other payables regarding related parties.

The group has no guarantees, collaterals, bailment and such pledges given out except for those for consolidated companies (Note 23).

Receivables from related parties and balances due to related parties are summarized below:

38.1 Due from related parties :

	31 December 2012	**31 December 2011**
İDÇ Denizcilik San. Tic. A.Ş.	11,371	539
Begonviller Turizm Yatçılık Ltd. Şti.	1,004	888
İzmaden Madencilik San.Ve Tic.A.Ş.	993	2,784
Agora Sigorta Aracılık Hizmetleri Ltd. Şti	5,385	-
Şahin Gemicilik Nakliyat San. ve Tic. A.Ş.	932	-
	19,685	**4,211**

38.2 Due to related parties :

	31 December 2012	**31 December 2011**
İDÇ Denizcilik San. ve Tic. A.Ş.	633,821	1,203,196
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	101,545	67,761
	735,366	**1,270,957**

38.3 Due to related parties in other current payables :

	30 December 2012	31 December 2011
Due to shareholders	6,704	59,012
	6,704	**59,012**

Due to shareholders is related to shareholders' share of profit receivables that do not enter up shares and stocks and claim dividend receivables.

38.4 Sales to related parties :

	01.01.-31.12.2012	01.01.-31.12.2011
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	274,136	218,844
Sivas Demir Çelik İşletmeleri A.Ş.	554,433	-
	828,569	**218,844**

38.5 Sales deductions from related parties :

	01.01.-31.12.2012	01.01.-31.12.2011
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	-	28,341
	-	**28,341**

38.6 Purchases from related parties in cost of goods sold :

	01.01.-31.12.2012	01.01.-31.12.2011
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	6,631,597	4,754,236
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	1,493,312	837,395
	8,124,909	**5,591,631**

38.7 Expenses from related parties in marketing, sales and distribution expenses :

	01.01.-31.12.2012	01.01.-31.12.2011
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	1,404,062	696,089
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	119,033	-
	1,523,095	**696,089**

38.8 Expenses from related parties in general administrative expenses :

	01.01.-31.12.2012	01.01.-31.12.2011
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	1,045,439	640,059
	1,045,459	**640,059**

38.9 Other incomes from related parties:

	01.01.-31.12.2012	01.01.-31.12.2011
İDÇ Denizcilik San. ve Tic. A.Ş.	176,903	90,979
Begonviller Turizm Yatçılık Ltd. Şti.	2,171	12,602
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	41,473	24,760
İzmaden Madencilik San.Ve Tic.A.Ş.	2,162	3,000
Sarımazı Enerji Elektrik Üretim A.Ş.	2,109	-
Şahin Gemicilik Nakliyat San. ve Tic. A.Ş.	3,238	3,908
	228,056	**135,249**

38.10 Purchase of tangible fixed assets from related parties:

	01.01.-31.12.2012	01.01.-31.12.2011
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.*	44,722	17,798
İDÇ Denizcilik San. Tic. A.Ş.	12	-
Begonviller Turizm Yatçılık Ltd. Şti.	17,748	-
	62,482	**17,798**

* Insurance costs on fixed assets imported.

38.11 Benefits provided to senior executives :

Total emoluments provided to top management during the current period amounts to TL 1,224,824 (01.01.-31.12.2011: TL 1,876,225). Top management includes members of the Board of Directors, Executive Board and Assistants of General Manager.

39. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Credit risk

Registered value of financial assets reflects the maximum credit risk exposed. Maximum risk of credit exposed as of the reporting date is as follows:

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2012	Related Party	Third Party	Related Party	Third party	Bank Deposit	Derivate Financial Instruments
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	**19,685**	**110,124,849**	**-**	**207,141**	**88,281,221**	**-**
- The part of maximum risk under guarantee with collateral	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	19,685	110,027,090	-	207,141	88,281,221	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not	-	97,759	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	62,316	-	-	-	-
- Impairment (-)	-	(62,316)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2011	Related Party	Third Party	Related Party	Third party	Bank Deposit	Derivate Financial Instruments
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	**4,211**	**41,413,579**	**-**	**75,507**	**315,328,625**	**41,244,712**
- The part of maximum risk under guarantee with collateral	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	4,211	40,695,781	-	75,507	315,328,625	41,244,712
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not	-	717,798	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	46,759	-	-	-	-
- Impairment (-)	-	(46,759)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
E. Off-balance sheet items with credit risk	--	--	--	--	--	--

Group did not set provisions for doubtful receivables for overdue receivables since there was no trouble and even if there was overdue of collecting the receivables from corporate clients in previous periods.

Sales operations of the group are widely spread into different regions refraining from focusing on a certain industry, country, individual or company. The share of domestic and international sales ranges occasionally depending on the fluctuations and competitive conditions experienced in domestic and international markets. Export sales seem on the rise in the developing markets such as Middle East, Africa and South America.

The usage of credit limits are continuously monitored by the group and the credit quality is constantly evaluated by taking into account the clients' financial position and previous experiences as well as other factors.

As of 31 December 2012, the ageing details of overdue; however not impaired receivables of the group are as follows with their due dates:

	Trade Receivables		**Other Receivables**	
31 December 2012	Related Party	Third Party	Related Party	Third Party
Overdue 1 - 30 days	-	7,434	-	-
Overdue 1 - 3 months	-	4,481	-	-
Overdue 3 - 12 months	-	7,241	-	-
Overdue 1 - 5 years	-	78,603	-	-
	-	**97,759**	**-**	**-**

As of 31 December 2011, the ageing details of overdue however not impaired receivables of the group are as follows with their due dates:

	Trade Receivables		**Other Receivables**	
31 December 2011	Related Party	Third Party	Related Party	Third Party
Overdue 1 - 30 days	-	627	-	-
Overdue 1 - 3 months	-	9,375	-	-
Overdue 3 - 12 months	-	707,796	-	-
Overdue 1 - 5 years	-	-	-	-
	-	**717,798**	**-**	**-**

Foreign Currency Risk:

As of 31 December 2012, foreign currency position of the Group in terms of original currency is as follows:

	TL Equivalent (Functional unit)	USD (Original currency)	EURO (Original currency)	GBP (Original currency)	JPY (Original currency)	CAD (Original currency)	AUD (Original currency)	DKK (Original currency)	CHF (Original currency)
1. Trade receivables	85,594,223	48,016,506	-	-	-	-	-	-	-
2a. Monetary financial assets	34,334,599	18,961,439	120,073	12,347	9,409,767	5,670	4,496	7,926	405
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-
3. Other	25,154	13,717	297	-	-	-	-	-	-
4. Current Assets (1+2+3)	**119,953,976**	**66,991,662**	**120,370**	**12,347**	**9,409,767**	**5,670**	**4,496**	**7,926**	**405**
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)	**119,953,976**	**66,991,662**	**120,370**	**12,347**	**9,409,767**	**5,670**	**4,496**	**7,926**	**405**
10. Trade payables	147,262,770	80,600,992	1,498,162	12,420	1,188,958	-	-	-	12
11. Financial liabilities	224,080,393	120,384,615	4,032,308	-	-	-	-	-	-
12a. Other monetary financial liabilities	1,949,827	994,575	75,221	-	-	-	-	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-	-	-	-	-
13. Current Liabilities (10+11+12)	**373,292,990**	**201,980,182**	**5,605,691**	**12,420**	**1,188,958**	**-**	**-**	**-**	**12**
14. Trade payables	-	-	-	-	-	-	-	-	-
15. Financial liabilities	254,192,812	126,375,943	12,295,385	-	-	-	-	-	-
16a. Other monetary financial liabilities	26,949,106	14,391,087	550,901	-	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	**281,141,918**	**140,767,030**	**12,846,286**	**-**	**-**	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**654,434,908**	**342,747,212**	**18,451,977**	**12,420**	**1,188,958**	**-**	**-**	**-**	**12**
19. Net asset / liability position of off-balance sheet derivate instruments (19a-19b)	-	-	-	-	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-	-	-	-	-
20. Net foreign currency asset / liabilities (9-18+19)	**(534,480,932)**	**(275,755,551)**	**(18,331,607)**	**(73)**	**8,220,809**	**5,670**	**4,496**	**7,926**	**393**
21. Net foreign currency asset / liability position of monetary items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(534,506,086)	(275,769,268)	(18,331,903)	(74)	8,220,809	5,670	4,496	7,926	393
22. Fair value of derivate instruments used in foreign currency hedge	-	-	-	-	-	-	-	-	-
23. Exports	1,137,228,212	633,364,679		-	-	-	-	-	-
24. Imports	1,168,047,039	648,438,279	-	-	-	-	-	-	-

As of 31 December 2011, foreign currency position of the Group in terms of original currency is as follows;

	TL Equivalent (Functional Unit)	USD (Original currency)	EURO (Original currency)	GBP (Original currency)	JPY (Original currency)	CAD (Original currency)	AUD (Original currency)
1. Trade Receivables	20,746,380	10,983,313	-	-	-	-	-
2a. Monetary financial assets	166,552,215	76,190,706	9,232,358	1,781	2,023,314	5,670	4,496
2b. Non-monetary financial assets	-	-	-	-	-	-	-
3. Other	347,493	183,276	533	-	-	-	-
4. Current Assets (1+2+3)	**187,646,088**	**87,357,295**	**9,232,891**	**1,781**	**2,023,314**	**5,670**	**4,496**
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)	**187,646,088**	**87,357,295**	**9,232,891**	**1,781**	**2,023,314**	**5,670**	**4,496**
10. Trade payables	217,297,634	113,941,119	811,083	13,232	2,199,326	-	-
11. Financial liabilities	172,914,700	80,245,377	8,731,978	-	-	-	-
12a. Other monetary financial liabilities		37,770	-	-	-	-	-
12b. Other non-monetary financial liabilities		--	-	-	-	-	-
13. Current Liabilities (10+11+12)		**194,224,266**	**9,543,061**	**13,232**	**2,199,326**	-	-
14. Trade payables	-	--	--	-	-	-	-
15. Financial liabilities	96,455,818	29,940,285	16,327,692	-	-	-	-
16a. Other monetary financial liabilities		-	-	-	-	-	-
16b. Other non-monetary financial liabilities		-	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)		**29,940,285**	**16,327,692**	-	-	-	-
18. Total Liabilities (13+17)	**486,739,496**	**224,164,551**	**25,870,753**	**13,232**	**2,199,326**	-	-
19. Net asset / liability position of off-balance sheet derivate	-	-	-	-	-	-	-
instruments (19a-19b)	-	-	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities ı	-	-	-	-	-	-	-
20. Net foreign currency asset / liabilities (9-18+19)	**(299,093,408)**	**(136,807,256)**	**(16,637,862)**	**(11,451)**	**(176,012)**	**5,670**	**4,496**
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	-	-	-	-	-	-	-
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-	-	-
23. Exports	**895,353,465**	**540,644,215**	-	-	-	-	-
24. Imports	**920,804,361**	**571,771,268**	-	-	-	-	-

Foreign Currency Risk Sensitivity

In case of a fluctuation by 10% in TL against below foreign currencies, the income statement will be affected as below. While making the analysis, all other variables are assumed to remain unchanged. The advance accounts, which also bear foreign currency risk, have not included in the sensitivity analysis as they are not subject to revaluation as of the reporting date.

31 December 2012	**Profit / Loss**	
	Depreciation of foreign currency	Appreciation of foreign currency
1-USD net asset / liability	49,156,184	(49,156,184)
2-Part of hedged from USD risk (-)	-	-
3-USD net effect (1+2)	**49,156,184**	**(49,156,184)**
4- EUR net asset / liability	4,311,044	(4,311,044)
5- Part of hedged from Euro risk (-)	-	-
6-EUR net effect (4+5)	**4,311,044**	**(4,311,044)**
7- Other currency net asset / liability	(19,135)	19,135
8- Part of hedged from other currency risk (-)	-	-
9- Other currency net effect (7+8)	(19,135)	19,135
TOTAL (3+6+9)	**53,448,093**	**(53,448,093)**

31 December 2011	**Profit / Loss**	
	Depreciation of foreign currency	Appreciation of foreign currency
1-USD net asset / liability	25,841,524	(25,841,524)
2-Part of hedged from USD risk (-)	-	-
3-USD net effect (1+2)	**25,841,524**	**(25,841,524)**
4- EUR net asset / liability	4,065,960	(4,065,960)
5- Part of hedged from Euro risk (-)	-	-
6-EUR net effect (4+5)	**4,065,960**	**(4,065,960)**
7- Other currency net asset / liability	1,856	(1,856)
8- Part of hedged from other currency risk (-)	-	-
9- Other currency net effect (7+8)	**1,856**	**(1,856)**
TOTAL (3+6+9)	**29,909,340**	**(29,909,340)**

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 Company management manages liquidity risk by distributing the funds and by keeping sufficient cash and cash equivalents resources to cover the current and possible liabilities.

The Group's liquidity risk table for the period ending at 31 December 2012 is as follows:

Expected / (Contractual) maturity	**Book Value**	**Expected / (Contractual) Total cash outflow (=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 loans	481,035,645	540,402,710	161,392,919	73,961,618	141,612,520	163,435,652
Forward contracts	-	-	-	-	-	-
Trade payables	179,991,658	181,973,216	39,838,698	142,134,519	-	-
Other payables	31,759,887	31,759,887	3,821,032	74,032	27,864,823	-
Provision of liabilities	45,972	45,972	-	45,972	-	-
Other current financial liabilities	7,905,011	7,905,011	7,905,011	-	-	-
	700,738,173	**762,086,796**	**212,957,660**	**216,216,141**	**169,477,343**	**163,435,652**

Contractual Maturity	**Book Value**	**Expected / (Contractual) Total cash outflow (=I+II+III+IV)**	**Less than 3 months (I)**	**Between 3 – 12 months (II)**	**Between 1- 5 Year (III)**	**More than 5 Years (IV)**
Derivative Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Currency futures contracts	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**

The Group's liquidity risk table for the period ending at 31 December 2011 is as follows:

Expected / (Contractual) maturity	Book Value	Expected / (Contractual) Total cash outflow (=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	**580,388,679**	**612,976,982**	**203,674,652**	**288,040,779**	**61,699,040**	**59,562,511**
Bank loans	269,425,661	301,097,222	109,901,534	69,934,137	61,699,040	59,562,511
Forward contracts	1,042,535	1,042,535	1,042,535	-	-	-
Financial leasing	-	269	269	-	-	-
Trade payables	243,578,866	244,495,339	28,231,169	216,264,170	-	-
Other payables	8,332,521	8,332,521	8,202,166	130,355	-	-
Provision of liabilities	806,757	806,757	-	806,757	-	-
Other current financial liabilities	57,202,339	57,202,339	56,296,979	905,360	-	-
	580,388,679	**612,976,982**	**203,674,652**	**288,040,779**	**61,699,040**	**59,562,511**

Contractual Maturity	Book Value	Expected / (Contractual) Total cash outflow (=I+II+III+IV)	Less than 3 months (I)	Between 3 – 12 months (II)	Between 1- 5 Year (III)	More than 5 Years (IV)
Derivative Financial Liabilities	**41,359,409**	**41,359,409**	**41,359,409**	**-**	**-**	**-**
Currency futures contracts	41,359,409	41,359,409	41,359,409	-	-	-
	41,359,409	**41,359,409**	**41,359,409**	**-**	**-**	**-**

Interest Rate Risk

The group's financial liabilities expose it to interest rate risk. The Group's financial liabilities mainly consist of borrowings with variable rate. Group implements and attempts to acquire loans with lower interest rate to minimize interest rate risk.

As of 31 December 2012 and 31 December 2011, detail of financial borrowings of the group with variable interest rate is as follows:

	31 December 2012	31 December 2011
Financial liabilities with variable interest rate	260,590,320	225,812,339
Total	**260,590,320**	**225,812,339**

The Group has formed various scenarios for bank loans with flexible interest rates to renew present position and to protect from alternative financial risks. According to these scenarios, as of 31 December 2012, if annual interest rate is higher/lower by 100 basis point for USD and EUR bank loans with all other variables remain constant, the net profit for the period before tax would be lower/higher by approximately TL 15,502,961 (31 December 2011: TL 4,306,369.

Derivative financial instruments

Forward exchange transactions

Group's business operations are exposed to financial risk due to changes in currency rate and interest rate basically. Group utilizes derivative financial instruments (primarily currency exchange forward agreements) to avoid financial risks of currency rate bound to certain commitments and future transactions.

Derivative financial instruments are calculated with market value on contract date and recalculated with their market value at next reporting date. The difference from market value is accounted in the income statement of relevant period.

The Group does not adopt hedge accounting for derivative financial instruments. As of 31 December 2012, no forward contracts are entered by the group.

As of 31 December 2011, forward contracts entered by the group are summarized below.

31 December 2011	**Exchange rate / Parity**	**Foreign currency to be handed over to bank (TL)**	**Foreign currency to be received from bank (TL)**	**Fair value (TL)**
Buying USD Selling EUR				
Between 1 - 3 months	1.3434 - 1.4327	13,440,900	14,362,912	922,012
Buying EUR Selling USD				
Between 1 - 3 months	1.2876 - 1.4123	27,918,509	26,881,800	(1,036,709)
				(114,697)

As of 31 December 2011, a foreign exchange gain of TL 927,838 is reported under financial incomes (Note 33), while a foreign exchange loss of TL 1,042,535 is reported under financial expenses in the financial statements (Note 34).Both gain and loss occurred through above forward contracts.

Capital risk management

In capital management, the group aims at enhancing profitability while keeping a reasonable leverage, on the other hand rendering sustainability in its operations.

The Group monitors its capital with Liability / Total Capital ratio. This ratio is defined as net liability divided by total capital. . Net liability is calculated by deducting cash and cash equivalents from total liability, which includes bank borrowings and financial leasing borrowings. Total equity is calculated as the total of net financial borrowings and the equity as pointed out in the consolidated balance sheet.

As of 31 December 2012 and 31 December 2011 the net debt / equity ratio is as follows:

	31 December 2012	**31 December 2011**
Total debt	481,035,645	269,425,661
Less: Cash and cash equivalents	88,440,657	316,000,602
Net debt	392,594,988	(46,574,941)
Total equity	607,007,160	602,883,481
Total capital	999,602,148	556,308,540
Gearing ratio	39%	-8%

Important accounting policies

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

Categories of financial instruments

	31 December 2012	**31 December 2011**
Financial assets		
Cash and cash equivalents	88,440,657	316,000,602
Trade receivables	110,144,534	41,417,790
Financial assets	462,543	435,511
Financial liabilities		
Borrowings	481,035,645	269,425,661
Trade payables	179,991,658	243,578,866

40. EVENTS AFTER THE BALANCE SHEET DATE

None.

41. OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR REQUIRED TO BE DISCLOSED FOR CLEAR, UNDERSTANDABLE AND INTERPRETALE PRESENTATION

None.