İZMİR DEMİR ÇELİK SANAYİ A.Ş.

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013 WITH INDEPENDENT AUDITOR'S REPORT

(Originally Issued in Turkish)

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Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish

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

Introduction

We have audited the accompanying consolidated statement of financial position of İzmir Demir Çelik Sanayi Anonim Şirketi and its subsidiaries ("Group") as at 31 December 2013 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group Management's Responsibility for the Consolidated Financial Statements

The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements provide a true and fair view of the Group.

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error and/or fraud. In making those risk assessments, the Group's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Group and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the consolidated financial position of İzmir Demir Çelik Sanayi Anonim Şirketi and its subsidiaries as at 31 December 2013 and their consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Emphasis of Matter

Without further qualifying our opinion, we draw attention to the following matter.

The corresponding figures presented, excluding the adjustments described in Note 2.3, were audited as at and for the year ended 31 December 2012 by other auditors who expressed unmodified opinion on 3 April 2013. As part of our audit, we have audited the adjustments described in Note 2.3 that were applied to restate the corresponding figures. Based on our audit; such adjustments are appropriate and have been properly applied.

Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Group formed the mentioned committee on 8 March 2013 and it is comprised of 2 members. The committee has met 3 times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the Group and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

İzmir, 3 March 2014
Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

İsmail Önder Ünal, CPA
Partner

Additional paragraph for convenience translation to English

As explained in note 2.3, the accompanying consolidated financial statements are not intended to present the consolidated financial position and the consolidated results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2013

(Amounts expressed in TL)		*Audited*	*Audited Restated (*)*	*Audited Restated (*)*
ASSETS	**Note**	**Current period 31.12.2013**	**Prior period 31.12.2012**	**Prior period 01.01.2012**
Current Assets				
Cash and Cash Equivalents	7	365,308,343	88,440,657	316,000,602
Trade Receivables		177,622,572	110,144,534	41,417,790
Due from related parties	*6*	*9,936*	*19,685*	*4,211*
Other trade receivables	*9*	*177,612,636*	*110,124,849*	*41,413,579*
Other Receivables		688,298	108,453	7,814
Other receivables	*11*	*688,298*	*108,453*	*7,814*
Derivative Instruments	48	920,180	-	927,838
Inventories	12	346,586,109	216,795,741	233,973,331
Prepaid Expenses	14	16,769,320	6,074,196	16,374,604
Tax Assets	42	1,356,351	4,279,231	1,672,683
Other Current Assets	31	27,041,406	13,733,918	11,587,218
TOTAL CURRENT ASSETS		**936,292,579**	**439,576,730**	**621,961,880**
Non-Current Assets				
Financial Investments	8	462,543	462,543	435,511
Other Receivables		397,257	98,688	67,693
Other receivables	*11*	*397,257*	*98,688*	*67,693*
Investment Properties	15	44,212,000	39,197,464	39,197,464
Property, Plant and Equipment	16	1,207,308,575	817,660,663	513,171,886
Intangible Assets	19	954,655	248,689	162,755
Prepaid Expenses	14	607,525	47,239,838	66,862,868
Deferred Tax Assets	42	43,397,570	14,178,500	18,129,412
TOTAL NON-CURRENT ASSETS		**1,297,340,125**	**919,086,385**	**638,027,589**
TOTAL ASSETS		**2,233,632,704**	**1,358,663,115**	**1,259,989,469**
LIABILITIES				
Current Liabilities				
Short-term Borrowings	49	585,620,004	214,791,939	146,359,436
Short-term Portion of Long-term Borrowings	49	22,147,534	12,050,894	26,610,407
Trade Payables		450,469,250	179,991,658	243,578,866
Due to related parties	*6*	*840,213*	*735,366*	*1,270,957*
Other trade payables	*9*	*449,629,037*	*179,256,292*	*242,307,909*
Payables for Employee Benefits	29	7,038,230	4,994,323	4,937,008
Other Payables		3,401,754	985,497	5,445,166
Due to related parties	*6*	*2,924,044*	*6,704*	*59,012*
Other payables	*11*	*477,710*	*978,793*	*5,386,154*
Derivative Instruments	48	14,363,800	-	1,042,535
Current Income Tax Liability	42	167,977	-	12,407,207
Short-term Provisions		67,636	45,972	806,757
Other Short Term Provisions	*27*	*67,636*	*45,972*	*806,757*
Other Current Liabilities	31	21,130,406	5,820,255	55,152,686
TOTAL CURRENT LIABILITIES		**1,104,406,591**	**418,680,538**	**496,340,068**
Non-current Liabilities				
Long-term Borrowings	49	578,116,535	254,192,812	96,455,818
Trade Payables		-	27,864,823	-
Other trade payables	*9*	-	*27,864,823*	-
Long-term Provisions		12,017,846	8,915,472	6,605,436
Long term provisions related to employee benefits	*29*	*12,017,846*	*8,915,472*	*6,605,436*
Deferred Tax Liabilities	42	43,106,244	43,602,055	49,990,631
Other Non-current Liabilities	31	-	118,835	277,281
TOTAL NON- CURRENT LIABILITIES		**633,240,625**	**334,693,997**	**153,329,166**
EQUITY				
Equity Attributable to Owners of the Company		**468,854,859**	**586,925,719**	**602,888,720**
Paid-in Capital	32	375,000,000	375,000,000	300,000,000
Adjustment on Capital	32	22,763,962	22,763,962	22,763,962
Accumulated Other Comprehensive Income/ Expense that will not be Reclassified through Profit or Loss		196,933,723	199,829,275	215,171,160
Gain/ (loss) on revaluation and remeasurement	*32*	*196,933,723*	*199,829,275*	*215,171,160*
Legal Reserves	32	25,832,374	25,832,374	20,322,687
Retained Earnings/(Losses)		(33,513,766)	(25,566,961)	16,816,346
Net Profit/(Loss) for the Period		(118,161,434)	(10,932,931)	27,814,565
Non-controlling Interests	32	**27,130,629**	**18,362,861**	**7,431,515**
TOTAL EQUITY		**495,985,488**	**605,288,580**	**610,320,235**
TOTAL LIABILITIES		**2,233,632,704**	**1,358,663,115**	**1,259,989,469**

(*): For restatement please see Note 2.3.

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

(Amounts expressed in TL)

	Note	*Audited* Current Period 01.01 - 31.12.2013	*Audited Restated (*)* Prior Period 01.01 - 31.12.2012
PROFIT OR LOSS			
Revenue	33	1,719,972,421	1,654,759,775
Cost of Sales (-)	33	(1,706,002,545)	(1,676,402,308)
GROSS PROFIT/(LOSS)		**13,969,876**	**(21,642,533)**
General Administrative Expenses (-)	35	(14,686,994)	(14,916,568)
Marketing Expenses (-)	35	(13,789,131)	(9,453,958)
Other Income from Operating Activities	36	4,299,172	3,633,537
Other Expenses from Operating Activities(-)	36	(51,190,119)	(3,640,447)
OPERATING LOSS		**(61,397,196)**	**(46,019,969)**
Income from Investing Activities	37	8,141,369	7,088,747
Expenses from Investing Activities (-)	37	(25,962,388)	(1,902,134)
OPERATING LOSS BEFORE FINANCIAL EXPENSE		**(79,218,215)**	**(40,833,356)**
Financial Income	39	119,916,816	63,386,731
Financial Expenses (-)	39	(196,811,406)	(34,253,914)
OPERATING LOSS BEFORE INCOME TAX		**(156,112,805)**	**(11,700,539)**
Tax Income		**29,054,425**	**1,605,983**
Tax Expense	42	(682,978)	(572,153)
Deferred Tax Income	42	29,737,403	2,178,136
LOSS FOR THE PERIOD		**(127,058,380)**	**(10,094,556)**
Profit/(Loss) Attributable to			
Non-controlling Interests		(8,896,946)	838,375
Owners of the Company		(118,161,434)	(10,932,931)
Diluted Earnings/(Losses) Per Share	43	(0.3151)	(0.0292)

(*): For restatement please see Note 2.3.

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 1 JANUARY 2013 - 31 DECEMBER 2013

(Amounts expressed in TL)	*Audited*	*Audited Restated (*)*
	Current Period 01.01 - 31.12.2013	**Prior Period 01.01 - 31.12.2012**
LOSS FOR THE PERIOD	**(127,058,380)**	**(10,094,556)**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified through profit or loss		
Increase/(Decrease) on Revaluation of Tangible Assets	-	56,000
Actuarial Gain/(Losses) on Employee Benefits	112,610	(1,353,640)
Taxes over Other Comprehensive Income/ Expense that will not be Reclassified through Profit or Loss	(22,522)	259,528
Tax Income/(Expense)	-	-
Deferred Tax Income/(Expense)	*(22,522)*	*259,528*
OTHER COMPREHENSIVE INCOME	**90,088**	**(1,038,112)**
TOTAL COMPREHENSIVE INCOME	**(126,968,292)**	**(11,132,668)**
Total comprehensive income attributable to	**(126,968,292)**	**(11,132,668)**
Non-controlling Interests	(8,897,432)	849,666
Owners of the Company	(118,070,860)	(11,982,334)

(*): For restatement please see Note 2.3.

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 31 DECEMBER 2013

(Amounts expressed in TL)			Accumulated Other Comprehensive Income/Expense that will not be Reclassified through Profit or Loss		Accumulated Profit				
	Paid-in Capital	**Adjustment on Capital**	**Gain/ (Loss) on Revaluation and Remeasurement**	**Legal Reserves**	**Retained Earnings / (Losses)**	**Net Profit / (Loss) for the Period**	**Equity Attributable to Owners of the Company**	**Non-controlling Interests**	**Total Equity**
PRIOR PERIOD									
Balance at 1 January 2012 (Beginning of the period)	**300,000,000**	**22,763,962**	**151,508,933**	**20,322,687**	**48,229,580**	**52,627,221**	**595,452,383**	**7,431,098**	**602,883,481**
Changes in accounting policies	-	-	87,046	-	-	(87,046)	-	-	-
Changes and errors in accounting estimates	-	-	63,575,181	-	(31,413,234)	(24,725,610)	7,436,337	417	7,436,754
1 January 2012 Restated (*)	**300,000,000**	**22,763,962**	**215,171,160**	**20,322,687**	**16,816,346**	**27,814,565**	**602,888,720**	**7,431,515**	**610,320,235**
Capital increase	75,000,000	-	-	-	(75,000,000)	-	-	-	-
Transfer to retained earnings	-	-		5,509,687	22,304,878	(27,814,565)	-	-	-
Depreciation transfer	-	-	(14,104,935)	-	14,104,935	-	-	-	-
Increase in revaluation of fixed asset	-	-	33,509	-	-	-	33,509	11,291	44,800
Actuarial losses on employee severance indemnity	-	-	(1,082,912)	-	-	-	(1,082,912)	-	(1,082,912)
Net loss for the period	-	-	-	-	-	(10,932,931)	(10,932,931)	838,375	(10,094,556)
Dividends paid	-	-	-	-	(4,006,021)	-	(4,006,021)	-	(4,006,021)
Transactions with non-controlling interests	-	-	-	-	-	-	-	10,080,000	10,080,000
Fixed asset derecognition	-	-	(187,547)	-	187,547	-	-	-	-
Capital increase without participation payment	-	-	-	-	25,354	-	25,354	1,680	27,034
Balance at 31 December 2012 (End of the period)	**375,000,000**	**22,763,962**	**199,829,275**	**25,832,374**	**(25,566,961)**	**(10,932,931)**	**586,925,719**	**18,362,861**	**605,288,580**
CURRENT PERIOD									
Balance at 1 January 2013 (Beginning of the period)	**375,000,000**	**22,763,962**	**148,267,150**	**25,832,374**	**16,366,446**	**414,348**	**588,644,280**	**18,362,880**	**607,007,160**
Changes in accounting policies	-	-	(995,866)	-	(87,046)	1,082,912	-	-	-
Changes and errors in accounting estimates	-	-	52,557,991	-	(41,846,361)	(12,430,191)	(1,718,561)	(19)	(1,718,580)
1 January 2013 Restated (*)	**375,000,000**	**22,763,962**	**199,829,275**	**25,832,374**	**(25,566,961)**	**(10,932,931)**	**586,925,719**	**18,362,861**	**605,288,580**
Transfer to retained earnings	-	-	-	-	(10,932,931)	10,932,931	-	-	-
Depreciation transfer	-	-	(2,986,126)	-	2,986,126	-	-	-	-
Actuarial losses on employee severance indemnity	-	-	90,574	-	-	-	90,574	(486)	90,088
Net loss for the period	-	-	-	-	-	(118,161,434)	(118,161,434)	(8,896,946)	(127,058,380)
Transactions with non-controlling interests	-	-	-	-	-	-	-	17,665,200	17,665,200
Balance at 31 December 2013 (End of the period)	**375,000,000**	**22,763,962**	**196,933,723**	**25,832,374**	**(33,513,766)**	**(118,161,434)**	**468,854,859**	**27,130,629**	**495,985,488**

(*): For restatement please see note 2.3.

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2013

	Notes	*Audited* Current Period 01.01 - 31.12.2013	*Audited Restated (*)* Prior Period 01.01 - 31.12.2012
A. CASH FLOWS FROM OPERATING ACTIVITIES		**87,916,203**	**(112,982,837)**
Net loss for the period		(127,058,380)	(10,094,556)
Adjustments for net profit/loss for the period reconciliation		**142,285,622**	**25,322,017**
Adjustments for depreciation and amortization	16, 19	31,464,909	42,349,697
Adjustments for provision for impairment/cancellation on inventories	12	(291,482)	512,969
Adjustments for provision for employee severance indemnity and vacation pay liability	29	4,974,036	2,050,002
Adjustments for interest income and expenses		3,866,907	(3,840,928)
Adjustments to loss/(gain) on fair value of financial instruments	15, 48	8,429,084	(113,353)
Adjustments for tax expense/(income)	42	(29,054,425)	(1,605,983)
Adjustments for gain/loss on disposal of fixed asset	37	(625,866)	(3,097,725)
Unrealized foreign exchange loss /(gain)		123,522,459	(10,932,662)
Changes in working capital		**76,319,365**	**(122,265,308)**
Adjustments for (increase)/decrease in inventories		(126,118,631)	17,849,875
Adjustments for (increase)/decrease in trade receivables		(64,099,694)	(68,788,242)
Adjustments for (increase)/decrease in other receivables		(878,414)	(131,634)
Adjustments for increase/(decrease) in trade payables		206,693,659	(33,875,868)
Adjustments for increase/(decrease) in other payables		2,406,754	(4,455,733)
Adjustments for increase/(decrease) in working capital		58,315,691	(32,863,706)
Net cash provided by/(used in) operating activities		**91,546,607**	**(107,037,847)**
Taxes paid	42	(1,871,352)	(4,851,384)
Employee termination benefits paid	29	(1,759,052)	(1,093,606)
B. CASH FLOW PROVIDED BY INVESTING ACTIVITIES		**(382,573,421)**	**(332,009,142)**
Cash inflows from disposal of tangible and intangible assets		625,866	4,305,113
Cash outflows by acquisition of tangible and intangible assets		(389,265,899)	(347,754,420)
Capital increase in subsidiaries	55	17,665,200	10,080,000
Cash outflows on derivative instruments		(19,712,569)	(940,934)
Cash inflows on derivative instruments		8,113,981	2,301,099
C. NET CASH PROVIDED BY FINANCING ACTIVITIES		**571,524,904**	**217,432,034**
Cash inflows from bank borrowings		2,081,343,241	1,012,817,445
Cash outflows by repayment of loans and borrowings		(1,496,272,430)	(795,286,768)
Interest received		8,358,555	12,358,113
Interest paid		(21,904,462)	(8,450,735)
Dividends paid		-	(4,006,021)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**276,867,686**	**(227,559,945)**
D. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD	**7**	**88,440,657**	**316,000,602**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	**7**	**365,308,343**	**88,440,657**

(*): For restatement please see note 2.3.

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

1. ORGANIZATION AND NATURE OF BUSINESS

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

Based on Accounting Standards Communiqué of Capital Markets Board ("CMB"), subsidiaries included in the accompanying consolidated financial statements are as follows.

Company Name	Operating Activities	31 December 2013 Shareholding rate	31 December 2012 Shareholding rate
Akdemir Çelik Sanayi ve Tic. A.Ş.	Iron-steel production	99.98%	99.98%
İDÇ Liman İşletmeleri A.Ş.	Harbor operating	99.98%	99.98%
İzdemir Enerji Elektrik Üretim A.Ş.	Energy production	74.80%	74.80%

Shareholding structure:

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

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

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

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

Shareholder's name	Share Amount (TL)	Share (%)
Şahin Şirketler Grubu Holding A.Ş.	138,748,980	75.00
Koç Haddecilik Teks. İnş. San. ve Tic. A.Ş.	36,999,728	20.00
Adil Koç	4,624,966	2.50
Ahmet Koç	4,624,966	2.50
Total	**184,998,640**	**100.00**

Category-based number of employees is as follows:

Period	Blue Collar	White Collar	Manager	Top level manager	Total
31 December 2013	1,163	442	28	7	1,640
31 December 2012	946	376	26	7	1,355

The Company's investments and associates as of 31 December 2013 are as follows.

	Share (%)	TL
Investments and Associates		
İtaş İzmir Teknopark Ticaret A.Ş.	0.125	2,547
Sivas Demir Çelik İşletmeleri A.Ş.	0.002	445,357
Enda Enerji Holding A.Ş.	0.24	415,601
Egenda Ege Enerji Üretim A.Ş.	0.03	40,062
İzmir Hava Yolları A.Ş.	0.01	4,333
Impairment provision		
Sivas Demir Çelik İşletmeleri A.Ş.		(445,357)
TOTAL		**462,543**

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

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

The accompanying consolidated financial statements have been prepared in accordance with the communiqué Serial: II, No: 14.1 "Basis for Financial Reporting in the Capital Markets" issued by CMB which is published on 13 June 2013 in the Official Gazette numbered 28676. The Companies which are reporting under CMB legislation are required to apply Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS"/"TFRS") which are published by Public Oversight of Accounting and Auditing Standards Board ("POA").

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

Basis of presentation of financial statements

The accompanying consolidated financial statements are presented in accordance with "Declaration about Financial Statements and Disclosures Format" that was published by CMB on 7 June 2013.

Classifications have been made in comparative periods as required by the mentioned communiqué. (Note 2.2)

Approval of Consolidated Financial Statements

The Group's consolidated financial statements were approved by the board of directors of the Company on 3 March 2014. The General Assembly has the right to amend the financial statements after the publication of the financial statements.

Functional and presentation currency

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

Basis of Consolidation

Subsidiaries

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

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

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

The table below sets out all the subsidiaries included in the scope of consolidation and, shows the Group’s share of control as at 31 December 2013 and 31 December 2012:

	31 December 2013	**31 December 2012**
Akdemir Çelik Sanayi ve Tic. A.Ş.	99.98%	99.98%
İDÇ Liman İşletmeleri A.Ş.	99.98%	99.98%
İzdemir Enerji Elektrik Üretim A.Ş.	74.80%	74.80%

Transactions eliminated on consolidation

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

Comparative Information

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

The Group has prepared consolidated statement of financial position as at 31 December 2013 comparatively with the consolidated statement of financial position as at 31 December 2012, and consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in shareholders’ equity for the period ended 31 December 2013 comparatively with the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in shareholders’ equity for the period ended 31 December2012.

Offsetting

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

2.2. Changes in Accounting Policies

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

- If a standard or interpretation makes it necessary or
- If it will provide more appropriate and reliable presentation for financial position of the company, performance or effect of transactions and events over cash flows.

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

The significant accounting policies applied in presenting the consolidated financial statements for the period ended 31 December 2013 are similar with those of expressed in detail in the financial statements dated 31 December 2012, except for the adoption of the following accounting standard changes.

The Group adopted TAS 19 Employee Benefits (2011) and changed its basis for determining the expense related to defined benefit obligations. The change in accounting standard has been applied retrospectively.

In the scope of standard TAS 19, the Group has changed the basis of calculation of the provision for employee severance indemnity. All actuarial gains and losses; which were recognized in the consolidated statement of profit or loss previously; are now reported in the statement of other comprehensive income. The change in accounting standard has been applied retrospectively. It reduced the employee severance indemnity expense recognized in profit or loss and correspondingly increased "actuarial loss on employee benefits" recognized in other comprehensive income by TL 1,082,912 for the twelve -month period ended 31 December2012.

The consolidated financial statements of the Group for the previous periods have been restated as of 31 December 2013 in accordance with the communiqué Serial: II, No: 14.1 "Basis for Financial Reporting in the Capital Markets" ("Communiqué No: II-14.1") issued by CMB on 13 June 2013 in the Official Gazette numbered 28676.

Based on the mentioned communiqué, foreign exchange gains and losses from main operating activities that were presented under financial income and expenses in prior period are classified under other income from operating activities and other expenses from operating activities in the current period. Rediscount income, rediscount expenses and due date difference income have been classified to other income from operating activities and other expenses from operating activities in the current period, whereas they were reported under finance income and finance expense in prior period. Gain on sale of fixed asset, which was previously reported in other income from operating activities, has been reported in income from investing activities in the current period. Further, fair value differences of derivative instruments, which were reported previously in finance income and finance expense, have been reported in income from investing activities and expense from investing activities in the current period. Interest income, which was reported previously in finance income, has been classified in income from investing activities in the current period.

The restated and previously reported amounts of accounts that were changed based on the issue above are as follows:

	Restated 31 December 2012	Previously Reported 31 December 2012
Other Income from Operating Activities	3,633537	7,388,870
Other Expenses from Operating Activities (-)	(3,640,447)	(1,323,085)
Income From Investing Activities	7,088,747	-
Expense From Investing Activities (-)	(1,902,134)	-
Financial Income	63,386,731	115,821,428
Financial Expenses (-)	(34,253,914)	(86,740,062)

The Group classified freight costs under the cost of service rendered effective from 1 January 2013 which were formerly recorded under the sales discounts. Thus, the freight cost amounting to TL 55,899,012 is classified to the cost of goods sold in the comparative consolidated statement of profit or loss dated 1 January-31 December 2012.

2.3. Changes and Errors in Accounting Estimates

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

The Group has reviewed the useful lives of production buildings listed under property, plant and equipment and noted that the depreciation at production facilities were higher compared to initial evaluation and decided to reduce the useful lives of the mentioned assets retrospectively from 50 years to 20 in compliance with IAS 8-13.b. Furthermore, the Group has realized that while the impairment losses on fixed assets and depreciation expenses computed over revaluation fund were reported in the statement of other comprehensive income, it should have been recognized in the statement of profit or loss. In this respect, the Group has restated the financial statements of previous years in compliance with IAS 8-22. Therefore, as a result of restatement the fixed assets were changed by TL 9,295,945, deferred tax asset was changed by TL 14,034,948, deferred tax liability was changed by TL 15,894,139, revaluation fund was changed by TL 63,662,227, retained earnings / losses were changed by TL (31,413,234), net profit / loss for the period was changed by TL (24,812,656) and non-controlling interests were changed by TL 417 as at 1 January 2012 and inventories were changed by TL (146,048) , fixed assets were changed by TL (2,002,173), deferred tax asset was changed by TL 10,040,243, deferred tax liability was changed by TL 9,610,602, revaluation fund was changed by TL 51,562,125, retained earnings / losses were changed by TL (41,933,407), net profit / loss for the period was changed by TL (11,347,279) and non-controlling interests were changed by TL (19) as at 31 December 2012.

The restated and previously reported amounts of accounts that were changed based on the issue above are as follows.

	Restated 1 January 2012	**Previously Reported 1 January 2012**
Property, plant and equipment	513,171,886	503,875,941
Deferred tax asset	18,129,412	4,094,464
Deferred tax liability	49,990,631	34,096,492
Revaluation fund	215,171,160	151,508,933
Retained earnings	16,816,346	48,229,580
Net profit for the period	27,814,565	52,627,221
Non-controlling interests	7,431,515	7,431,098

	Restated 31 December 2012	**Previously Reported 31 December 2012**
Inventories	216,795,741	216,941,789
Property, plant and equipment	817,660,663	819,662,836
Deferred tax asset	14,178,500	4,138,257
Deferred tax liability	43,602,055	33,991,453
Revaluation fund	199,829,275	148,267,150
Retained earnings/(losses)	(25,566,961)	16,366,446
Net profit/(loss) for the period	(10,932,931)	414,348
Non-controlling interests	18,362,861	18,362,880

2.4. Changes in TFRS

Standards and interpretations that are applied and have not been adopted as at 31 December 2013:

(a) ***New standards and interpretations adopted as of 31 December 2013***

The Group reports under CMB legislation and has applied Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS"/"TFRS") which are published by Public Oversight Accounting and Auditing Standards Authority ("CMB Financial Reporting Standards"), in accordance with the fifth paragraph of the Communiqué No: II-14.1, as at 31 December 2013.

(b) Standards and interpretations that are not yet effective as of 31 December 2013

TFRS 9 Financial Instruments

TFRS 9 (2010) introduces additions relating to financial liabilities. The TASB has replaced the currently effective requirements in TFRS 9 (2011) with respect to classification, valuation, and fair value differences of fair value through profit or loss financial liabilities. Fair value differences of fair value through profit or loss financial liabilities related with credit risk should be presented under the statement of other comprehensive income. Entire changes are effective for annual periods beginning on or after 1 January 2015. The Group does not plan to adopt these standards early and it is not expected to have a major impact over financial position or performance of the Group.

TAS 32, "Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)"

The amendments clarify the simultaneous offsetting criteria. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. If the Group has presented related explanations over changes in TFRS 7, early adoption is permitted. The Group does not plan to adopt this standard early and the extent of the impact has not been determined yet.

2.5 Summary of Significant Accounting Policies

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

Revenue

Revenue is recognized on an accrual basis when the amount of the revenue can be measured reliably. The estimated customer returns, discounts and provisions are deducted from that amount. 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. Since the activities related with production, distribution and trading of energy are in the investment stage, there is no revenue recorded from these activities.

Sales of iron and steel:

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

- The Group has transferred all significant risks and rewards of ownership of the goods to the buyer,
- The Group retains neither continuing managerial involvement associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service delivery:

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

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

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

Rent income:

Proceeds achieved through renting the group owned-ships are accounted linearly during the rent agreement period.

Financial income and expenses

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

Dividend and interest income:

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

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

Inventories

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

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

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

Tangible Assets

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

The valuation company determined land values with market value method, building values with market value method and depreciated replacement cost method, land improvements and machinery and equipment values with depreciated replacement cost method.

The revaluation frequency depends on the differences at the fair values of tangible fixed assets.

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

Any decreases, arising on the revaluation of property, plant and equipments is recorded in profit or loss except to the extent that it reverses a revaluation increase for the same asset previously recognized in other comprehensive income. In this case the decrease is first credited to other comprehensive income and if left any, then recognized in profit or loss. In the case of sales of revalued building or land, revaluation surplus part of revalued asset is classified over accumulated profit/(loss).

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

Depreciation is computed over revalued or acquired values of property, plant and equipment on a straight-line method starting from the acquired date. Lands are not amortized. Repair and maintenance costs are transferred to the related expense account on the date of the charge.

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

Buildings	2% - 10%
Land improvements	10%
Machinery and equipment	10% - 20%
Vehicles	5% – 33%
Furniture and fixtures	20% – 33%
Leasehold Improvements	20% – Rent period

Impairment of assets

Financial Assets

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

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

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

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

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

Non-financial assets

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

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

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

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

Leases

Financial lease

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

Operational lease

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

Government Grants and Incentives

Government incentives, including non-monetary grants at fair value are included in the financial statements only if there is reasonable assurance that the Group will fulfill all required conditions and acquire the incentive. A forgivable loan from government is treated as a government grant when it is probable that the entity will meet the terms for forgiveness of the loan.

The Group 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 statement of profit or loss are not income collected in cash but deducted from the accrued insurance premiums by treasury. Incentive income was offset against cost of goods sold. The Group has obtained an investment incentive certificate amounting to TL 475.000.000 for ongoing investment projects. The incentive provides exemption of VAT and customs duty.

Investment Properties

Investment properties are the real estates which are held to earn rental income and/or for capital appreciation. Investment properties were revalued on 31 December 2013. Investment properties are presented in the financial statements at their fair values determined in the revaluation work which is carried out by a CMB accredited independent valuation company. Appreciation in the mentioned properties is accounted in the consolidated statement of profit or loss.

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

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

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

Intangible Assets

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

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

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

Rights	20% – 33%
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.

Borrowing costs that are associated with loans received for the investment of energy production facility of İzdemir Enerji Elektrik Üretim A.Ş. are capitalized over construction in progress in accordance with TAS 23. All of other borrowing costs are recorded in the statement of profit or loss in the period in which they are incurred.

Financial Investments

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

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

Financial Instruments

Non-derivative financial assets

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

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

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

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

Loans and receivables

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

Cash and cash equivalents

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

Non-derivative financial liabilities

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

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

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

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

Ordinary Shares

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

Derivative Financial Instruments

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

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

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

Related Parties

Parties are considered related to the Company if;

(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 parent, 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 venturer;

(d) the party is member of the key management personnel of the Group and 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 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 is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

Details of related parties are as follows:

İDÇ Denizcilik San. ve Tic. A.Ş.

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

İzmaden Madencilik San.ve Tic.A.Ş. in Liquidation

It was established in 2008 in İzmir and has activities on mining, mineral exploration, mine operating. The company went on liquidation in April 2013. 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 domestic and international maritime and road transportation or subcontract them on the purpose of transport all kinds of freight and passengers by road and maritime. Company owns 55,803 DWT dry cargo ship. There is no commercial relationship between the Group and Şahin Gemicilik ve Denizcilik Nakliyat Sanayi Tic. A.Ş.

Agora Sigorta Aracılık Hizmetleri Ltd. Şti.

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

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

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

Dagi Giyim Sanayi ve Ticaret A.Ş.

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

Begonviller Turizm Yatçılık ve Ticaret Ltd. Şti.

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

Sarımazı Enerji Elektrik Üretim A.Ş.

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 no commercial relationship between the Group and Sarımazı Enerji Elektrik Üretim A.Ş.

Other Statement of Financial Position Items

Other statement of financial position items are stated at their registered values.

Income taxes

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

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

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

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

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

Employee Benefits

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

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

Provisions, Contingent Assets and Liabilities

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

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

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

Foreign Currency Transactions

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

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

	31 December 2013	**31 December 2012**
USD	2.1343	1.7826
EUR	2.9365	2.3517
GBP	3.5114	2.8708
CHF	2.3899	1.9430
JPY	0.0202	0.0207
AUD	1.8886	1.8477
CAD	1.9898	1.7919
DKK	0.3930	0.3152

Earnings per Share

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

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

Subsequent Events

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

Change and Errors in the Accounting Policies and Estimates

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

Segment Reporting

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

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

Statement of Cash Flows

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

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

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

Resolutions Promulgated by Public Oversight Authority

The POA has issued the Authority's Principle Decisions on the following topics for companies preparing financial statements in accordance with TAS until further amendments are made to TAS on the relevant matters. These principle decisions are issued with the aim of promoting reliability, relevance, comparability, understandability and uniformity and easing auditability of the financial information presented to users.

Details of these resolutions and impact on the Group stated as below:

Financial statement examples and user guide (2013-1): Financial statement examples and user guide are prepared topics for companies preparing financial statements in accordance with the TAS with the aim of promoting reliability, relevance, comparability, understandability and uniformity and easing auditability of the financial information presented to users. This resolution is effective from the first reporting period after that resolution publication date 20 May 2013. The Group made reclassifications explained in Note 2.3 in order to fulfill the requirements of this resolution and comply with illustrative financial statements published by CMB on 7 June 2013.

Other resolutions mentioned below became effective for the reporting periods subsequent to 21 July 2013 and applicable from annual reporting periods beginning after 31 December 2012. It is not expected that the below mentioned resolutions would have impact on the consolidated financial statements of the Group.

Accounting of Combinations under Common Control (2013-2): Combination of entities under common control should be recognized using the pooling of interest method. Thus, goodwill should not be included in the financial statements. The effect of combination of entities under common control should be recognized on "The effect of Combination of Entities or Business Under Common Control" under equity as equalizing balance. The financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred.

Accounting of Redeemed Share Certificates (2013-3): Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments.

Accounting of Cross Shareholding Investments (2013-4): Accounting of cross investment in associates is assessed based on the type of the investment, the subsidiary holding the equity based financial instruments of the parent, the associates or joint ventures holding the equity based financial instruments of the parent, the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent. With this resolution, this topic has been assessed under three main headings above and the recognition principles for each one of them has been determined.

Use of Estimates and Judgments

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

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

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

Note 2.5 – Useful lives of tangible and intangible assets
Note 16 – Tangible assets
Note 9 – Impairment loss on trade receivables
Note 27 – Provisions, contingent assets and liabilities
Note 29 – Provisions for employee severance indemnity
Note 42 – Tax assets and liabilities

3. BUSINESS COMBINATIONS

None. (31.12.2012: None)

4. SHARES IN OTHER BUSINESSES

None. (31.12.2012: None)

5. SEGMENT REPORTING

The Group operates their activities in four areas. These are iron and steel activities, ship activities, harbor activities and energy activities.

Information about Geographic Regions

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

Region	**01.01.-31.12.2013**	**01.01.-31.12.2012**
Middle East	%75	%74
Africa	%14	%16
South America	%6	%8
Other	%5	%2
	%100	**%100**

Information about Major Clients

Sales of the group are determined by depending on the fluctuations and competitive conditions in domestic and international markets. The Group is aware not to focus on a certain industry, country, individual or company in terms of the distribution of risks. Thereby, the share of the largest buyer in proceeds from iron steel operations is 13% (2012: 15%).

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

SEGMENT REPORTING

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

SEGMENT REPORTING

01.01- 31.12.2012	*Iron Steel Operations*	*Ship Operations*	*Harbor Operations*	*Energy Operations*	*Consolidation Adjustments*	*Consolidated*
Domestic Sales	533,771,992	-	5,675,185	-	(20,697,552)	518,749,625
Foreign Sales	1,111,773,989	23,771,681	464,480	-	-	1,136,010,150
Intersegment Sales	7,060,662	-	17,057,635	-	(24,118,297)	-
Total Sales	**1,652,606,643**	**23,771,681**	**23,197,300**	**-**	**(44,815,849)**	**1,654,759,775**
Cost Of Sales (-)	(1,665,096,562)	(24,804,053)	(23,208,377)	-	36,706,684	(1,676,402,308)
GROSS PROFIT/(LOSS)	**(12,489,919)**	**(1,032,372)**	**(11,077)**	**-**	**(8,109,165)**	**(21,642,533)**
General Administrative Expenses (-)	(13,449,596)	(166,884)	(936,425)	(2,021,005)	1,657,342	(14,916,568)
Marketing Expenses (-)	(15,218,605)	-	-	-	5,764,647	(9,453,958)
Other Income from Operating Activities	3,677,044	-	2,420,548	191,303	(2,655,358)	3,633,537
Other Expenses from Operating Activities(-)	(2,011,853)	(1,197,201)	(626,575)	-	195,182	(3,640,447)
OPERATING PROFIT/(LOSS)	**(39,492,929)**	**(2,396,457)**	**846,471**	**(1,829,702)**	**(3,147,352)**	**(46,019,969)**
Income from Investing Activities	7,088,747	-	-	-	-	7,088,747
Expenses from Investing Activities (-)	(1,902,134)	-	-	-	-	(1,902,134)
OPERATING PROFIT/(LOSS) BEFORE FINANCE EXPENSE	**(34,306,316)**	**(2,396,457)**	**846,471**	**(1,829,702)**	**(3,147,352)**	**(40,833,356)**
Financial Income	55,121,353	-	250,546	9,209,044	(1,194,212)	63,386,731
Financial Expenses (-)	(30,762,710)	(114,998)	(715,516)	(3,858,031)	1,197,341	(34,253,914)
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	**(9,947,673)**	**(2,511,455)**	**381,501**	**3,521,311**	**(3,144,223)**	**(11,700,539)**
Tax Income/(Expense)	**1,768,150**	**-**	**33,374**	**(195,541)**	**-**	**1,605,983**
Tax Income /(Expense)	(572,153)	-	-	-	-	(572,153)
Deferred Tax Income /(Expense)	2,340,303	-	33,374	(195,541)	-	2,178,136
PROFIT/(LOSS) FOR THE PERIOD	**(8,179,523)**	**(2,511,455)**	**414,875**	**3,325,770**	**(3,144,223)**	**(10,094,556)**
Profit /Loss Attributable to						
Non-controlling Interests	241	-	(52)	838,186	-	838,375
Owners of the Company	(8,179,764)	(2,511,455)	414,927	2,487,584	(3,144,223)	(10,932,931)
Segment Assets						
Tangible and Intangible Fixed Assets, Investment Properties	413,130,247	88,927,406	91,258,879	263,790,284	-	857,106,816
Purchases of Tangible and Intangible Fixed Assets	103,910,746	41,854	1,021,417	244,343,033	-	349,317,050
Depreciation and Amortization Expenses	33,680,144	6,173,889	3,560,455	120,463	-	43,534,951

6. RELATED PARTY DISCLOSURES

As of 31 December 2013, there is no provision for doubtful receivables for trade and other receivables and guarantee for receivables regarding related parties. Similarly, there is no guarantee given for trade and other payables regarding related parties.

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

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

Due from related parties

	31 December 2013	31 December 2012
İDÇ Denizcilik San. Tic. A.Ş.	7,860	11,371
Begonviller Turizm Yatçılık Ltd. Şti.	1,077	1,004
İzmaden Madencilik San. ve Tic.A.Ş.	-	993
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	-	5,385
Sarımazı Enerji Elektrik Üretim A.Ş.	999	932
	9,936	**19,685**

Due to related parties

	31 December 2013	31 December 2012
İDÇ Denizcilik San. ve Tic. A.Ş.	800,202	633,821
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	40,011	101,545
	840,213	**735,366**

Other payables to related parties

	31 December 2013	31 December 2012
Şahin - Koç Çelik Sanayi A.Ş.	2,924,044	-
Other	-	6,704
	2,924,044	**6,704**

Income from related parties in revenue

	01.01.-31.12.2013	01.01.-31.12.2012
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	228,890	274,136
Sivas Demir Çelik İşletmeleri A.Ş.	-	554,433
	228,890	**828,569**

Purchases from related parties in cost of goods sold

	01.01.-31.12.2013	01.01.-31.12.2012
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	7,292,590	6,631,597
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	2,447,705	1,493,312
	9,740,295	**8,124,909**

İDÇ Denizcilik Sanayi ve Ticaret A.Ş. provides staff recruitment, maintenance and technical support to the vessels of the Company.

Expenses from related parties in marketing expenses

	01.01.-31.12.2013	01.01.-31.12.2012
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	1,228,136	1,404,062
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	188,423	119,033
	1,416,559	**1,523,095**

Expenses from related parties in general administrative expenses

	01.01.-31.12.2013	01.01.-31.12.2012
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	198,034	1,045,439
	198,034	**1,045,439**

Income from related parties in other income from operating activities

	01.01.-31.12.2013	01.01.-31.12.2012
İDÇ Denizcilik San. ve Tic. A.Ş.	215,737	176,903
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	57,957	41,473
Şahin Gemicilik Nakliyat San. ve Tic. A.Ş.	3,180	3,238
İzmaden Madencilik San.ve Tic. A.Ş.	1,380	2,162
Begonviller Turizm Yatçılık Ltd. Şti.	1,273	2,171
Sarımazı Enerji Elektrik Üretim A.Ş.	1,207	2,109
Sivas Demir Çelik İşletmeleri A.Ş.	600	-
Şahin Şirketler Grubu Holding A.Ş.	300	-
Şahin - Koç Çelik Sanayi A.Ş.	80	-
	281,714	**228,056**

Purchase of tangible fixed assets from related parties

	01.01.-31.12.2013	01.01.-31.12.2012
Agora Sigorta Aracılık Hizmetleri Ltd.Şti. (*)	46,111	44,722
İDÇ Denizcilik San. ve Tic. A.Ş.	-	12
Begonviller Turizm Yatçılık Ltd. Şti.	-	17,748
	46,111	**62,482**

(*) Related balance comprises from insurance costs for import of fixed assets.

Key management personnel compensation

Total benefits provided to top management (Board of Directors, Executive Board, General Manager and Assistants of General Manager) during the current period amounted to TL 1,837,530 (01.01.-31.12.2012: TL 1,224,824).

7. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash on hand	44,151	63,484
Bank - demand deposits	14,762,075	5,586,800
Bank - time deposits	350,133,200	82,694,421
Bank - interest accruals of time deposits	368,917	95,952
	365,308,343	**88,440,657**

As of 31 December 2013, there are no blockage and pledge over the Group’s time and demand deposits. (31 December 2012: None)

Demand Deposits

	31 December 2013		31 December 2012	
	Foreign Currency Balance	TL Balance	Foreign Currency Balance	TL Balance
TL	1,284,712	1,284,712	867,082	867,082
USD	5,843,020	12,470,758	2,348,449	4,186,345
EUR	253,909	745,603	119,833	281,811
JPY	10,135,064	205,042	9,409,767	194,368
GBP	11,577	40,652	12,346	35,443
CAD	1,379	2,744	5,670	10,160
DKK	7,926	3,115	7,926	2,498
AUD	4,496	8,491	4,496	8,306
CHF	401	958	405	787
		14,762,075		
Total				**5,586,800**

Time Deposits

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

Currency	Weighted Average Interest Rate	Maturity Date	TL Balance 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

8. FINANCIAL INVESTMENTS

As of 31 December 2013 and 31 December 2012, shareholdings at non-current financial investments are as follows.

Name of Company	Share (%)	31 December 2013	Share (%)	31 December 2012
Investments and Associates				
İtaş İzmir Teknopark Ticaret A.Ş.	0.125	2,547	0.125	2,547
Sivas Demir Çelik İşletmeleri A.Ş.	0.002	445,357	0.002	445,357
Enda Enerji Holding A.Ş.	0.38	415,601	0.38	415,601
Egenda Ege Enerji Üretim A.Ş.	0.07	40,062	0.07	40,062
İHY İzmir Havayolları A.Ş.	0.02	4,333	0.22	4,333
Impairment				
Sivas Demir Çelik İşletmeleri A.Ş. (1)		(445,357)		(445,357)
Total		**462,543**		**462,543**

(1) A full provision was recorded for Sivas Demir Çelik İşletmeleri A.Ş. which was transferred to Savings Deposit Insurance Fund in 2004 based on the frame of article 376; Turkish Commercial Code since the Company lost its capital.

As of 31 December 2013, there is no financial asset given as guarantee for liabilities of the companies (31.12.2012: None).

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

Sivas Demir Çelik İşletmeleri A.Ş

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

ENDA Enerji Holding A.Ş.

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

EGENDA Ege Enerji Üretim A.Ş.

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

İHY İzmir Havayolları A.Ş

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

İTAŞ İzmir Teknopark Ticaret A.Ş.

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

9. TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

	31 December 2013	**31 December 2012**
Trade receivables	134,715,584	95,323,482
Notes receivables	44,166,660	14,894,063
Doubtful trade receivables	47,197	62,316
Provision for doubtful trade receivables (-)	(47,197)	(62,316)
Discount on trade receivables (-)	(1,269,608)	(92,696)
	177,612,636	**110,124,849**

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

Trade receivables are rediscounted by using effective interest method. The effective discount rate used is 2.49%, 2.95% and 10.13% for receivables denominated in USD, EUR and TL respectively.

Maturity detail of notes receivable as of 31 December 2013 and 31 December 2012 are as follows.

	31 December 2013	31 December 2012
1-30 days	16,997,375	14,565,035
30-90 days	21,884,303	329,028
90-120 days	5,284,982	-
	44,166,660	**14,894,063**

The movement of provision for doubtful trade receivables is as follows.

	01.01.-31.12.2013	01.01.-31.12.2012
Beginning of the period	62,316	46,759
Collections during the period	(26,152)	(2,198)
Provision for the period	11,033	17,755
End of the period	**47,197**	**62,316**

Short term trade payables

	31 December 2013	31 December 2012
Trade payables	447,674,098	177,472,623
Expense accruals	2,674,992	1,907,325
Discount on trade payables (-)	(720,053)	(123,656)
	449,629,037	**179,256,292**

TL 347,950,703 of trade payables as of 31 December 2013 is comprised of letters of credit issued for the purchase of raw materials (2012: TL 162,357,143). Letters of credits have maturity due to the triple alliance between corresponding bank and issuing bank. In accordance with letter of credit terms, foreign suppliers collected their receivables in cash with discount. Accrued expenses as of 31 December 2013 and 31 December 2012 consist of interests incurred on deferred payment letters of credit concerning purchase of raw materials.
Akreditifler, akreditifi açan yurt içi banka ve aracı olan yurt dışı banka ile yapılan üçlü anlaşma gereği vadelidir

Trade payables are rediscounted by using effective interest method. The effective discount rate used is 2.49%, 2.95% and 10.13% for payables denominated in USD, EUR and TL respectively.

Long term trade payables

	31 December 2013	31 December 2012
Trade payables	-	27,864,823
	-	**27,864,823**

As of 31 December 2012, long term trade payables compose of the progress billings of domestic and foreign engineering companies associated with the construction of power plant investment.

10. RECEIVABLES AND PAYABLES FROM FINANCE SECTOR ACTIVITIES

None. (31.12.2012: None)

11. OTHER RECEIVABLES AND PAYABLES

Short term other receivables

	31 December 2013	31 December 2012
Deposit and guarantees given	688,298	108,453
	688,298	**108,453**

Long term other receivables

	31 December 2013	31 December 2012
Deposit and guarantees given	397,257	98,688
	397,257	**98,688**

Short term other payables

	31 December 2013	31 December 2012
Taxes and duties payable	276,005	808,409
Deposits and guarantees received	86,109	67,328
Other payables	115,596	103,056
	477,710	**978,793**

12. INVENTORIES

	31 December 2013	31 December 2012
Raw materials	75,951,993	100,622,381
Work in process	65,780,721	50,006,748
Finished goods	125,236,076	58,169,864
Goods in transit (*)	79,838,806	8,509,717
Impairment on inventories (**)	(221,487)	(512,969)
	346,586,109	**216,795,741**

As of 31 December 2013, the insurance coverage on inventories is TL 46,984,000 (31 December 2012: TL 42,330,600). As of 31 December 2013, the depreciation expenses capitalized on inventories is TL 3,380,255 (31 December 2012: TL 1,185,254). (Note 16)

As of 31 December 2013, there is no inventory collateralized against liabilities (31 December 2012: None).

(*) Goods in transit are composed of the imported goods by the Group on the way.

(**) The Group set a provision for impairment on finished goods and also recognized under cost of goods sold in the statement of profit or loss in case the book value is less than net realizable value.

Movement of provision for impairment on inventories is as follows.

	01.01.-31.12.2013	**01.01.-31.12.2012**
Beginning of the period	512,969	-
Reversal of prior period	(512,969)	-
Impairment on inventories provision for current period	221,487	512,969
End of the period	**221,487**	**512,969**

13. BIOLOGICAL ASSETS

None. (31.12.2012: None)

14. PREPAID EXPENSES

Short Term Prepaid Expenses

	31 December 2013	**31 December 2012**
Order advances given	13,919,978	5,276,977
Insurance expenses	636,303	423,737
Financial expense	2,003,482	290,275
Information technology expenses	45,820	42,430
Rent expenses	148,197	-
Other expenses	15,540	40,777
	16,769,320	**6,074,196**

Long Term Prepaid Expenses

	31 December 2013	**31 December 2012**
Fixed asset order advances (*)	594,000	47,028,148
Insurance expenses	-	211,690
Other expenses	13,525	-
	607,525	**47,239,838**

(*) Fixed asset order advances are related with the advances paid for the construction of power plant facilities of İzdemir Enerji Elektrik Üretim A.Ş.

15. INVESTMENT PROPERTIES

The group appointed a CMB accredited independent valuation company in order to find out the fair values of the investment properties. Correspondingly, investment properties are presented in the consolidated financial statements at their fair values. Change in the fair value is recorded in the statement of profit or loss. The valuation company used market value method as valuation method.

	2013	**2012**
1 January	39,197,464	39,197,464
Fair value changes	5,014,536	-
Fair value at 31 December	**44,212,000**	**39,197,464**

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

City	**District**	**Village**	**Nature**	**Purchase cost**	**Fair Value 31 December 2013**	**Fair Value 31 December 2012**
İzmir	Foça	Samurlu	Field	1,630,159	8,812,000	8,062,150
İzmir	Foça	Horozgediği	Field	105,768	2,145,000	2,134,470
İzmir	Foça	Horozgediği	Land	2,207,171	33,255,000	29,000,844
				3,943,098	**44,212,000**	**39,197,464**

16. PROPERTY, PLANT AND EQUIPMENT

For the period ended 31 December 2013, movement in the property, plant and equipment is as follows.

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

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

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

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

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

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

The carrying amounts of each class of property, plant and equipment that would have been recognized if the assets had been carried at their book values at 31 December 2013 and 31 December 2012 are as follows.

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

31 December 2012	Lands	Buildings and land improvements	Machinery and equipment
Cost	7,299,741	205,541,986	440,524,037
Accumulated depreciation (-)	-	(168,792,307)	(336,288,565)
Net Book Value	**7,299,741**	**36,749,679**	**104,235,472**

For the period ended 31 December 2012, movement in the property, plant and equipment is as follows.

	Lands	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and Fixtures	Leasehold improvements	Construction in progress	Total
Cost									
1 January 2012	198,205,573	16,495,391	215,163,148	470,947,196	121,245,110	7,534,633	324,099	57,587,063	1,087,502,213
Additions	56,000	-	-	2,995,871	1,422,383	748,056	-	343,898,122	349,120,432
Disposals	-	-	-	(44,381,004)	(55,656)	(1,066,653)	-	-	(45,503,313)
Transfers	-	353,287	4,037,734	33,815,634	463,143	1,484	-	(38,671,282)	-
31 December 2012	**198,261,573**	**16,848,678**	**219,200,882**	**463,377,697**	**123,074,980**	**7,217,520**	**324,099**	**362,813,903**	**1,391,119,332**
Accumulated depreciation									
1 January 2012	-	(11,862,786)	(156,762,682)	(374,853,229)	(24,296,613)	(6,335,075)	(219,942)	-	(574,330,327)
Additions	-	(1,714,931)	(16,743,490)	(17,283,001)	(7,190,417)	(463,852)	(28,576)	-	(43,424,267)
Disposals	-	-	-	43,173,616	55,656	1,066,653	-	-	44,295,925
31 December 2012	**-**	**(13,577,717)**	**(173,506,172)**	**(348,962,614)**	**(31,431,374)**	**(5,732,274)**	**(248,518)**	**-**	**(573,458,669)**
Net Book Value as of 31 December 2011	**198,205,573**	**4,632,605**	**58,400,466**	**96,093,967**	**96,948,497**	**1,199,558**	**104,157**	**57,587,063**	**513,171,886**
Net Book Value as of 31 December 2012	**198,261,573**	**3,270,961**	**45,694,710**	**114,415,083**	**91,643,606**	**1,485,246**	**75,581**	**362,813,903**	**817,660,663**

As of 31 December 2012, the insurance coverage for fixed assets amounted to TL 947,560,952 (TL 122,108,100 of is for ships). The depreciation expense of tangible fixed assets for the period 1 January – 31 December 2012 amounted to TL 43,424,267. As of 31 December 2012, the depreciation expenses associated with tangible fixed assets and capitalized on inventories amounted to TL 1,185,254. (Note 12)

A first mortgage was placed on the property in the town of Horozgediği in Aliağa in favor of Türkiye Garanti Bankası A.Ş. on 14 November 2011 amounting to TL 1,100,000,000. The mortgage is related with the long-term 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 2011: 1,100,000,000).

Construction in progress as of 31 December 2012, part of the ongoing modernization of the factory of İzmir Demir Çelik Sanayi A.Ş., is composed of İzmir Demir Çelik Sanayi A.Ş TL 96,404,855 for continuous casting machine and medium section mill; TL 3,088,949 new finished goods hallway in rolling plant; TL 176,816 for factory modernization of Akdemir Çelik Sanayi ve Ticaret A.Ş., TL 349,809 for building seaport dock for İDÇ Liman İşletmeleri A.Ş. and TL 262,793,474 for expenditures concerning power plant investment of İzdemir Enerji Elektrik Üretim A.Ş.

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 5,180,921).

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

	01.01.-31.12.2013	**01.01.-31.12.2012**
Cost of goods sold	22,709,729	32,109,605
Cost of service	8,213,425	9,734,344
Capitalized over inventories (*)	3,746,893	1,185,254
General administrative expenses (Note 35)	202,832	366,324
Other operating expenses (Note 36)	86,285	28,740
	34,959,164	**43,424,267**

(*) TL 3,380,255 of the related amount composes of depreciation amount that is capitalized over inventories. (31 December 2012: TL 1,185,254) (Note 12)

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

None. (31.12.2012: None)

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

None. (31.12.2012: None)

19. INTANGIBLE ASSETS

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

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

Cost	**Rights**	**Total**
1 January 2012	1,259,251	1,259,251
Purchases	196,618	196,618
31 December 2012	**1,455,869**	**1,455,869**
Accumulated amortization		
1 January 2012	(1,096,496)	(1,096,496)
Charge for the period	(110,684)	(110,684)
31 December 2012	**(1,207,180)**	**(1,207,180)**
Net Book Value as of 31 December 2011	**162,755**	**162,755**
Net Book Value as of 31 December 2012	**248,689**	**248,689**

Amortization expenses for the period 1 January – 31 December 2012 amounted to TL 110,684. As of 31 December 2012, no amortization expense is capitalized on inventories associated with intangible assets.

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

	01.01.-31.12.2013	**01.01.-31.12.2012**
General administrative expenses	252,638	110,684
	252,638	**110,684**

20. GOODWILL

None. (31.12.2012: None)

21. EXPLORATION AND DEVELOPMENT OF MINERAL RESOURCES

None. (31.12.2012: None)

22. FINANCIAL LEASES

None. (31.12.2012: None)

23. CONCESSION SERVICE ARRANGEMENTS

None. (31.12.2012: None)

24. IMPAIRMENT OF ASSETS

There is no impairment of assets during the current period. (31 December2012: None)

25. GOVERNMENT GRANTS AND INCENTIVES

For the period ended 1 January – 31 December 2013, the Group has income of TL 1,906,760 from insurance premium employer share incentive based on the Labor Law numbered 4857 and Social Insurance and General Health Insurance Law numbered 5510 (1 January–31 December 2012: TL 1,511,257). This incentive granted by government is not revenue collected in cash but deducted from the accrued insurance premiums by treasury. The mentioned incentive income was offset against cost of goods sold in the financial statements.

The group has obtained an investment incentive certificate in 2011 amounting to TL 475,000,000 pertaining to the construction of İzdemir Enerji Elektrik Üretim A.Ş's power plant. Total tax advantage generated in the reporting period within the context of incentive certificate is TL 56,817,707.

26. BORROWING COSTS

In the period between 1 January 2013 and 31 December 2013, borrowing cost of power plant loan of İzdemir Enerji Elektrik Üretim A.Ş. amounting to TL 54,590,286 (2012: TL 4,957,557) is capitalized over construction in progress.

27. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2013	31 December 2012
Provisions for litigation	45,972	45,972
Provisions for commission	21,664	-
	67,636	**45,972**

Movement of provisions for litigation is as follows.

	01.01.- 31.12.2013	01.01.- 31.12.2012
Balance at the beginning of the period	**45,972**	**806,757**
Paid within the period	-	(760,785)
End of the period	**45,972**	**45,972**

As of report date, provision for the litigation of TL 45,972 consists of the court cases for İDÇ Liman İşletmeleri A.Ş. and Akdemir Çelik Sanayi A.Ş. that was prosecuted about employee severance indemnity, overtime payment and job accident. Decisions have been appealed by the Company and are being expected settlement from Supreme Court.

28. COMMITMENTS

Guarantees and bails received by the Group	31 December 2013	31 December 2012
Letters of guarantee received	78,869,206	75,865,544
Bails received	2,705,482,397	2,047,130,317
	2,784,351,603	**2,122,995,861**

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

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

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

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

	31 December 2012			
	Original Currency			**Total**
GUARANTEE- PLEDGE-MORTGAGES (GPM)	**EUR**	**USD**	**TL**	**TL**
A. Total amount of GPM given on behalf of own legal personality	250,000	-	45,356,696	45,944,621
B. Total amount of GPM given in favor of partnerships which is consolidated	-	319,500,000	1,138,540,885	1,708,081,585
C. Total amount of GPM given for assurance of third parties' debts in order to conduct of usual business activities	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
i. Total amount of GPM given in favor of parent company	-	-	-	-
ii. Total amount of GPM given in favor of other group companies which B and C don't comprise	-	-	-	-
iii. Total amount of GPM given for third parties which C doesn't comprise	-	-	-	-
Total	**250,000**	**319,500,000**	**1,183,897,581**	**1,754,026,206**

The ratio of other GPM given by the Group to the equity of the Group as of 31 December 2012 is 0%.

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

	31 December 2013			
	Original Currency			**Total**
GUARANTEE	**EUR**	**USD**	**TL**	**TL**
Given to Custom Office	250,000	-	242,181	976,306
Given to Tax Office	-	-	1,038,237	1,038,237
Given to Electricity Distribution Companies	-	-	37,909,365	37,909,365
Given to Natural Gas Distribution Companies	551,658	-	6,313,282	7,933,226
Given to Energy Market Regulatory Authority ("EMRA")	-	-	11,615,000	11,615,000
Other letters of guarantee given	-	-	192,000	192,000
Total	**801,658**	**-**	**57,310,065**	**59,664,134**

As of 31 December 2012, detail of the letters of guarantee given to the various public institutions on behalf of own legal personality of the Group is as follows.

	31 December 2012			
	Original Currency			**Total**
GUARANTEE	**EUR**	**USD**	**TL**	**TL**
Given to Custom Office	250,000	-	242,181	830,106
Given to Tax Office	-	-	1,762,045	1,762,045
Given to Electricity Distribution Companies	-	-	29,759,822	29,759,822
Given to Natural Gas Distribution Companies	-	-	1,753,648	1,753,648
Given to EMRA	-	-	11,615,000	11,615,000
Other letters of guarantee given	-	-	224,000	224,000
Total	**250,000**	**-**	**45,356,696**	**45,944,621**

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

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

As of 31 December 2012, detail of the bails that the Group and its subsidiaries are given for using various loans in favor of each other is as follows.

	31 December 2012			
	Original Currency			Total
BAIL	**EUR**	**USD**	**TL**	**TL**
Bails given to fully consolidated companies				
- Given to İzmir Demir Çelik Sanayi A.Ş.	-	12,000,000	200,000	21,591,200
- Given to Akdemir Çelik Sanayi ve Ticaret A.Ş.	-	-	4,155,000	4,155,000
- Given to İDÇ Liman İşletmeleri A.Ş.	-	-	185,885	185,885
- Given to 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**

29. EMPLOYEE BENEFITS

Payables within the context of employee benefits

	31 December 2013	31 December 2012
Payable to personnel	3,258,276	2,405,855
Social security premiums payable	2,385,073	1,550,072
Income tax payable	1,394,881	1,038,396
	7,038,230	**4,994,323**

Long term eemployee severance indemnity

	31 December 2013	31 December 2012
Employee severance indemnity	9,446,295	8,915,472
Vacation pay liability	2,571,551	-
	12,017,846	**8,915,472**

Movement of employee severance indemnity is as follows.

Employee Severance Indemnity	01.01.- 31.12.2013	01.01.- 31.12.2012
Provision at the beginning of the period	8,915,472	6,605,436
Service cost	1,946,698	1,605,893
Interest cost	719,057	571,426
Actuarial loss / (gain)	(112,610)	1,353,640
Employee severance indemnity payment	(1,759,052)	(1,093,606)
Reversal of unnecessary provisions	(263,270)	(127,317)
Provision at the end of the period	**9,446,295**	**8,915,472**

Actuarial loss amounting to TL 112,610 is recognized in other comprehensive income as of 31 December 2013 (31 December 2012: TL 1,353,640).

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

As of 31 December 2013, the amount payable as compensation for each year served is equal to one month salary subject to a ceiling of TL 3,254.44 (31 December 2012: TL 3,033.98).

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

Employee severance indemnity of the Group has been calculated as expressed in Note 2. As at 31 December 2013, the liability is computed on a thirty day wage base with a maximum of TL 3,254.44 for each year of service and utilizing the rates on date of retirement or departure.

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

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

	31 December 2013	31 December 2012
Inflation rate	%5.50	%6.74
Real discount rate	%3.78	%3.05

Consequently, as of 31 December 2013, a provision of TL 9,446,295 is recorded 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 2012: TL 8,915,472).

As of 31 December 2013, the Group's expected probability rate to pay the employee severance indemnity is 97.03% except those quitting their jobs on their own wish and those not eligible for severance pay (31 December 2012: 97.05%).

Movement of the vacation pay liability is as follows.

	01.01.-31.12.2013	**01.01.-31.12.2012**
Beginning of the period	-	-
Charge for the period	2,571,551	-
End of the period	**2,571,551**	**-**

30. EXPENSES BY NATURE

	01.01.-31.12.2013	**01.01.-31.12.2012**
Raw material costs	1,390,486,596	1,292,612,546
Utility expenses	199,060,073	175,069,424
Labor costs	91,155,772	71,836,418
Freight costs	50,647,186	58,424,139
Material cost	35,647,001	32,438,253
Depreciation and amortization expenses	35,211,802	43,534,951
General manufacturing expenses	22,598,033	15,722,872
Other	44,549,031	36,458,720
	1,869,355,494	**1,726,097,323**

31. OTHER ASSETS AND LIABILITIES

Other Current Assets

	31 December 2013	**31 December 2012**
VAT reclaimed	445,857	468,344
Deferred VAT (*)	26,484,037	13,219,297
Job advances	77,284	25,262
Personnel advances	21,297	19,709
Other various current assets	12,931	1,306
	27,041,406	**13,733,918**

(*) TL 26,187,189 of related amount composes of VAT deductible of İzdemir Enerji Elektrik Üretim A.Ş. This amount will be offset after starting operations in 2014.

Other Current Liabilities

	31 December 2013	31 December 2012
VAT payable	9,795,838	321,099
Order advances received	11,213,495	5,328,997
Short-term deferred income	118,834	167,883
Other liabilities	2,239	2,276
	21,130,406	**5,820,255**

Other Non-Current Liabilities

	31 December 2013	31 December 2012
Long-term deferred income	-	118,835
	-	**118,835**

32. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid in Capital

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

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

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

As of 31 December 2013 and 31 December 2012 the capital structure is as follows.

Shareholders	(%)	31 December 2013	(%)	31 December 2012
Şahin – Koç Çelik Sanayi A.Ş.	61.54	230,776,003	61.54	230,776,003
Halil Şahin	14.52	54,459,438	14.52	54,459,438
Other (Publicly traded)	23.94	89,764,559	23.94	89,764,559
Capital with historic value	**100.00**	**375,000,000**	**100.00**	**375,000,000**

Group A shares are the privileged shares. More than the half of the Members of Board is elected from the owners of Group A shares at the General Board. After distribution of first dividends founding shareholders are entitled to receive 10% of the remaining profit. Then, Board of Directors are entitled to receive 10% of the remaining profit.

Inflation Adjustment on Capital

	31 December 2013	31 December 2012
Inflation adjustment on capital	22,763,962	22,763,962
	22,763,962	**22,763,962**

Legal Reserves

	31 December 2013	31 December 2012
Legal reserves	25,832,374	25,832,374
	25,832,374	**25,832,374**

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

Publicly traded companies shall perform dividend distribution in accordance with the Communiqué on Dividends II-19.1 of the Capital Market Board effective as of 1 February 2014.

Companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the provisions of the related regulation. Within the scope of this communiqué, no minimum distribution rate has been determined. Companies shall pay dividends as set out in their profit distribution policies or their articles of association. Additionally, dividends can be paid via equal or different installments and companies can distribute dividend advances based on profits at interim financial statements.

Retained earnings

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

In accordance with the Communiqué II, No: 14.1; at the first time application of inflation adjustments on financial statements, equity items, namely Issue Premiums, Legal Reserves, Statue Reserves, Special Reserves and Extraordinary Reserves were carried at nominal value in the statement of financial position and restatement differences of such items were presented in equity under the previous year profit/(loss) line item in aggregate.

Revaluation Fund Gains and Losses

Revaluation Fund Gains and Losses composed of increases/decreases on valuation of tangible fixed asset and actuarial gains/losses on employee benefits.

Lands, buildings, land improvements, machinery and equipment are stated in the financial statements at their fair values determined by a CMB accredited independent valuation company on 15 August 2011, 31 December 2011 and 31 March 2012. The valuation company determined land values with market value method, building values with market value method and depreciated replacement cost method, land improvements and machinery and equipment values with depreciated replacement cost method. Lands, buildings, land improvements, machineries and equipment are reflected in the financial statements at fair values by considering valuation report study.

With amendments to standard of IAS 19 Employee Benefits, actuarial gains and losses taken into consideration in calculation of severance indemnity provision are not allowed to be accounted in statement of profit or loss. Gains and losses arising from changes in actuarial assumptions are recorded as revaluation fund gains and losses in equity.

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

	31 December 2013	**31 December2012**
Beginning of the period	199,829,275	215,171,160
Increase in the value of fixed asset	-	33,509
Depreciation transfer from revaluation fund	(3,732,658)	(17,631,169)
Deferred tax calculated over depreciation	746,532	3,526,234
Fund outflow due to sale of fixed asset	-	(187,547)
Losses on revaluation of employee benefits	113,218	(1,353,640)
Deferred tax calculated over losses on revaluation of employee benefits	(22,644)	270,728
End of the period	**196,933,723**	**199,829,275**

Non-Controlling Interests

	31 December 2013	**31 December 2012**
Shares in capital	37,806,027	20,140,827
Revaluation fund	24,692	24,692
Actuarial loss / (gain)	(486)	-
Shares in accumulated profit / (losses)	(1,802,658)	(2,641,033)
Share in profit / (loss) for the period	(8,896,946)	838,375
	27,130,629	**18,362,861**

33. REVENUE AND COST OF SALES

	01.01.- 31.12.2013	01.01.- 31.12.2012
Domestic sales	708,700,607	519,737,732
Foreign sales	1,013,129,381	1,137,395,790
Sales returns (-)	(296,081)	(16,946)
Other deductions from sales (-) (*)	(1,561,486)	(2,356,801)
Revenue	**1,719,972,421**	**1,654,759,775**
Cost of goods sold	(1,606,886,621)	(1,570,271,030)
Cost of merchandise sold	(7,487,353)	(573,185)
Cost of services	(91,139,764)	(102,379,981)
Cost of other sales	(488,807)	(3,178,112)
Cost of sales	**(1,706,002,545)**	**(1,676,402,308)**
Gross Profit	**13,969,876**	**(21,642,533)**

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

(*) The Group classified freight costs under the cost of services rendered which were formerly recorded under other deductions from sales as from 1 January 2013. The new policy has been applied retrospectively. (Note 2.2)

34. CONSTRUCTION CONTRACTS

None. (30.12.2012: None)

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

	01.01.- 31.12.2013	01.01.- 31.12.2012
General administrative expenses	(14,686,994)	(14,916,568)
Marketing expenses	(13,789,131)	(9,453,958)
	(28,476,125)	**(24,370,526)**

General Administrative Expenses

	01.01.-31.12.2013	**01.01.-31.12.2012**
Board and audit committee expenses	207,115	223,544
Personnel expenses	7,230,806	5,255,973
Travelling expenses	114,347	147,799
Food expenses	148,225	139,659
Utility expenses	134,896	139,675
Repair and maintenance expenses	408,252	192,706
Counseling and consultation expenses	369,393	360,639
Rent expenses	147,445	141,619
Insurance expenses	299,106	1,055,066
Communication expenses	323,707	296,018
Court and notary expenses	84,785	128,725
Subscription expenses	367,496	309,680
Taxes and other legal dues	1,652,606	1,398,293
Depreciation and amortization expenses (*)	455,470	477,008
Employee severance indemnity expenses	327,610	2,177,319
Stationery expenses	117,619	94,658
Representation and accommodation expenses	183,503	188,225
Vehicle expenses	812,346	614,889
Donation and charity expenses	138,741	342,010
Stock quotation fee expense	93,750	150,000
Other expenses	1,069,776	1,083,063
	14,686,994	**14,916,568**

(*) As of 31 December 2013, TL 202,832 of the related amount represents depreciation expenses of tangible fixed asset and TL 252,638 represents amortization expenses of intangible fixed asset. (31 December2012: TL 366,324 and TL 110,684) (Note 16 and 19)

Marketing Expenses

	01.01.-31.12.2013	**01.01.-31.12.2012**
Transportation expenses	4,462,302	1,036,693
Brand and registration expenses	432,186	398,698
Commission expenses	5,098,577	5,415,932
Harbor service expenses	209,925	215,228
Export expenses	775,843	762,578
Personnel expenses	2,158,745	1,320,629
Other expenses	651,553	304,200
	13,789,131	**9,453,958**

36. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other Income from Operating Activities

	01.01.- 31.12.2012	01.01.- 31.12.2012
Rediscount income	224,457	195,433
Reversal of unnecessary provisions	289,422	129,515
Warehouse income	306,131	725,530
Insurance indemnity income	797,163	1,172,054
Finance income over sales with maturity	485,592	287,465
Incomes from customs charges	704,551	575,957
Income from carriage	238,141	-
Income from ship operating charges	459,891	81,947
Other income and profits	793,824	465,636
	4,299,172	**3,633,537**

Other Expenses from Operating Activities

	01.01.- 31.12.2013	01.01.- 31.12.2012
Foreign exchange losses -net	(45,642,298)	(2,414,464)
Rediscount expenses	(1,373,902)	(210,117)
Warehouse expenses (*)	(386,648)	(312,641)
Penalty and compensations (**)	(2,036,065)	-
Customs charges	(816,500)	(636,994)
Carriage expenses	(450,307)	-
Ship operating charges	(285,727)	-
Other expense and losses	(198,672)	(66,231)
	(51,190,119)	**(3,640,447)**

(*) As of 31 December 2013, TL 86,285 of the concerned amount represents depreciation expenses related to warehouse. (31 December 2012: TL 28,740) (Note 16)

(**) Consist of system usage fines imposed by Turkish Electricity Transmission Company (TETC) for overuse of power transmission network. The fine was paid up with reservation of all rights. Items based on the fine are rearranged by Energy Market Regulatory Authority.

37. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities

	01.01.- 31.12.2013	01.01.- 31.12.2012
Value increase in properties	5,014,536	-
Premium income from option contracts	1,580,787	615,370
Changes in the fair value of derivative financial instruments	920,180	1,042,535
Gain on sales of property, plant and equipment	625,866	4,070,677
Foreign exchange gains	-	1,360,165
	8,141,369	**7,088,747**

Expenses from Investing Activities

	01.01.- 31.12.2013	01.01.- 31.12.2012
Changes in the fair value of derivative financial instruments	(14,363,800)	(929,182)
Foreign exchange losses	(11,598,588)	-
Loss on sales of property, plant and equipment	-	(972,952)
	(25,962,388)	**(1,902,134)**

38. EXPENSES CLASSIFIED BY VARIETIES

Expenses are demonstrated by their function for the nine-month periods ended 31 December 2013 and 31 December2012, and details of expenses are disclosed in Note 33 and 35.

39. FINANCIAL INCOME AND EXPENSES

Financial Income

	01.01.- 31.12.2013	01.01.- 31.12.2012
Foreign exchange gains	110,388,825	48,995,983
Interest income	8,631,264	13,088,706
Rediscount income	573,900	-
Premium income on letter of credit	322,827	1,302,042
	119,916,816	**63,386,731**

Financial Expenses

	01.01.- 31.12.2013	**01.01.- 31.12.2012**
Interest expenses	(11,922,626)	(9,233,094)
Foreign exchange losses	(182,450,618)	(22,874,943)
Commission expenses	(1,321,194)	(1,392,161)
Bank charges	(1,116,968)	(753,716)
	(196,811,406)	**(34,253,914)**

40. ANALYSIS OF OTHER COMPREHENSIVE INCOME COMPONENTS

The Group has other comprehensive expense amounted to TL 90,088 for the period ended 31 December 2013 not to be reclassified to profit or loss (31 December 2012: TL (1,038,112)). The amount is composed of losses on remeasurement of employee benefits.

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

None. (31.12.2012: None)

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

Corporate Tax Payable	**31 December 2013**	**31 December 2012**
Provision for corporate tax payable	(682,978)	(572,153)
Prepaid taxes and funds	1,871,352	4,851,384
	1,188,374	**4,279,231**

Tax Provision for the Period	**01.01.- 31.12.2013**	**01.01.- 31.12.2012**
Corporate tax provision	(682,978)	(572,153)
Deferred tax income / (expense)	29,737,403	2,178,136
	29,054,425	**1,605,983**

Corporate Tax

The Company and its subsidiaries in Turkey, are subject to corporate tax in Turkey. The estimated tax liabilities, which is regarding Group's current period operating results, are recognized in the accompanying financial statements. Corporate tax 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).

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

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

Withholding Tax:

In addition to Corporation tax, it is required to calculate withholding tax from the dividends distributed by legally obligated corporation and include in its income tax base and except dividends distributed by foreign companies to its subsidiary in Turkey. As of 23 July 2006 withholding tax rate was altered to 15%. Dividends that are added to capital without distribution are not subject to withholding tax. It is necessary to make tax withholding at 19.8% over investment allowance balance utilized based on investment incentive certificate received prior to 24 April 2003. 40% of 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 upon temporary differences arising between their financial statements prepared in accordance with CMB Communiqué Serial: II, No: 14.1 and their statutory financial statements. These temporary differences that are explained below usually result in the recognition of revenue and expenses in different reporting periods for Accounting Standards Communiqué of CMB and tax purposes.

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

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

	31 December 2013		31 December 2012	
	Temporary Difference	**Deferred Tax**	**Temporary Difference**	**Deferred Tax**
Deferred Tax Assets				
Inventories	1,444,258	288,852	903,802	180,760
Employee severance indemnity	8,314,071	1,662,814	7,670,638	1,534,128
Trade receivables	1,317,045	263,409	158,268	31,654
Financial investments	445,357	89,071	445,357	89,071
Fair values of derivative financial instruments	13,443,620	2,688,724	-	-
Other non-current and current liabilities	2,886,750	577,350	273,762	54,752
Debt provisions	45,972	9,194	45,972	9,194
Tangible and intangible assets	89,953,108	17,990,622	55,620,547	11,124,109
Other current assets	(5,581,344)	(1,116,269)	(281,021)	(56,204)
Trade payables	(2,261,207)	(452,241)	(2,105,215)	(421,043)
Tax losses carried forward	105,847,996	21,169,599	6,915,560	1,383,112
Actuarial loss fund on severance indemnity	1,132,224	226,445	1,244,835	248,967
		43,397,570		**14,178,500**
Deferred Tax Liabilities				
Fair value differences of property, plant equipment	205,463,990	41,092,799	209,196,683	41,839,337
Investment properties	40,268,902	2,013,445	35,254,366	1,762,718
		43,106,244		**43,602,055**
Deferred Tax Assets / (Liabilities)		**291,326**		**(29,423,555)**

Movements in Deferred Tax Asset / (Liability)	**01.01.-31.12.2013**	**01.01.-31.12.2012**
Balance at the beginning of the period	(29,423,555)	(31,861,219)
Tax effect of actuarial loss /(gain) of severance indemnity	(22,522)	270,728
Deferred tax income	29,737,403	2,178,136
Tax effect of fixed asset valuation increase	-	(11,200)
Balance at the end of the period	**291,326**	**(29,423,555)**

Movement of deferred tax assets and liabilities as of 31 December 2013 and 31 December 2012 are as follows.

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

	1 January 2012	Current period deferred tax income	Portion recognized in other comprehensive income	31 December 2012
Deferred Tax Assets				
Inventories	83,585	97,175	-	180,760
Employee severance indemnity	1,342,848	191,280	-	1,534,128
Trade receivables	28,031	3,623	-	31,654
Financial investments	89,071	-	-	89,071
Fair values of derivative financial instruments	22,939	(22,939)	-	-
Other non-current and current liabilities	125,011	(70,259)	-	54,752
Debt provisions	161,351	(152,157)	-	9,194
Tangible and intangible fixed assets	15,897,771	(4,773,662)	-	11,124,109
Other current assets	-	(56,204)	-	(56,204)
Trade payables	-	(421,043)	-	(421,043)
Tax losses carried forwards	400,566	982,546	-	1,383,112
Actuarial loss fund on severance indemnity	(21,761)	-	270,728	248,967
	18,129,412	**(4,221,640)**	**270,728**	**14,178,500**
Deferred Tax Liabilities				
Fair value differences of property, plant equipment	45,401,347	(3,573,210)	11,200	41,839,337
Investment properties	1,762,718	-	-	1,762,718
Cash and cash equivalents	29,086	(29,086)	-	-
Trade payables	452,350	(452,350)	-	-
Tangible and intangible fixed assets	2,345,130	(2,345,130)	-	-
	49,990,631	**(6,399,776)**	**11,200**	**43,602,055**
Net Deferred Tax Assets/ (Liabilities)	**(31,861,219)**	**2,178,136**	**259,528**	**(29,423,555)**

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

Reconciliation of tax provision	**01.01.- 31.12.2013**	**01.01.- 31.12.2012**
Net loss for the period	(127,058,380)	(10,094,556)
Total tax income	29,054,425	1,605,983
Loss before tax	(156,112,805)	(11,700,539)
Tax on profit per statutory tax rate	31,222,561	2,340,108
Discount on tax rate	752,180	-
Non-deductible expenses	(1,617,004)	(656,245)
Tax exempt income	3,643	32,319
Effect of consolidation transactions	(1,300,665)	(628,845)
Other	(6,290)	518,646
Total tax expense	**29,054,425**	**1,605,983**

As of 31 December 2013 and 31 December 2012, periods when the tax losses carried forward occurred and the latest maturities when these losses can be utilized by the Group and its subsidiaries are as follows.

		31 December 2013	**31 December 2012**
Period of tax losses occurred	Latest utilization period of tax losses	Tax losses carried forward	Tax losses carried forward
2010	2015	950,878	1,275,428
2011	2016	1,685,709	2,741,464
2012	2017	2,898,668	2,898,668
2013	2018	100,312,741	-
Total		**105,847,996**	**6,915,560**

43. EARNINGS PER SHARE

For the periods 1 January – 31 December 2013 and 1 January - 31 December2012, weighted average number of the Company shares and calculated earnings per share are as follows.

	01.01.- 31.12.2012	**01.07.- 31.12.2012**
Loss for the period attributable to parent company	(118,161,434)	(10,932,931)
Weighted average number of ordinary shares	375,000,000	375,000,000
Loss per share TL	(0.3151)	(0.0292)
Loss per share	(%31.51)	(%2.92)

44. SHARE-BASED PAYMENT

None. (31.12.2012: None)

45. INSURANCE CONTRACTS

None. (31.12.2012: None)

46. EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

None. (31.12.2012: None)

47. FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

None. (31.12.2012: None)

48. DERIVATIVE INSTRUMENTS

	31 December 2013	**31 December 2012**
Income accrual on derivative instruments	920,180	-
	920,180	**-**

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

	31 December 2013	**31 December 2012**
Expense accrual on derivative instruments	14,363,800	-
	14,363,800	**-**

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

Forward exchange transactions

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

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

The Group does not adopt hedge accounting for derivative financial instruments. As of 31 December 2013, details of forward and option contracts entered by the Group are summarized below.

Details of forward and option contracts entered by the Group are summarized below.

	31 December 2013	
	Foreign currency to be given to the bank	**Foreign currency to be received from bank**
Foreign currency forward contracts		
USD/TL	162,000,000	339,158,800
EUR/USD	3,000,000	4,096,100
EUR/TL	8,000,000	22,760,800
GBP/USD	2,600,000	4,212,480
TL/EUR	5,501,600	2,000,000
TL/USD	4,162,300	2,000,000
Foreign currency option contracts		
USD/TL	20,000,000	45,890,000
EUR/TL	4,500,000	14,725,000

	31 December2012	
	Foreign currency to be given to bank	**Foreign currency to be received from bank**
Foreign currency forward contracts		
USD/EURO	2,481,300	2,000,000
EURO/USD	2,000,000	2,507,500
Foreign currency option contracts		
USD/TL	31,000,000	71,385,000

Forward contracts:

	Maturity	**Exchange rate parity**	**Foreign currency to be given to bank**	**Foreign currency to be received from bank**
TL Sale EUR Purchase	1month	0.3639-0.3631	5,501,600	2,000,000
GBP Sale USD Purchase	1-3 months	1.6008 -1.6344	2,600,000	4,212,480
EUR Sale USD Purchase	1-4 months	1.3592 -1.3777	3,000,000	4,096,100
EUR Sale TL Purchase	1-3 months	2.788 -2.9667	8,000,000	22,760,800
USD Sale TL Purchase	1-3 months	2.0376 -2.1601	162,000,000	339,158,800
TL Sale USD Purchase	1-2 months	0.4921-0.4693	4,162,300	2,000,000

Option contracts:

	Maturity	**Exchange rate parity**	**Foreign currency to be given to bank**	**Foreign currency to be received from bank**
EUR Sale TL Purchase	3-8 months	3.2500-3.3000	4,500,000	14,725,000
USD Sale TL Purchase	1-7 months	2.0750 -2.500	20,000,000	45,890,000

49. FINANCIAL INSTRUMENTS

	31 December 2013	31 December 2012
Financial assets		
Cash and cash equivalents (Note 7)	365,308,343	88,440,657
Trade receivables (Note 6 and 9)	177,622,572	110,144,534
Financial investments (Note 8)	462,543	462,543
Financial liabilities		
Financial liabilities	1,185,884,073	481,035,645
Trade payables (Note 6 and 9)	450,469,250	207,856,481

Financial Borrowings

	31 December 2013	31 December 2012
Short term borrowings	517,799,814	214,791,939
Short term portion of long term borrowings	22,147,534	12,050,894
Factoring borrowings (*)	67,820,190	-
Total short term financial borrowings	**607,767,538**	**226,842,833**
Long term borrowings	578,116,535	254,192,812
Total financial borrowings	**1,185,884,073**	**481,035,645**

(*) Factoring borrowings are all denominated in Turkish Lira with maturity 31 March 2014.

As of 31 December 2013, there is interest expense accrual amounting to TL 4,470,872 on total financial borrowings (31 December 2012: TL 1,882,499). The mentioned accrual is included in short term borrowings.

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

As of 31 December 2013 and 31 December 2012, details of short term and long term financial borrowings in currency types are as follows.

31 December 2013

Currency	Short term	Long term	Total	TL equivalent
USD	244,829,061	259,500,543	504,329,604	1,076,390,674
EUR	4,032,308	8,263,077	12,295,385	36,105,398
TL	1,096,939	-	1,096,939	1,096,939
				1,113,593,011
Interest expense accrual				8,311,643
Total				**1,118,063,883**

31 December 2012

Currency	Short term	Long term	Total	TL equivalent
USD	120,384,615	126,375,944	246,760,559	439,875,372
EUR	4,032,308	12,295,385	16,327,693	38,397,835
TL	879,939	-	879,939	879,939
				479,153,146
Interest expense accrual				1,882,499
Total				**481,035,645**

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

Short term	**31 December 2013**	**31 December 2012**
USD borrowings	Libor 0.75 - Libor+1	%2.75 - Libor+0.75
EUR borrowings	-	Euribor+2.2 - Euribor+3
TL borrowings (*)	-	-

Long term	**31 December 2013**	**31 December 2012**
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 credit card expenses and tax payments of the Company with interest-free loans.

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

	31 December 2013	**31 December 2012**
2013	-	224,960,333
2014	540,219,365	10,168,393
2015	92,535,276	36,299,394
2016	76,178,088	30,796,418
2017-2023	404,660,282	176,928,608
	1,113,593,011	**479,153,146**

50. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Credit risk

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

	Receivables						
	Trade Receivables		Other Receivables				
Current Period 31 December 2013	**Related Party**	**Other Party**	**Related Party**	**Other party**	**Bank Deposits**	**Derivate Instruments**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**9,936**	**177,612,636**	**-**	**1,085,555**	**364,895,275**	**920,180**	**-**
- The secured part of maximum credit risk	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither impaired nor overdue	9,936	177,013,898	-	1,085,555	364,895,275	920,180	-
B. Net book value of impaired assets	-	598,738	-	-	-	-	-
C. Net book values of the impaired assets	-	-	-	-	-	-	-
- Overdue (gross book value)	-	47,197	-	-	-	-	-
- Impairment (-)	-	(47,197)	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

	Receivables						
	Trade Receivables		Other Receivables				
Prior Period 31 December 2012	**Related Party**	**Other Party**	**Related Party**	**Other Party**	**Bank Deposits**	**Derivate Instruments**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**19,685**	**110,124,849**	**-**	**207,141**	**88,281,221**	**-**	**-**
- The secured part of maximum credit risk	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither impaired nor overdue	19,685	110,027,090	-	207,141	88,281,221	-	-
B. Net book value of impaired assets	-	97,759	-	-	-	-	-
C. Net book values of the impaired assets	-	-	-	-	-	-	-
- Overdue (gross book value)	-	62,316	-	-	-	-	-
- Impairment (-)	-	(62,316)	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

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

Group did not set provisions for overdue receivables since there was no trouble with the collection from customers in the past and the receivables which were overdue in prior periods were collected without any problem.

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 2013, the ageing details of overdue however not impaired receivables of the group are as follows with their due dates.

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

Prior Period 31 December 2012	Receivables Trade Receivables	Receivables Other Receivables	Bank Deposits	Derivate Instruments	Other
Past due 1-30 days	7,434	-	-	-	-
Past due 1-3 moths	4,481	-	-	-	-
Past due 3-12 months	7,241	-	-	-	-
Past due 1-5 years	78,603	-	-	-	-
Past due 5 years or more	-	-	-	-	-
	97,759	**-**	**-**	**-**	**-**

Foreign Currency Risk:

	Current Period 31 December 2013						Prior Period 31 December 2012					
	TL Equivalent (Functional currency)	USD	Euro	JPY	GBP	Other (TL Equivalent)	TL Equivalent (Functional currency)	USD	Euro	JPY	GBP	Other (TL Equivalent)
1. Trade receivables	75,932,288	35,577,139	-	-	-	-	85,594,224	48,016,506	-	-	-	-
2a. Monetary financial assets	340,323,781	158,982,887	253,909	10,135,064	11,577	15,308	34,335,014	18,961,439	120,073	9,409,767	12,346	21,751
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	25,151	13,716	297	-	1	-
4. Current Assets (1+2+3)	**416,256,069**	**194,560,026**	**253,909**	**10,135,064**	**11,577**	**15,308**	**119,954,389**	**66,991,661**	**120,370**	**9,409,767**	**12,347**	**21,751**
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)	**416,256,069**	**194,560,026**	**253,909**	**10,135,064**	**11,577**	**15,308**	**119,954,389**	**66,991,661**	**120,370**	**9,409,767**	**12,347**	**21,751**
10. Trade payables	415,717,850	190,561,497	2,920,608	6,313,451	84,995	99	147,262,823	80,600,992	1,498,162	1,188,958	12,420	-
11. Financial liabilities	538,820,002	246,833,095	4,087,903	-	-	-	224,080,393	120,384,615	4,032,308	-	-	-
12a. Monetary other liabilities	80,613	37,770	-	-	-	-	1,949,827	994,575	75,221	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
13. Short Term Liabilities (10+11+12)	**954,618,465**	**437,432,362**	**7,008,511**	**6,313,451**	**84,995**	**99**	**373,293,043**	**201,980,182**	**5,605,691**	**1,188,958**	**12,420**	-
14. Trade payables	-	-	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	578,116,535	259,500,543	8,263,077	-	-	-	254,192,813	126,375,943	12,295,385	-	-	-
16a. Monetary other liabilities	-	-	-	-	-	-	26,949,106	14,391,087	550,901	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	**578,116,535**	**259,500,543**	**8,263,077**	-	-	-	**281,141,919**	**140,767,030**	**12,846,286**	-	-	-
18. Total Liabilities (13+17)	**1,532,735,000**	**696,932,905**	**15,271,588**	**6,313,451**	**84,995**	**99**	**654,434,962**	**342,747,212**	**18,451,977**	**1,188,958**	**12,420**	-
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	(359,107,000)	(160,000,000)	(6,000,000)	-	-	-	-	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	10,141,600	2,000,000	2,000,000	-	-	-	-	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	369,248,600	162,000,000	8,000,000	-	-	-	-	-	-	-	-	-
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	**(1,475,585,931)**	**(662,372,879)**	**(21,017,679)**	**3,821,613**	**(73,418)**	**15,209**	**(534,480,573)**	**(275,755,551)**	**(18,331,607)**	**8,220,809**	**(73)**	**21,751**
21. Net foreign currency asset / (liability) position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(1,116,478,931)	(502,372,879)	(15,017,679)	3,821,613	(73,418)	15,209	(534,505,724)	(275,769,267)	(18,331,904)	8,220,809	(74)	21,751
22. Fair value of financial instruments used in foreign currency hedges	-	-	-	-	-	-	-	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

Foreign currency risk sensitivity analysis

In case of a fluctuation by 10% in TL against foreign currencies as shown below, the statement of profit or loss is expected to 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 been included in the sensitivity analysis as they are not subject to revaluation as of 31 December 2013 and 31 December 2012.

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

(*) The group capitalizes some portion of foreign exchange differences arising from bank loans received to finance ongoing investments up to a certain extent that is allowed by the relevant accounting standard. The table above depicts the sensitivity which originated according to the net foreign currency position at the date of report, overlooking the capitalization. In fact, the foreign exchange difference which will be recognized in statement of profit or loss is likely to differentiate from the one presented above depending on the part to be capitalized during the period.

Foreign Currency Risk Sensitivity Analysis				
Prior Period 31 December 2012	**Profit / Loss**		**Equity**	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
Change in the USD against TL by 10 % :				
1- Net asset / liability of USD	(49,156,149)	49,156,149	-	-
2- USD risk hedged (-)	-	-	-	-
3- USD net effect (1+2)	**(49,156,149)**	**49,156,149**	-	-
Change in the EUR against TL by 10 % :				
4- Net asset / liability of EURO	(4,311,044)	4,311,044	-	-
5- EUR risk hedged (-)	-	-	-	-
6- EUR net effect (4+5)	**(4,311,044)**	**4,311,044**	-	-
Change in the other foreign currencies against TL by 10 % :				
7- Net asset / liability of other currency	19,136	(19,136)	-	-
8- Other currency risk hedged (-)	-	-	-	-
9- Other currencies net effect (7+8)	**19,136**	**(19,136)**	-	-
TOTAL (3+6+9)	**(53,448,057)**	**53,448,057**	-	-

Interest rate sensitivity

Interest Position Table		Current Period	Prior Period
Financial instruments with fixed interest rate			
Financial Assets	Fair value through profit or loss assets	-	-
	Available for sale assets	-	-
Financial Liabilities		516,944,845	220,445,325
Financial instruments with floating interest rate			
Financial Assets		-	-
Financial Liabilities		596,648,166	258,707,821

If annual interest rate on bank loans received as of 31 December 2013 was higher/lower by 100 basis (1%) point with all other variables remain constant; the profit before income tax would be lower/higher by TL 66,366. Only bank loans, interest expense of which are recognized in profit or loss are considered in this analysis. Interest expenses of bank loans used for investments are excluded since relevant interest expenses are capitalized.

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

Liquidity Risk

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

The Group's liquidity risk table for the period ending at 31 December 2013 is as follows.

31 December 2013

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

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

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

31 December 2012

Contractual maturities	Carrying Amount	Total contractual cash outflows (=I+II+III+IV)	Less than 3 months (I)	Between 3 – 12 months (II)	Between 1- 5 Year (III)	More than 5 Years (IV)
Non-derivative Financial Liabilities						
Bank borrowings	481,035,645	540,402,709	161,392,919	73,961,618	141,612,520	163,435,652
Trade payables	207,856,481	209,838,040	39,838,698	142,134,519	27,864,823	-
Other payables *	918,169	918,169	918,169	-	-	-
Other current liabilities *	323,375	323,375	323,375	-	-	-
Derivative Financial Liabilities (Net)						
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

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

Capital risk management

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

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

As of 31 December 2013 and 31 December 2012, the net debt / total equity ratio is as follows.

	31 December 2013	31 December 2012
Total debt (Note 49)	1,185,884,073	481,035,645
Less: Cash and cash equivalents (Note 7)	365,308,343	88,440,657
Net debt	820,575,730	392,594,988
Total shareholders' equity	495,985,488	605,288,580
Total equity	1,316,561,218	997,883,568
Net debt/Total equity ratio	%62	%39

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

"IFRS 7 – Financial Instruments: Disclosure" requires the Companies to disclose the classification and hierarchy of the data used in determining the fair values of the financial assets. The basis for the hierarchy is dependent on the conformity of the data used in fair value calculation. The independency of the source of the data, the assumptions used in calculation of the fair value effects the level of hierarchy.

In the following table, the valuation methodologies of financial instruments made valuation with their fair values are presented. They are described in terms of their levels as follows.

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

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

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

31 December 2013	**Level 1**	**Level 2**	**Level 3**
Forward contracts	-	(13,443,620)	-
	-	**(13,443,620)**	**-**

31 December 2012	**Level 1**	**Level 2**	**Level 3**
Forward contracts	-	-	-
	-	**-**	**-**

52. SUBSEQUENT EVENTS

None. (31.12.2012: None)

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

None. (31.12.2012: None)

54. DISCLOSURES IN RELATION TO STATEMENT OF CASH FLOW

As at 31 December 2013, the Group's cash flow generated from operating activities are TL 87,916,203 (31 December 2012: TL (112,982,837)), cash flow used in investing activities are TL 382,573,421 (31 December 2012: TL 332,009,142) and cash flow used in financing activities are TL 571,524,904 (31 December 2012: TL 217,432,034).

55. DISCLOSURES IN RELATION TO STATEMENT OF CHANGES IN EQUITY

As at 31 December 2013, the Group's total equity amounted to TL 495,985,488 (31 December 2012: TL 605,288,580), which is the sum of TL 468,854,859 (31 December 2012: TL 586,925,719) and TL 27,130,629 (31 December 2012: TL 18,362,861) stands for equity attributable to owners of the company and non-controlling interests respectively.

TL 17,665,200 presented in transactions with non-controlling interests in the statement of changes in equity represents the amount of capital payment made by non-controlling interests of the subsidiary İzdemir Enerji Elektrik Üretim A.Ş. (31 December 2012: TL 10,080,000)