

İZMİR DEMİR ÇELİK SANAYİ A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2011**

İZMİR DEMİR ÇELİK SANAYİ A.Ş.

	<u>Page</u>
Consolidated	2
Report of Independent auditors	3
Balance Sheet	4
Income Statement	5
Comprehensive Income statement	6
Changes in Shareholders' equity	7
Cash Flow	8-80
Notes to the Financial Statements	
Note 1 - Corporate Information and Nature of Activities	8-9
Note 2 - Basis of Presentation	10-28
Note 3 - Business Combinations	28
Note 4 - Joint Ventures	28
Note 5 - Segment Reporting	28-30
Note 6 - Cash and Cash Equivalents	31
Note 7 - Investment in Securities	32-33
Note 8 - Borrowings	34-35
Note 9 - Other Financial Liabilities	35
Note 10 - Trade Receivables and Payables	36-37
Note 11 - Other Receivables and Payables	38
Note 12 - Receivables and Payables Related to Finance Sector	38
Note 13 - Inventories	39
Note 14 - Biological Assets	39
Note 15 - Receivable and Payable from Construction Contracts	39
Note 16 - Investment in Associates	39
Note 17 - Investment Property	40
Note 18 - Property, Plant and Equipment	41-44
Note 19 - Intangible Assets	45
Note 20 - Goodwill	46
Note 21 - Government Incentives	46
Note 22 - Provisions, Contingent, Assets and Liabilities	46-47
Note 23 - Commitments	48-50
Note 24 - Employee Benefits	51-52
Note 25 - Minority Interest	52
Note 26 - Post-Retirement Benefit Plans	52
Note 27 - Other Current / Non-current Assets and Liabilities	52-53
Note 28 - Equity	54-56
Note 29 - Revenue and Cost of Sales	57
Note 30 - Research and Development Expenses	58
Note 31 - Marketing, Sales and Distribution Expense, General Administrative Expense	58-59
Note 32 - Other Operating Income / Expense	60
Note 33 - Financial Income	61
Note 34 - Financial Expenses	62
Note 35 - Fixed Assets Held For Further Sale and Abolished Activities	62
Note 36 - Tax Assets and Liabilities (Deferred Tax Assets and Liabilities Included)	63-67
Note 37 - Earning / (Losses) Per Share	68
Note 38 - Transactions with Related Parties	68-70
Note 39 - Nature and Level of Risks Arising From Financial Instruments	71-79
Note 40 - Subsequent Events	80
Note 41 - Other Issues Affecting the Consolidated Financial Statements Significantly or Required to be Disclosed for Clear, Understandable and Interpretable Presentation	80

**CONSOLIDATED FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying consolidated balance sheets, statements of income, comprehensive statements of income, changes in shareholders' equity and cash flows of İzmir Demir Çelik Sanayi Anonim Şirketi and its subsidiaries (Group) as of 31 December 2011. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue an opinion on these consolidated in financial statements based on our audit.

Responsibility of management regarding financial statements

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

Responsibility of Auditor

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

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

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

Opinion

In our opinion, accompanying consolidated financial statements are represented fairly the financial position of İzmir Demir Çelik Sanayi Anonim Şirketi as of 31 December 2011 and the results of its operations, cash flow statement for the period then ended in accordance with "Accounting Standards in Capital Markets" published by the Capital Markets Board ("CMB").

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

Dr. Ali YÜRÜDÜ
Managing Partner

Istanbul, 30 March 2012

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

	Footnote References	<i>Audited</i> 31.12.2011	<i>Audited</i> 31.12.2010
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	316.000.602	102.807.747
Financial Investments	7,1	927.838	109.109
Trade Receivables	10,1	41.417.790	20.527.069
Other Receivables	11,1	7.814	6.478
Inventories	13	233.973.331	178.595.276
Other Current Assets	27,1	29.634.505	13.037.371
Non-currents Assets			
Other Receivables	11,2	67.693	69.126
Financial Investments	7,2	435.511	544.924
Investment Properties	17	39.197.464	0
Tangible Assets	18	503.875.941	306.410.444
Intangible Assets	19	162.755	123.804
Deferred Tax Assets	36	4.094.464	3.177.545
Other Non-currents Assets	27,2	66.862.868	4.991.506
TOTAL ASSETS		1.236.658.576	630.400.399
LIABILITIES			
Current Liabilities			
Financial Borrowings	8	172.969.843	97.782.692
Other Financial Liabilities	9	1.042.535	38.077
Trade Payables	10,3	243.578.866	93.032.166
Other Payables	11,3	8.332.521	5.367.024
Corporation Tax Liabilities	36	12.407.207	246.786
Provisions for Liabilities	22	806.757	100.877
Other Current Liabilities	27,3	57.202.339	18.653.676
Benefits Provided for Employees (or Severance Pay Provision)	24,1	272.512	295.760
Non-current Liabilities			
Financial Borrowing	8	96.455.818	15.460.000
Benefits Provided for Employees (or Severance Pay Provision)	24,2	6.332.924	5.844.131
Deferred Tax Liabilities	36	34.096.492	2.088.766
Other Non-current Liabilities	27,4	277.281	0
SHAREHOLDERS' EQUITY			
Shareholders' Equity			
Paid in Capital Share	28,1	300.000.000	150.000.000
Inflation Adjustments to Shareholders' Equity	28,2	22.763.962	172.763.962
Appraisal Funds	28,5	151.508.933	0
Profit Reserves	28,3	20.322.687	20.322.687
Retained Earnings/Losses	28,4	48.229.580	30.856.389
Net Profit / Loss for the Period		52.627.221	17.373.191
Minority Interest	25	7.431.098	174.215
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1.236.658.576	630.400.399

The accompanying notes are an integral part of these financial statements

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

	Footnote References	<i>Audited</i> 01.01- 31.12.2011	<i>Audited</i> 01.01- 31.12.2010
OPERATING ACTIVITIES			
Sales	29,1	1.424.211.534	919.944.663
Cost of Sales (-)	29,2	(1.332.974.636)	(894.458.070)
		91.236.898	25.486.593
GROSS PROFIT / LOSS			
Marketing, Sales and Distribution Expenses (-)	31,1	(8.734.294)	(5.343.877)
General Administrative Expenses (-)	31,2	(14.987.150)	(13.522.447)
Research and Development Expenses (-)		0	0
Other Operating Incomes	32,1	4.416.952	8.255.751
Other Operating Expenses (-)	32,2	(408.226)	(31.083)
		71.524.180	14.844.937
OPERATING PROFIT / LOSS			
(Non-operating) Financial Incomes	33	68.563.234	20.470.130
(Non-operating) Financial Expenses (-)	34	(77.159.568)	(17.482.798)
		62.927.846	17.832.269
INCOME/ LOSS BEFORE TAXES			
Taxes from Operating Profit / Loss			
- Income / Expense Tax for the Period	36	(12.407.207)	(246.786)
- Deferred Tax Income / Expense	36	179.119	(433.371)
		50.699.758	17.152.112
NET PROFIT / LOSS			
Attributable to			
Minority Interest		(1.927.463)	(221.079)
Parent Company's Share		52.627.221	17.373.191

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

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

	<i>Audited</i> 01.01- 31.12.2011	<i>Audited</i> 01.01- 31.12.2010
Profit / (Loss) for the Period	50.699.758	17.152.112
Other comprehensive income / (loss):		
Fair value reserve of financial assets	0	0
Change in revaluation of fixed assets	182.790.405	0
Change in hedge fund	0	0
Change in currency conversion difference	0	0
Actuarial loss / income from retirement pay provision	0	0
Other comprehensive income share from subsidiaries subject to equity pick up method.	0	0
Tax income / expenses relating other comprehensive income	(31.269.926)	0
Other comprehensive income / (loss)	151.520.479	0
Total comprehensive income / (loss)	202.220.237	17.152.112
Attributable to		
Minority interest	(1.915.917)	(221.079)
Parent Company's share	204.136.154	17.373.191

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş.

**STATEMENT OF CHANGES IN
EQUITY
(XI-29 CONSOLIDATED)**

	Share Capital (Footnote 28.1)	Legal Reserves (Footnote 28.3)	Inflation Adjustment Difference in Shareholders' Equity (Footnote 28.2)	Revaluation Fund (Footnote 28.5)	Retained Earnings / (Losses)	Net Income for the period (Footnote 37)	Parent Company's Equity	Minority Interest (Footnote 25)	Total Equity
Balances at 01 January 2010	150.000.000	20.322.687	172.763.962	--	42.457.230	(10.145.540)	375.398.339	3.655	375.401.994
Effect of İzdemir Enerji consolidation	--	--	--	--	(1.455.301)	--	(1.455.301)	391.639	(1.063.662)
Transfer to retained earnings and legal reserves	--	--	--	--	(10.145.540)	10.145.540	--	--	--
Net income / (loss) for the period	--	--	--	--	--	17.373.191	17.373.191	(221.079)	17.152.112
Balances at 31 December 2010	150.000.000	20.322.687	172.763.962	--	30.856.389	17.373.191	391.316.229	174.215	391.490.444
Balances at 01 January 2011	150.000.000	20.322.687	172.763.962	--	30.856.389	17.373.191	391.316.229	174.215	391.490.444
Capital Increase	150.000.000	--	(150.000.000)	--	--	--	--	--	--
Capital increase of subsidiary	--	--	--	--	--	--	--	9.172.800	9.172.800
Revaluation Effect	--	--	--	151.508.933	--	--	151.508.933	11.546	151.520.479
Transfer to retained earnings and legal reserves	--	--	--	--	17.373.191	(17.373.191)	--	--	--
Net income / (loss) for the period	--	--	--	--	--	52.627.221	52.627.221	(1.927.463)	50.699.758
Balances at 31 December 2011	300.000.000	20.322.687	22.763.962	151.508.933	48.229.580	52.627.221	595.452.383	7.431.098	602.883.481

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş.

CASH FLOW STATEMENT

(XI-29 CONSOLIDATED)

	Footnote References	<i>Audited</i>	<i>Audited</i>
		31.12.2011	31.12.2010
<hr/>			
Cash flows from operating activities			
Net profit for the period		50.699.758	17.152.112
Amortization and depreciation expense	18-19	25.130.456	24.336.002
Change in deferred tax assets / liabilities	36	(179.119)	344.507
Severance pay provision	24	465.545	111.043
Provision for taxation	36	12.407.207	246.786
Unrealized foreign exchange (income) / expense, net	8-10-11-13- 22-27	38.092.501	(7.865.422)
		126.616.348	34.325.028
Changes in operating assets and liabilities	10-11-13- 22-27	20.276.930	(31.890.249)
Net cash generated from operating activities		146.893.278	2.434.779
Cash flows provided by investment activities:			
Changes in financial assets	7	8.463.484	806.338
Expenditures on tangible and intangible fixed assets	18-19	(77.237.058)	(13.748.298)
Net cash provided by investing activities		(68.773.574)	(12.941.960)
Cash flow provided by financing activities:			
Change in long and short term financial borrowing	8	135.073.151	84.949.879
Net cash provided by financing activities		135.073.151	84.949.879
Changes in cash and cash equivalents		213.192.855	74.442.698
Cash and cash equivalents at the beginning of the period	6	102.807.747	28.365.049
Cash and cash equivalents at the end of the period		316.000.602	102.807.747

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

1. COMPANY’S ORGANISATION AND NATURE OF ACTIVITIES

İzmir Demir Çelik Sanayi A.Ş. (“Company”) and its subsidiary are engaged in production, sales, marketing, transportation and seaport services of iron and steel and distribution and trading of energy producing. The trade registered address of İzmir Demir Çelik Sanayi A.Ş. is Şair Eşref Bulvarı No: 23, 35210 in Izmir.

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

<u>Company Name</u>	<u>Operating Activities</u>	31 December 2011 <u>Shareholding rate</u>	31 December 2010 <u>Shareholding rate</u>
Akdemir Çelik Sanayi ve Tic. A.Ş.	Producing iron & steel	99.98%	99.98%
İDÇ Liman İşletmeleri A.Ş.	Harbor business	99.98%	99.98%
İzdemir Enerji Elektrik Üretim A.Ş.	Energy producing	74.80%	74.80%

As of 31 December 2011 and 2010, the financial statements of Akdemir Çelik Sanayi ve Ticaret A.Ş. have been put through independent auditing, consolidated by eliminating the intra-company sales, service invoices, intra-company receivables, payables and related adjustments and elimination capital share in accordance with Communiqué XI, No: 29 published by the Capital Markets Board and other related principles.

As of 31 December 2011 and 2010, the financial statements of İDÇ Liman İşletmeleri A.Ş. also have been put through independent auditing, consolidated by eliminating the intra-company sales, service invoices, intra-company receivables, payables and related adjustments and elimination capital share in accordance with Communiqué XI, No: 29 published by the Capital Markets Board and other related principles.

As of 31 December 2011 and 2010, the financial statements of İzdemir Enerji Elektrik Üretim A.Ş. also have been put through independent auditing, consolidated by eliminating the intra-company sales, service invoices, intra-company receivables, payables and related adjustments and elimination capital share in accordance with Communiqué XI, No: 29 published by the Capital Markets Board and other related principles.

Shareholding structure:

Shareholders name	Share Amount (TRY)	Number of Shares	Share (%)
Şahin – Koç Çelik Sanayi A.Ş.	184,555,821	184,555,821,040	61.52
Halil Şahin	43,567,535	43,567,534,338	14.52
Foreign Shareholders (Al Rajhi Family)	1,937,021	1,937,021,400	0.65
Other (Publicly held)	69,939,623	69,939,623,222	23.31
Total	300,000,000	300,000,000,000	100.00

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

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

Shareholder's name	Share Amount (TRY)	Number of Shares	Share (%)
Halil Şahin	15,250,000	15,250	30.50
Nuri Şahin	11,625,000	11,625	23.25
Ahmet Baştuğ	8,625,000	8,625	17.25
Selim Şahin	1,000,000	1,000	2.00
Serkan Şahin	1,000,000	1,000	2.00
Adil Koç	1,250,000	1,250	2.50
Ahmet Koç	1,250,000	1,250	2.50
Koç Haddecilik Tekn. İnş. San. ve Tic. A.Ş.	10,000,000	10,000	20.00
Total	50,000,000	50,000	100.00

Average employee as of category in year is as following:

Term	Employee	Civil servant	Manager	Top level manager	Total
31 December 2011	748	305	29	3	1085
31 December 2010	662	274	25	2	963

Company's subsidiaries and investments as of 31 December 2011 are as following:

	Share (%)	TRY
<u>Securities and Equity Participations</u>		
İtaş İzmir Teknopark Ticaret A.Ş.	0.13	2,547
Sidemir Sivas Demir Çelik İşletmeleri A.Ş.	0.01	445,357
Enda Enerji Holding A.Ş. ⁽²⁾	0.38	388,612
Egenda Ege Enerji Üretim A.Ş. ⁽²⁾	0.07	40,019
İzmir Hava Yolları A.Ş. ⁽¹⁾	0.02	4,333
Provision for Diminution in Value		
Sidemir Sivas Demir Çelik İşletmeleri A.Ş.		(445,357)
TOTAL		435,511

⁽¹⁾ İzmir Havayolları A.Ş. has decreased by TRY 50,500,000 its paid in capital from TRY 52,500,000 to TRY 2,000,000 by reducing shares bound to decision numbered 2011/214 and 2011/177 of İzmir 3rd First Instance Court, in the ordinary Board Meeting held on 23 May 2011.

In İzmir Havayolları A.Ş.'s extraordinary general meeting about capital increase dated 29 June 2011 but İzmir Demir Çelik Sanayi A.Ş. doesn't agree this decision for the reason that share of İzmir Demir Çelik Sanayi A.Ş. in total capital has been decreased from 0.22% to 0.02%.

⁽²⁾ According to the decision of Board of Directors dated 28 December 2011 and numbered 23 the sale of TRY 3,000 nominal valued A group shares which is owned by one of the Group's subsidiaries ENDA Enerji Holding A.Ş. 3,000 amount, gross 19.72 Euro per share, 224,461 amount, TRY 224,461 nominal valued B group shares, gross 1.61 Euro per share and 27,218 amount owned by EGENDA Ege Enerji Üretim A.Ş., TRY 27,218 nominal valued B shares gross 0.99 Euro per share and procreation conferred to Samim SİVRİ for sale transactions. As of report date no progress has been realized about the sale transactions.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

2. PRINCIPLES OF PREPARING FINANCIAL STATEMENTS

2.a. Accounting standards

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

Communiqué XI, No: 29 “Accounting Standards in Capital Markets” published by the Capital Markets Board is published in Official Gazette date 09 April 2008 and numbered 26842. This communiqué is effective for the first interim period financial statements after 01 January 2008 regarding companies in stock market, financial intermediary agencies, portfolio management companies and businesses connected to these partnerships, subsidiaries and business partnerships.

Capital Market Board defines principles, procedures and basis to prepare financial reports to be prepared by the companies and to be presented to the authorities in accordance with Communiqué XI, No: 29 “Accounting Standards in Capital Markets”. This communiqué is effective starting for first interim financial statements after 01 January 2008 and Communiqué XI, No: 25 “Accounting Standards in Capital Markets” has been abolished. Based on Communiqué XI, No: 29, companies are obliged to prepare their financial statements according to International Financial Reporting Standards (IAS/IFRS) accepted by European Union. However, it will be applied IAS/IFRS published by International Financial Reporting Standard Committee and accepted by European Union until the difference between IAS/IFRS and Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) is published. In this manner, TAS/TFRS published by Turkish Financial Reporting Committee (TFRC) will be basis and not contradictory to adopted standards.

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

Approval of Financial Statements

Consolidated financial statements are approved by the Board of Directors and granted authority to publish on 30 March 2012. Boards of Directors have the authority to change financial statements.

Financial Statements Correction in High Inflation Period

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Comparative Information and Previous Periods Adjustments

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

For the purpose of conducting a comparison of financial position and performance trend, Group’s consolidated financial statements are prepared comparative with previous periods. Group has prepared consolidated balance sheets comparing 31 December 2011 and 31 December 2010, income statements, changes in shareholders’ equity and cash flow statements are compared with the period of 01 January - 31 December 2011 and period of 01 January – 31 December 2010.

As of 31 December 2011 classification on consolidated financial statements are following;

31 December 2010 dated consolidated balance sheet;

-Income accruals classified under Other Current Assets occurred from foreign currency futures agreements transactions amounted TRY 109,109 classified under Financial Investments .

-Expense accruals classified under Other Short Term Liabilities occurred from foreign currency futures agreements transactions amounted TRY 38,077 classified under Financial Borrowings.

-Leasehold improvements TRY 145,295 net asset value classified under Intangible Fixed Assets, classified under Tangible Fixed Assets.

01 January - 31 December 2010 dated consolidated income statement;

-Reversal of unnecessary provisions amounted TRY 2,637,282 classified in Unnecessary Incomes under Other Operational Income, classified under Cost of Sales in Employee Expenses.

-Incentive income amounted TRY 1,012,643 classified Incentive Income under Other Operational Income classified under Cost of Sales in Employee Expenses.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Consolidation

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

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

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

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

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

Goodwill

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

Reporting Currency

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

Offsetting

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

2.b. Changes in Accounting Policies

A company only could change its accounting policy under following circumstances;

- If a standard or interpretation makes it necessary or
- If the change make effect of operations or incidents on financial position and performance or cash flows more appropriate and reliable.

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

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

Group adopted to follow Leasehold improvements under intangible fixed assets which have no net current value before, under tangible fixed assets as Leasehold improvements.

There is a handicapped employment incentive due to Labor law numbered 4857 and Social Insurance and general Health Insurance Law numbered 5510. Government incentives under government incentive and grant in the income statements is not collected but deducted from the accrued insurance premiums by treasury.

2.c. Changes and Errors in Accounting Estimates

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

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

Company has applied the and revised standards and interpretations of the International Accounting Standards Committee (IASC) published by International Financial Reporting Interpretations Committee (IFRIC) of IASC for the interim financial statements ended 31 December 2010, for the related to its business activities, in the current fiscal period. If these standards and interpretations have effect on the Company’s performance and financial condition, they are indicated in the related paragraphs.

New standards, Amendment and explanations for the dated 1 January 2011 year ended financial statements:

IFRIC 19 - “Extinguishing Financial Liabilities with the Equity Instruments” (Effective for periods beginning on or after 1 July 2010, with earlier application permitted)

IFRIC 14 - (Amendment) “Pre-payment of a Minimum Funding Requirement” (is effective for annual periods beginning on or after 1 January 2011. Its early application is allowed.)

IAS 32 – (Amendment) ‘Classification of Rights Issues ‘(Effective for periods beginning on or after 1 February 2010)

IAS 24 - (Revision) “Related Party Disclosures” (is effective for annual periods beginning on or after 1 January 2011.)

IFRS 1 – (Amendment) First time to Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for the first time adopters.

In May 2010, International Accounting Standards Board has issued 11 changes about 7 standards. There is no impact of the changes on the Group’s financial performance. Standards are amended as follows.

IFRS 1: First-time adoption

IFRS 3: Transitional provisions of the conditional fee due to company mergers that occurred after the effective date of revised IFRS

IFRS 3: Measurement of shares which have not control power

IFRS 3: Can not changed or can be changed as a volunteer awards for stock-based payments

IFRS 7: Clarifying to footnotes

IAS 1: Clarifying to change in equity table

IAS 27: Transitional provisions for improvements to IAS 27 “Consolidated and Solo Financial Statements”

IAS 34: Significant events and transactions

IFRIC 13: Fair value of gift points

Standards published as of confirmation date of consolidated financial statements but not yet effective which are not adopted by Group with early notice, present standards that are amended and explanations are as following:

IFRS 9 - “Financial Instruments” (is effective for annual periods beginning on or after 1 January 2013.) This improvement project has not been ratified yet by the European Union.

IAS 1 (Amended) “Presentation of Financial Statements” Presentation of Items of Other Comprehensive Income (Effective for annual periods beginning in or after 1 July 2012, but earlier application is permitted). This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

IFRS 7 (Amendment) “Financial Instruments” –Explanations for extensive evaluation for off balance sheet transactions (Effective from fiscal periods as of 1 July 2011 and later dates). Group assesses the effect of amendment.

IFRS 7 (Amendment) “Financial Instruments”–Disclosures-Offsetting Financial Assets and Financial Liabilities (The amendments are to be retrospectively applied for annual periods beginning in or after 1 January 2013 and interim periods within those annual periods).This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IAS 12 (Amended) “Deferred Tax” – Deferred Tax: Recovery of Underlying Assets (Effective for annual periods beginning on or after 1 January 2012, but earlier application is permitted). This amendment has not yet been endorsed by EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IFRS 10 “Consolidated Financial Statement” (Effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis). This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IFRS 11”Joint Arrangements” (Effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis). This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IFRS 12 “Disclosure of Interest in Order Entities” (Effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis). This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IFRS 13 “Fair Value Measurement” (Effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively). This amendment has not yet been endorsed by the EU. The Group is considering the impact on the financial position or performance of the Group.

IAS 27 (Amended) “Separate Financial Statements” (Effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively). This amendment has not yet been endorsed by the EU. The Group is considering the impact on the financial position or performance of the Group.

IAS 28 (Amended) “Investments in Associates and Joint Ventures” (Effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively). This amendment has not yet been endorsed by the EU. The Group is considering the impact on the financial position or performance of the Group.

IAS 32 (Amended) “Financial Instruments” Presentation- Offsetting Financial Assets and Financial Liabilities (These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014) The Group does not expect that this amendment will have a major on the financial position or performance of the Group.

IAS 19 (Amended) ‘Employee Benefits’ (Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

2.e. Summary of Significant Accounting Policies

Revenue

Revenues are recognized on an accrual basis when the amount of the revenue can be measured reliably. Net sales represent the invoiced value of goods shipped less sales returns and sales deductions. The main activity of the company and its subsidiaries is iron and steel production, sales, marketing, transportation and the provision of port services.

Sales of iron and steel

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

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

Rendering of services:

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

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

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

Dividend and Interest income:

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

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

Rent Income:

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Inventories

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

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

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

Tangible Assets

Property, plants, buildings, infrastructure and land improvements, machineries, equipment and appliances are reflected in the financial statements with their revalued fair market values determined on 15 August 2011 by ABC Gayrimenkul Değerleme ve Danışmanlık Anonim Şirketi, which is accredited by Capital Market Board

ABC Gayrimenkul Değerleme ve Danışmanlık Anonim Şirketi appraised for land and parcel values with precedents comparison method and property current values; buildings and land improvements values with cost method; as to machinery, installation and equipment values with current value.

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

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

If a net book value of an asset decreases during the revaluation, this decrease recognized as expense. However this decrease can only be recognized as much as all kinds of credit balance about this asset in the revaluation surplus. The subjected decrease recognized in other comprehensive income, decreases the amount accumulated in owners’ equity under revaluation surplus.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

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

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

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

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

Impairment of Assets

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

Leasing

Financial Leasing

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

Operating Leases

The Group as the Lessor

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group as the Lessor

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Government Grants and Incentives

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

Group enjoys a revenue from disabled employment incentive due to Labor law numbered 4857 and Social Insurance and general Health Insurance Law numbered 5510. Government incentives under government incentive and grant in the income statements is not a revenue collected in cash but deducted from the accrued insurance premiums by treasury. Incentive income was nett off against cost of goods sold.

Investment Properties

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

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

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

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

Intangible Assets

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

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

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

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Borrowing Costs

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

In the reporting period between the dates of 1 January 2011 and 31 December 2011, a borrowing cost of 7,733,867 TRY is capitalized under constructions in progress. This cost is associated with loans received for the investment of energy production facility of İzdemir Enerji Elektrik Üretim A.Ş.

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

Financial Investments

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

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Financial Instruments

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

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

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

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

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

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

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

Cash and cash equivalents

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

Trade Receivables

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Trade Payables

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

Financial Borrowings

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

Financial Liabilities

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

Credit Risk

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

Market Risk

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

Liquidity Risk

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

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

Derivative Financial Instruments and Instruments to Protect from Risk

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

Group does not apply a financial risk protection accounting about derivative financial instruments. Group reflects the realized value difference of the derivative financial instruments, to the income statement.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

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

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

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

Related Parties

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

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

- (i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the Company that gives it significant influence over the Company; or
- (iii) has joint control over the Company;

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

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

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

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

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

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

Transactions with related parties are transfer of resources or obligations between related parties, regardless of whether a price is charged. Group interacts with its related parties within the frame of ordinary business activities (Note 38).

Details of related parties are as following:

IDÇ Denizcilik San. ve Tic. A.Ş.

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

İzmaden Madencilik San.ve Tic.A.Ş.

It was established in 2008 in Izmir operating mining, mineral exploration, There is no commercial relationship between 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 Aliğa. Main activities of the company is to perform all kinds transportation of goods and passengers by road and sea port in domestic and international maritime and land transportation and subcontract them. Company owns 55,803 DWT dry cargo ship. There is occasional commercial relationship between Group companies, Şahin Gemicilik ve Denizcilik Nakliyat Sanayi Tic. A.Ş.

Agora Sigorta Aracılık Hizmetleri Ltd. Şti.

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

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

It was established in the year 1993 in Dörtöy, Hatay. It is active in the production of rebar. There is an occasional commercial relationship between Group and Koç Haddecilik San. ve Tic. A.Ş.

Dagi Giyim Sanayi ve Ticaret A.Ş.

It was established in Istanbul in the year 1988. On textiles has been operating. There is an occasional commercial relationship between 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 operate centered İzmir until 2006. It has one commercial yacht. It is engaged in rent yacht. The relationship between Group and Begonviller Turizm Yatçılık ve Ticaret Ltd. Şti. is nonessential property.

Other Balance Sheet Entries

Other balance sheet entries are reflected with their booked values.

Taxes Calculated from Corporate Profit

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

Current Tax

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Deferred Tax

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

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

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

Deferred tax assets and liabilities are calculated over the tax rates (tax regulations) that are expected to be valid in the period when assets will realize or liabilities will be fulfilled and that become law as of balance sheet date or significantly become law. At the time of the calculation of the deferred tax assets and liabilities, as of balance sheet date the tax results of the methods are considered that the group forecasted for recovery of the book value of the assets or fulfillment of the liabilities.

The existence of legal right to deduct deferred tax assets and liabilities from current tax assets and liabilities or income tax collected by very same tax authorities related to these assets and liabilities or deduction will be realized when there payment will by netting of Group’s assets and liabilities.

Current and deferred tax of period

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

Provision Employee Benefits / Severance Pay

• **Severance Pay**

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

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

• **Social Insurance Premium**

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

Provisions, Conditional Liabilities and Conditional Assets

Provisions

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

Conditional Liabilities and Conditional Assets

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

The Effects of Exchange Rates

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

	31 December 2011	31 December 2010
USD	1.8889	1.5460
EUR	2.4438	2.0491
GBP	2.9170	2.3886
CHF	2.0062	1.6438
JPY	0.0243	0.0189
AUD	1.9166	1.5685
CAD	1.8509	1.5467

Earning Per Share

Gain/(loss) per share is calculated by dividing the gain/(loss) for the current year by the weighted number of ordinary shares in issue during the year (Note 36).

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Subsequent Events

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

Accounting Policies, Changes in the Expectations and Mistakes

Important changes and important mistakes in the accounting policies are applied retrospectively and previous financial statements are reordered. The changes of accounting estimations are applied forward, if it encloses just one period, in the current period as the changes are done, if it encloses future periods, in the current period as the changes are done also in the future periods. In this regard, the Group management have reviewed the intended of some of the tangible fixed assets and changed on a going-forward basis as of 1 October 2011 in accounting period which is ending on 31 December 2011. As a result of the change in intended uses, amounting to TRY 39,197,464 (TRY 3,943,098 net book value) real value lands have been transferred to investment properties.

Segment Reporting of Operation Results

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

The Group’s fields of four main activities are Iron and Steel activities, Ship activities, Harbor activities and Energy activities.

Retirement Plans

None.

Agricultural Activities

None.

Cash Flow Statement

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

2.f. Important Accounting Evaluation, Expectations and Assumptions

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

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

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

3. BUSINESS MERGERS

None (31.12.2010-None).

4. BUSINESS PARTNERSHIP

None (31.12.2010-None).

5. SEGMENT REPORTING

The Group’s fields of four main activities are Iron and Steel activities, Ship activities, Harbour activities and Energy activities.

Geographic Information about area

Regional distribution of group’s overseas proceedings from the iron-steel operations is as following:

Region	2011	2010
Far East	23%	13%
Africa	32%	58%
Middle East	32%	22%
Other	13%	7%

Information about Major Clients

Sales operations of the group are highly cared to be spread into wide range of geographical area abstaining to focus into a certain industry, country, individual or company. The overall rate of domestic sales are increasing on account of rising domestic demand depending on the fluctuations and competitive conditions experienced in international markets. Group achieves 25% of its proceeds from a local buyer. (2010; 25%). There is no link as related party between the mentioned buyer and the Group.

Details about the reportable segment used in management reportable by the Group as following:

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

01.01- 31.12.2011	<i>Iron Steel Activities</i>	<i>Ship Activities</i>	<i>Harbour Activities</i>	<i>Energy Activities</i>	<i>Consolidation Adjustments</i>	<i>Consolidated</i>
Sales	1,412,733,937	29,948,094	18,160,538	--	(36,227,758)	1,424,614,811
- Domestic	586,755,236	--	4,890,284	--	--	591,645,520
- Overseas	825,575,424	29,948,094	489,977	--	--	856,013,495
Interdepartmental Sales	--	--	12,780,277	--	(36,227,758)	(23,447,481)
Total Sales	1,412,330,660	29,948,094	18,160,538	--	(36,227,758)	1,424,211,534
Cost of Sales (-)	(1,319,999,447)	(26,153,862)	(19,223,047)	--	32,401,720	(1,332,974,636)
GROSS OPERATING PROFIT/LOSS	92,331,213	3,794,232	(1,062,509)	--	(3,826,038)	91,236,898
Marketing, Sales and Distribution Expenses (-)	(12,832,949)	--	--	--	4,098,655	(8,734,294)
General Administrative Expenses (-)	(11,745,758)	(195,215)	(1,366,043)	(1,825,556)	145,422	(14,987,150)
Research and Development Expenses (-)	--	--	--	--	--	--
Other Operating Incomes	3,032,944	85,014	1,903,289	--	(604,295)	4,416,952
Other Operating Expenses (-)	(564,763)	--	(29,719)	--	186,256	(408,226)
OPERATING PROFIT/LOSS	70,220,687	3,684,031	(554,982)	(1,825,556)	--	71,524,180
(Non-operating) Financial Incomes	68,531,372	226,749	158,998	758,554	(1,112,439)	68,563,234
(Non-operating) Financial Expenses (-)	(67,655,334)	(1,655,538)	(1,022,463)	(7,938,672)	1,112,439	(77,159,568)
OPERATING INCOME/LOSS BEFORE TAXES	71,096,725	2,255,242	(1,418,447)	(9,005,674)	--	62,927,846
Taxes from Operating Profit/Loss	(13,963,251)	--	280,421	1,454,742	--	(12,228,088)
- Income/Expense Tax for the Period	(12,407,207)	--	--	--	--	(12,407,207)
- Deferred Tax Income/Expense	(1,556,044)	--	280,421	1,454,742	--	179,119
NET OPERATING PROFIT/LOSS	57,133,474	2,255,242	(1,138,026)	(7,550,932)	--	50,699,758
PERIOD NET INCOME/(LOSS)	57,133,474	2,255,242	(1,138,026)	(7,550,932)	--	50,699,758
Distribution of Net Income/(Loss)	--	--	--	--	--	--
Minority Interest	1,044	--	(213)	(1,928,295)	--	(1,927,463)
Parent Company's Share	57,132,430	2,255,242	(1,137,813)	(5,622,637)	--	52,627,221
Assets of Segmentation						
Tangible and Intangible Fixed Assets, Investment Properties (Net Book Value) Total	305,326,412	126,227,219	92,114,814	19,972,425	(404,710)	543,236,160
Tangible Fixed Asset and Investment Properties Revaluation Surplus	113,418,461	--	69,371,945	--	--	182,790,406
Purchases of Tangible and Intangible Fixed Assets	58,387,794	54,736	2,156,675	19,675,050	--	80,274,255
Amortization Depreciation Expenses	16,277,172	6,167,316	2,645,568	40,400	--	25,130,456

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

01.01- 31.12.2010	<i>Iron Steel Activities</i>	<i>Ship Activities</i>	<i>Harbour Activities</i>	<i>Energy Activities</i>	<i>Consolidation Adjustments</i>	<i>Consolidated</i>
Sales	896,667,229	33,781,204	13,995,635	--	(24,499,405)	919,944,663
- Domestic	492,631,337	--	(127,519)	--	--	492,503,818
- Overseas	404,035,892	33,781,204	249,215	--	--	438,066,311
Interdepartmental Sales	--	--	13,873,939	--	(24,499,405)	(10,625,466)
Total Sales	896,667,229	33,781,204	13,995,635	--	(24,499,405)	919,944,663
Cost of Sales (-)	(881,241,432)	(20,293,465)	(14,671,416)	--	21,748,243	(894,458,070)
GROSS OPERATING PROFIT/LOSS	15,425,797	13,487,739	(675,781)	--	(2,751,162)	25,486,593
Marketing, Sales and Distribution Expenses (-)	(7,850,667)	--	--	--	2,506,790	(5,343,877)
General Administrative Expenses (-)	(11,391,246)	(309,279)	(1,043,315)	(959,744)	181,137	(13,522,447)
Research and Development Expenses (-)	--	--	--	--	--	--
Other Operating Incomes	7,604,033	113,246	622,029	--	(83,557)	8,255,751
Other Operating Expenses (-)	(176,381)	--	(1,494)	--	146,792	(31,083)
OPERATING PROFIT/LOSS	3,611,536	13,291,706	(1,098,561)	(959,744)	--	14,844,937
(Non-operating) Financial Incomes	20,190,725	165,415	320,697	7,560	(214,267)	20,470,130
(Non-operating) Financial Expenses (-)	(16,514,479)	(706,077)	(445,230)	(31,279)	214,267	(17,482,798)
OPERATING INCOME/LOSS BEFORE TAXES	7,287,782	12,751,044	(1,223,094)	(983,463)	--	17,832,269
Taxes from Operating Profit/Loss	(926,380)	--	239,936	6,287	--	(680,157)
- Income/Expense Tax for the Period	(246,786)	--	--	--	--	(246,786)
- Deferred Tax Income/Expense	(679,594)	--	239,936	6,287	--	(433,371)
NET OPERATING PROFIT/LOSS	6,361,402	12,751,044	(983,158)	(977,176)	--	17,152,112
PERIOD NET INCOME/(LOSS)	6,361,402	12,751,044	(983,158)	(977,176)	--	17,152,112
Distribution of Net Income/(Loss)	--	--	--	--	--	--
Minority Interest	(221,079)	--	--	--	--	(221,079)
Parent Company's Share	6,582,481	12,751,044	(983,158)	(977,176)	--	17,373,191
Assets of Segmentation						
Tangible and Intangible Fixed Assets, Investment Properties (Net Book Value) Total	162,843,044	120,005,167	23,348,262	337,775	--	306,534,248
Purchases of Tangible and Intangible Fixed Assets	12,016,675	56,027	1,386,160	365,194	--	13,824,056
Amortization Depreciation Expenses	15,570,565	6,198,505	2,538,392	28,540	--	24,336,002

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

6. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Cash	47,713	51,051
Bank - Demand deposits	26,154,339	2,959,558
Bank - Time deposits	289,174,286	99,651,492
Bank - Interest accruals of time deposits	624,264	145,646
	316,000,602	102,807,747

As of 31 December 2011, there is no collateral guarantee and blockage (31 December 2010: None) on Group’s demand and time deposits.

Demand Deposit

	31 December 2011		31 December 2010	
	Foreign Exchange Balance	TRY Balance	Foreign Exchange Balance	TRY Balance
TRY	359,425	359,425	1,295,912	1,295,912
USD	12,993,361	24,543,160	960,312	1,484,642
EUR	482,118	1,178,200	68,341	140,038
JPY	2,023,314	49,247	1,350,247	25,564
GBP	1,781	5,195	1,292	3,086
CAD	5,670	10,495	6,670	10,316
AUD	4,496	8,617	--	--
Total		26,154,339		2,959,558

Time Deposits

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

Currency Type	Weighted Average Effective Interest Rates	Maturity Date	TRY Balance 31 December 2010
	USD		3.26%
EUR	3.30%	03.01.2011	409,820
TRY	8.81%	03.01.2011	29,313,000
			99,651,492

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

7. FINANCIAL INVESTMENTS, net

7.1 Current financial investments

	31 December 2011	31 December 2010
Foreign currency futures agreements(*)	927,838	109,109
	927,838	109,109

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

7.2 Non-current financial securities

As of 31 December 2011 and 2010, share capitals and rates of non-current financial investments are as following:

Name of Companies	Share (%)	31 December 2011	Share (%)	31 December 2010
Long-term Securities and Equity Participations				
İtaş İzmir Teknopark Ticaret A.Ş.	0.13	2,547	0.13	2,547
Sidemir Sivas Demir Çelik İşletmeleri A.Ş.	0.01	445,357	0.01	445,357
Enda Enerji Holding A.Ş. ⁽³⁾	0.38	388,612	0.38	388,612
Egenda Ege Enerji Üretim A.Ş. ⁽³⁾	0.07	40,019	0.07	40,019
İzmir Havayolları A.Ş. ⁽²⁾	0.02	4,333	0.22	113,746
Provision for Diminution in Value				
Sidemir Sivas Demir Çelik İşletmeleri A.Ş. ⁽¹⁾		(445,357)		(445,357)
Total		435,511		544,924

⁽¹⁾ As of 31 December 2011 and 31 December 2010, Sidemir Sivas Demir Çelik İşletmeleri A.Ş. has lost its paid in capital within the frame of article 324, Turkish commercial Code and has been transferred to Savings Deposit Insurance Fund in 2004. Hence, there has been 100% provision is set in the financial statements due to precautionary principle.

⁽²⁾ İzmir Havayolları A.Ş. has decreased by TRY 50,500,000 its paid in capital from TRY 52,500,000 to TRY 2,000,000 by reducing shares bound to decision numbered 2011/214 and 2011/177 of İzmir 3rd First Instance Court, in the ordinary Board Meeting held on 23 May 2011.

In İzmir Havayolları A.Ş.’s extraordinary general meeting about capital increase dated 29 June 2011 but İzmir Demir Çelik Sanayi A.Ş. doesn’t agree this decision for the reason that share of İzmir Demir Çelik Sanayi A.Ş. in total capital has been decreased from 0.22% to 0.02%.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

- (3) According to the decision of Board of Directors dated 28 December 2011 and numbered 23 the sale of TRY 3,000 nominal valued A group shares which is owned by one of the Group’s subsidiaries ENDA Enerji Holding A.Ş. 3,000 amount, gross 19.72 Euro per share, 224,461 amount, TRY 224,461 nominal valued B group shares, gross 1.6.1 Euro per share and 27,218 amount owned by EGENDA Ege Enerji Üretim A.Ş., TRY 27,218 nominal valued B shares gross 0.99 Euro per share and procreation conferred to Samim SİVRİ for sale transactions. As of report date no progress has been realized about the sale transactions.

As of 31 December 2011, there is no guarantee given for financial assets for Company’s payables (31.12.2010 - None).

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

ENDA Enerji Holding A.Ş.

The Company was established in Izmir in 1993. The activities of the Company are energy production, distribution and trade. Group does not have commercial relationship with ENDA Enerji Holding A.Ş.

EGENDA Ege Enerji Üretim A.Ş.

The Company was established in Izmir in 1997. The activities of the Company are energy production, distribution and merchandise. Group does not have commercial relationship with EGENDA Ege Enerji Üretim A.Ş.

İTAŞ İzmir Teknopark Ticaret A.Ş.

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

Sidemir Sivas Demir Çelik İşletmeleri A.Ş.

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

İHY İzmir Havayolları A.Ş.

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

8. FINANCIAL BORROWINGS, net

	31 December 2011	31 December 2010
Short term borrowings	146,359,435	62,997,692
Current installments of long term borrowings	26,610,408	34,785,000
Total short term financial borrowings	172,969,843	97,782,692
Bank borrowings – Long term	96,455,818	15,460,000
Total financial liabilities	269,425,661	113,242,692

As of 31 December 2011 there is an accrual of interest expense on total of financial borrowings of TRY 1,057,926 (31 December 2010 TRY 560,438). The subject accrual is shown in short term bank credits.

As of 31 December 2011 and 2010, short term and long term bank borrowings consist of the following:

Currency Type	31 December 2011		31 December 2010	
	Short term	Long term	Short term	Long term
USD	79.884.615	29.940.286	62.500.000	10.000.000
EURO	8.577.922	16.327.691	-	-
TRY	55.143	-	597.254	-

As of balance sheet date agreement interest rates are following:

Short term	31 December 2011	31 December 2010
USD borrowings	2,05% - 5,25% Libor+0,5 – Libor+0,75	1,5% - 2,25% Libor+1,5 - Libor+2,45
EURO borrowings	Euribor+1,5 - Euribor+3	-
TRY borrowings *	-	-
Long term		
USD borrowings	2,05% – Libor+3,40	2,5%
EURO borrowings	Euribor+2,2 - Euribor+3	

(*) TRY borrowings are composed of the credit card expenses belongs to the company and borrowings used in tax payments with zero interest.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

The repayment of the total borrowings as of balance sheet is as following:

	31 December 2011	31 December 2010
2012	171,911,917	97,222,254
2013	10,580,653	15,460,000
2014	10,580,653	--
2015	16,764,001	--
2016	11,045,509	--
2017-2023	47,485,002	--
	268,367,735	112,682,254

9. OTHER FINANCIAL LIABILITIES, net

	31 December 2011	31 December 2010
Foreign currency futures agreements (*)	1,042,535	38,077
	1,042,535	38,077

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

10. TRADE RECEIVABLES AND PAYABLES, net

10.1 Short term trade receivables

	31 December 2011	31 December 2010
Trade receivables	41,430,475	20,545,620
Notes receivable	80,701	--
Doubtful trade receivables	46,759	45,327
Provision for doubtful trade receivables (-)	(46,759)	(45,327)
Unearned interest on receivables (-)	(93,386)	(18,551)
	41,417,790	20,527,069

Group has set provision for doubtful receivables for uncollectible receivables. Provision for doubtful receivables is based on past experience regarding whether collectible or not. While determining the collectability, Group considers the changes during first come into existence and as of balance sheet date and the credit quality. Sales operation aims to be widespread and avoids concentrating in particular country, sector, individual or company. Group does not have a concentrated credit risk in particular. Therefore, 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. As effective interest rate 2.73 % for USD receivables, 3,76 % for Euro receivables and 11% for TRY receivables have been used.

Maturity schedule of notes receivable as of 31 December 2011 and 2010 are as following;

	31 December 2011	31 December 2010
1-30 day	80,701	--
	80,701	--

The movement of provision for doubtful receivables is as follows;

	01.01.- 31.12.2011	01.01.- 31.12.2010
Opening balance	45,327	26,350
Reversal of unnecessary provision	(11,117)	--
Provision for the period	12,549	18,977
Balance at the end of period	46,759	45,327

10.2 Long term trade receivables

None (31.12.2010 - None).

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

10.3 Short term trade payables

	31 December 2011	31 December 2010
Trade payables	242,434,731	92,229,750
Accrued expenses	1,288,132	905,408
Unearned interest on payables (-)	(143,997)	(102,992)
	243,578,866	93,032,166

As of 31 December 2011, trade payables is consisted of payables of TRY 148,470,378, to SIMS Global Trade Corp., TRY 18,040,177 to Star globe LTD. and TRY 20,113,058 and TRY 23,782,066 to Rensselaer (31 December 2010: TRY 71,074,104) is due to the timed letter of credit agreed by foreign banks means of local banks and İzmir Demir Çelik Sanayi A.Ş. for the purchase of commodities. Devoted to this agreement, the foreign suppliers stated above are collected their receivables in cash with discount. As of 31 December 2011 and 2010, expense accruals related to interest accruals calculated to trade payables due to the timed junk purchases from these companies.

Trade receivables are rediscounted by using effective interest method. As effective interest rate 2.73 % for USD receivables, 3,76 % for Euro receivables and 11% for TRY receivables have been used.

10.4 Long term trade payables

None (31.12.2010 - None).

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

11. OTHER RECEIVABLES AND PAYABLES, net

11.1 Other current receivables

	31 December 2011	31 December 2010
Deposit and guarantees given	7,814	6,478
	7,814	6,478

11.2 Other non-current receivables

	31 December 2011	31 December 2010
Deposits and guarantees given	67,693	69,126
	67,693	69,126

11.3 Other current payables

	31 December 2011	31 December 2010
Deposits and guarantees received	71,343	58,392
Due to shareholders (*)	59,012	59,984
VAT payable	4,522,055	3,517,955
Taxes and dues payable	1,540,641	815,200
Social security premiums payable	2,049,653	842,292
Other payables	89,817	73,201
	8,332,521	5,367,024

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

11.4 Other non-current payables

None (31.12.2010 - None).

12. RECEIVABLES AND PAYABLES FROM FINANCE SECTOR ACTIVITIES, net

None (31.12.2010 - None).

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

13. INVENTORIES

	31 December 2011	31 December 2010
Raw materials	89,509,808	72,966,744
Work in process	22,759,993	18,502,624
Finished goods	99,592,150	63,957,688
Goods on transit (*)	22,060,387	23,090,027
Other inventories	50,993	78,193
	233,973,331	178,595,276

As of 31 December 2011, there is amounting to TRY 39,431,010 insurance coverage exist on inventories and amounting to TRY 1,112,553 depreciation expense has been capitalized on the inventories (31 December 2010 : TRY 1,378,397).

As of 31 December 2011, there are no guarantees with stocks for the liabilities (31 December 2010: None).

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

14. BIOLOGICAL ASSETS, net

None (31.12.2010-None).

15. RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACT

None (31.12.2010-None).

16. INVESTMENTS SUBJECT TO EQUITY PICK-UP METHOD

None (31.12.2010-None).

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

17. INVESTMENT PROPERTY

Investments are reflected in the financial statements with their revalued market values determined by valuation work dated 15 August 2011 and 31 December 2011 of ABC Gayrimenkul Değerleme ve Danışmanlık Anonim Şirketi.

İzmir Demir Çelik Sanayi A.Ş.’s lands information details are as below.

Country	Country	District / Village	Island/Parcel	Deed m ²	Quality	Date of Purchase	Asset Value
İzmir	Foça	Kabaktepe Samurlu	877	28,020	Field	499,591	2,381,700
İzmir	Foça	Kabaktepe Samurlu	879	32,235	Field	574,744	2,901,150
İzmir	Foça	Kabaktepe Samurlu	874	4,660	Field	83,177	396,100
İzmir	Foça	Kabaktepe Samurlu	876	26,480	Field	472,647	2,383,200
					Field		
İzmir	Foça	Hayıtlidere Horozgediği	583		Field	10,905	266,720
İzmir	Foça	Hayıtlidere Horozgediği	63		Field	83,264	1,819,000
İzmir	Foça	Hayıtlidere Horozgediği	372		Field	11,599	48,750
İzmir	Foça	Hayıtlidere Horozgediği	1055/2	79,219	Land	1,192,612	17,428,107
İzmir	Foça	Hayıtlidere Horozgediği	1056/3	18,762	Land	408,269	3,377,117
İzmir	Foça	Hayıtlidere Horozgediği	1059/3	35,263	Land	496,070	7,052,520
İzmir	Foça	Hayıtlidere Horozgediği	1055/1	2,914	Land	24,134	524,520
İzmir	Foça	Hayıtlidere Horozgediği	1060/1	3,940	Land	86,086	618,580

3,943,098 39,197,464

	Lands	Total
	TRY	TRY
Cost		
Transfer of tangible fixed assets	3,943,098	3,943,098
Fair value effect	35,254,366	35,254,366
31 December 2011 closing balance	39,197,464	39,197,464
Accumulated depreciation		
1 January 2011 opening balance	--	--
31 December 2011 closing balance	--	--
As of 31 December 2010		
Net Book Value	--	--
As of 31 December 2011		
Net Book Value	39,197,464	39,197,464

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

18. TANGIBLE FIXED ASSETS, net

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

	Lands	Infrastructure and land improvements	Buildings	Property, plant and equipment (**)	Vehicles	Ships	Ship Inventories	Fittings	Leasehold improvements (***)	Construction in progress (*)	Total
	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY
Cost											
1 January 2011 opening balance	10,903,033	12,981,619	199,855,313	422,601,492	9,884,821	110,301,150	286,676	6,966,828	321,850	8,181,691	782,284,473
Additions	339,807	--	--	2,680,331	850,170	--	54,736	567,805	2,249	75,663,212	80,158,310
Disposals	--	--	--	(337,576)	(132,443)	--	--	--	--	--	(470,019)
Transfer	--	7,646	3,414,301	22,835,893	--	--	--	--	--	(26,257,840)	--
Transfer of tangible fixed assets	(3,943,098)	--	--	--	--	--	--	--	--	--	(3,943,098)
Revaluation Effect	190,905,831	3,506,126	(44,330,820)	23,167,056	--	--	--	--	--	--	173,248,193
31 December 2011 closing balance	198,205,573	16,495,391	158,938,794	470,947,196	10,602,548	110,301,150	341,412	7,534,633	324,099	57,587,063	1,031,277,859
Accumulated depreciation											
1 January 2011 opening balance	--	(9,125,092)	(96,817,277)	(346,337,660)	(8,137,583)	(9,375,624)	(41,717)	(5,862,521)	(176,555)	--	(475,874,029)
Additions	--	(360,813)	(4,974,128)	(13,461,158)	(686,659)	(6,127,841)	(39,475)	(472,554)	(43,387)	--	(26,166,015)
Disposals	--	--	--	237,993	112,286	--	--	--	--	--	350,279
Revaluation Effect	--	(2,376,881)	(8,042,868)	(15,292,404)	--	--	--	--	--	--	(25,712,153)
31 December 2011 closing balance	--	(11,862,786)	(109,834,273)	(374,853,229)	(8,711,956)	(15,503,465)	(81,192)	(6,335,075)	(219,942)	--	(527,401,918)
Net Book Value As of											
31 December 2010	10,903,033	3,856,527	103,038,036	76,263,832	1,747,238	100,925,526	244,959	1,104,307	145,295	8,181,691	306,410,444
Net Book Value As of											
31 December 2011	198,205,573	4,632,605	49,104,521	96,093,967	1,890,592	94,797,685	260,220	1,199,558	104,157	57,587,063	503,875,941

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

As of 31 December 2011, fixed assets were insured for TRY 701,770,050 (Ships were insured for amounting to TRY 156,778,700). The depreciation expense of tangible fixed assets for period of 01 January – 31 December 2011 is TRY 26,166,015. As of 31 December 2011, capitalization of tangible fixed assets due to depreciation adjustments of inventories is TRY 1,109,289.

According to explanation of Public Disclosure Platform (PDP) which is dated 14.11.2011 at the point of guarantee basis for all kinds of opened or possible future loans by the Türkiye Garanti Bankası A.Ş. in favor of a subsidiary of İzdemir Enerji Elektrik Üretim A.Ş. , as of 14.11.2011, received TRY 1.100.000.000 of real estate in K17c04b1d-1c/119 Plot, 3 Parcel, Horozgediği Village of Aliğa, İzmir belongs to bank against for the benefits of bank (31 December 2010: None).

- (*) Construction in progress in 31 December 2011 is composed of TRY, 36,879,833 for steel melt shop scrap shear, TRY 878,881 rolling plant , 4th and 5th new finished goods hallway investment and TRY 26,047 for other environmental regulations within the frame of reindustrialization of İzmir Demir Çelik Sanayi A.Ş., TRY 217,663 for factory reindustrialization of Akdemir Çelik Sanayi ve Ticaret A.Ş., TRY 256,805 for building seaport dock for İDÇ Liman İşletmeleri A.Ş. and TRY 436,441 for expenditures for power plant of İzdemir Enerji Elektrik Üretim A.Ş., purchasing cost of transfer vehicles and TRY 18,891,391 regarding to power plant expenditures. TRY 7,733,867 borrowing cost of İzdemir Enerji Elektrik Üretim A.Ş. for the power plant loan is included in the construction in progress for period of 01.01.-31.12.2011.
- (**) As of 31 December 2011, net book value of the financial leasing of the machinery is TRY 5,208,656 (31 December 2010: TRY 6,051,453).
- (***) As of 31 December 2011, Leasehold improvements TRY 145,295 net asset value classified under Intangible fixed Assets, classified under Tangible Fixed Assets.

Market Valuation

Property, plants, buildings, infrastructure and land improvements, machineries, equipment and appliances are reflected in the financial statements with their revalued market values determined by valuation work dated 15 August 2011, of ABC Gayrimenkul Değerleme ve Danışmanlık Anonim Şirketi which is accredited by Capital Market Board

ABC Gayrimenkul Değerleme ve Danışmanlık Anonim Şirketi has determined land values with market, buildings, infrastructure and land improvements with assumptions of rebuilding cost less depreciation since there are not sales / purchases in the are to set similar examples. Determination of machineries, equipment and appliances values are done with their current market values.

Property, plants, buildings, infrastructure and land improvements, machineries, equipment and appliances are reflected in the financial statements with their fair value. However, the land (net book value is TRY 270,000) of subsidiary company, İzdemir Enerji Elektrik Üretim A.Ş. is not revalued in the valuation work and reflected with its net book value in the financial statements, since Company will revalued after audit term according to dated 28 March 2012 contract.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Movements in the fixed assets for the period ended at 31 December 2010 are as following:

	Lands	Infrastructure and land improvements	Buildings	Property, plant and equipment (**)	Vehicles	Ships	Ship Inventories	Fittings	Leasehold improvements	Construction in progress (*)	Total
	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY
Cost											
1 January 2010 opening balance	10,410,872	11,515,082	189,301,505	420,410,686	9,941,437	110,301,150	230,649	6,736,655	182,968	9,732,366	768,763,370
Additions	222,161	--	--	523,808	121,818	--	56,027	170,233	138,882	12,281,207	13,514,136
Added accumulated fixed assets with İzdemir Enerji consolidation	270,000	--	--	--	--	--	--	16,531	--	--	286,531
Disposals	--	--	--	(79,000)	(199,846)	--	--	(718)	--	--	(279,564)
Transfers	--	1,466,537	10,553,808	1,745,998	21,412	--	--	44,127	--	(13,831,882)	--
31 December 2010 closing balance	10,903,033	12,981,619	199,855,313	422,601,492	9,884,821	110,301,150	286,676	6,966,828	321,850	8,181,691	782,284,473
Accumulated depreciation											
1 January 2010 opening balance	--	(8,853,986)	(91,500,731)	(333,627,052)	(7,587,060)	(3,247,783)	(11,543)	(5,398,941)	(130,053)	--	(450,357,149)
Additions	--	(271,106)	(5,316,546)	(12,730,941)	(654,056)	(6,127,841)	(30,174)	(459,362)	(46,502)	--	(25,636,528)
Added accumulated amortization with İzdemir Enerji consolidation	--	--	--	--	--	--	--	(4,374)	--	--	(4,374)
Disposals	--	--	--	20,333	103,533	--	--	156	--	--	124,022
31 December 2010 closing balance	--	(9,125,092)	(96,817,277)	(346,337,660)	(8,137,583)	(9,375,624)	(41,717)	(5,862,521)	(176,555)	--	(475,874,029)
Net Book Value As of											
31 December 2009	10,410,872	2,661,096	97,800,774	86,783,634	2,354,377	107,053,367	219,106	1,337,714	52,915	9,732,366	318,406,221
Net Book Value As of											
31 December 2010	10,903,033	3,856,527	103,038,036	76,263,832	1,747,238	100,925,526	244,959	1,104,307	145,295	8,181,691	306,410,444

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

As of 31 December 2010, fixed assets were insured for TRY 615,723,134 (Ships were insured for amounting to TRY 153,054,000). The depreciation expense of tangible fixed assets for period of 01 January – 31 December 2010 is TRY 25,636,528. As of 31 December 2010, capitalization of tangible fixed assets due to depreciation adjustments of inventories is amounting to TRY 1,371,730.

For the period ended by 31 December 2010, there is no borrowing cost capitalized on the fixed assets (01 January - 31 December 2009: None).

As of 31 December 2010, there is no collateral guarantee and mortgage on fixed assets of Group (31 December 2009: None).

(*) Construction in progress in 2010 is composed of TRY 4,644,114 for steel meltshop scrap shear, TRY 943,057 for steel meltshop bay expansion, TRY 597,946 for rolling mill - cooling bed revision, TRY 593,430 for new ladle refining furnace construction and equipment manufacturing and TRY 670,977 for other environmental regulations within the frame of reindustrialization of İzmir Demir Çelik Sanayi A.Ş., TRY 282,490 for factory reindustrialization of Akdemir Çelik Sanayi ve Ticaret A.Ş., and TRY 449,677 for building seaport dock for İDÇ Liman İşletmeleri A.Ş.

(**) As of 31 December 2010, net book value of the financial leasing of the machinery is TRY 6,051,453 (31 December 2009: TRY 6,894,251).

(***) As of 31 December 2009, Leasehold improvements TRY 52,915 net asset value classified under Intangible fixed Assets, classified under Tangible Fixed Assets.

Depreciation expense related to the distribution of tangible fixed assets is as follows;

	01.01.- 31.12.2011	01.01.- 31.12.2010
Cost of goods sold	15,924,147	15,092,710
Cost of service	8,812,884	8,736,897
Capitalized on inventories	1,109,289	1,371,730
General and administrative expenses	319,695	388,689
	26,166,015	25,590,026

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

19. INTANGIBLE FIXED ASSETS, net

Cost	Rights	Other Intangible assets	Total
01 January 2011 opening balance	1,143,306	1,057,834	2,201,140
Purchases	115,945	--	115,945
31 December 2011 closing balance	1,259,251	1,057,834	2,317,085
<u>Accumulated amortization</u>			
01 January 2011 opening balance	(1,019,502)	(1,057,834)	(2,077,336)
Period expense	(76,994)	--	(76,994)
31 December 2011 closing balance	(1,096,496)	(1,057,834)	(2,154,330)
Net Book Value as of 31 December 2010	123,804	--	123,804
Net Book Value as of 31 December 2010	162,755	--	162,755

Amortization expenses for the period 01 January – 31 December 2011 is TRY 76,994. As of 31 December 2011, capitalization of intangible fixed assets due to amortization adjustments of inventories is TRY 3,264.

As of 31 December 2011, no tangible or intangible fixed asset is composed within the management (31 December 2010: None)

Cost	Rights	Other Intangible assets	Total
01 January 2010 opening balance	1,010,803	1,033,359	2,044,162
Purchases	23,389	--	23,389
Added accumulated fixed assets with İzdemir Enerji consolidation	109,114	--	109,114
31 December 2010 closing balance	1,143,306	1,033,359	2,176,665
<u>Accumulated amortization</u>			
01 January 2010 opening balance	(916,674)	(1,033,359)	(1,950,033)
Period expense	(77,871)	--	(77,871)
Added accumulated amortization with İzdemir Enerji consolidation	(24,957)	--	(24,957)
31 December 2010 closing balance	(1,019,502)	(1,033,359)	(2,052,861)
Net Book Value as of 31 December 2009	94,129	--	94,129
Net Book Value as of 31 December 2010	123,804	--	123,804

Amortization expenses for the period 01 January – 31 December 2010 is TRY 77,871. As of 31 December 2010, capitalization of intangible fixed assets due to amortization adjustments of inventories is TRY 6,667.

Depreciation expense related to intangible assets is as follows;

	01.01.- 31.12.2011	01.01.- 31.12.2010
Capitalized on inventories	3,264	6,667
General and administrative expenses	73,730	117,706
	76,994	124,373

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

20. GOODWILL, net

None (31.12.20010 -None).

21. GOVERNMENT GRANTS AND INCENTIVES

There is a handicapped employment incentive income of TRY 1,267,731 (01 January - 31 December 2010: TRY 1,012,643). For the fiscal period ended as of 01 January 2011 – 31 December 2011, reflected in the income statements due to Labor law numbered 4857 and Social Insurance and general Health Insurance Law numbered 5510. Government incentives under government incentive and grant in the income statements is not collected but deducted from the accrued insurance premiums by treasury. Incentive income was classified under employee expenses of cost of sale.

22. PROVISIONS, CONDITIONAL LIABILITIES AND ASSETS

	31 December 2011	31 December 2010
Provision for the court cases	806,757	100,877
	806,757	100,877

The movement schedule of provision for lawsuits is as following;

	01.01.- 31.12.2011	01.01.- 31.12.2010
Balance of beginning of the period	100,877	6,243,912
Paid within the period	(40,400)	--
Closing cases for the period	(14,505)	(6,144,722)
Provision expenses of the period	760,785	1,687
	806,757	100,877

As of 31 December 2011, details of ongoing court cases are summarized below;

- a. Competition Board has started investigation about iron and steel sector and producers to detect whether the prohibited course actions in the 4th article, Law numbered 4054 on the Protection of Competition are realized or not. The copy of this investigation report has been notified to the company on 25 April 2005, necessary legal defending rights were used by the company. As a result of the investigation representing whole sector by Competition Board, it is imposed a penalty of TRY 314,000 to the company and justified written decision was notified to the company. The company has objected by filing court case to Council of State. Related amount has been paid under protest on 20 June 2006. 13th Department, Council of State has rejected the motion to cease the process. The ultimate decision about case is expected from 13th Council of State. Case is appealed.
- b. Ship named Villa belongs to Villa Denizcilik Sanayi ve Ticaret A.Ş. within the charter party contract frame between the company and Villa Denizcilik Sanayi ve Ticaret A.Ş., loaded 16,250 m/tons of steel merchandise from harbor İzmir-Nemrut and discharged in Yemen. During the discharge, Villa Denizcilik Sanayi ve Ticaret A.Ş. has not worked 59 hours. There is insistence of keeping the merchandise on purpose, so it was been applied to Specialized Court of Istanbul for compensation of USD 25,000 and demanded judge. Istanbul Maritime Court has rejected the arbitration demand of counterpart, made decision in favor of the company. Henceforth, the counterpart has filed court case to Court of Fifth Instance, Izmir and the company has responded. The court has rejected due to its function and the plaintiff did not appeal.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

- c. In the harbor of İDÇ Liman İşletmeleri A.Ş. which has been consolidated, Hüseyin Özken who has no relationship with the company, has died in the accident on 01 January 2006. Inhabitants of him has filed court case of TRY 203,000 for compensation of damage for wrongful death and money damages against İDÇ Liman İşletmeleri A.Ş.. Since there has been insurance policy for the accidents in the harbor and the individual was not personnel of the company, there is not any provision for this court case in the financial statements.
- d. Board of Director meeting dated 15.01.2010 and numbered 2 had decided to reduce number of employees and terminated employee agreements. 40 former employees had filed lawsuits to return to their job in March and April 2010 in Karşıyaka Labor Court. The subjected trials are accepted by the Courts and decions are certained since the bill of review about the 37 file are rejected.3 trial out of 37 are at the appeal examination stage. As of 2 February 2012, according to the Company Management Board’s decision numbered 01, rejection of the previous personnel’s starting work demands, and payment to the personnel accordingly with the Court decision. TRY 590,785 provision for court cases classified about the trial given detail as above.
- e. As of report date, provision for the lawsuits of TRY 215,972 consists of TRY 170,000 İzmir Demir Çelik A.Ş and TRY 3,000 İDÇ Liman İşletmeleri A.Ş. for the case that was prosecuted about severance pay provision, TRY 42,972 Akdemir Çelik Sanayi ve Ticaret A.Ş. for the case that was prosecuted about work accident. Decisions have been appealed by company, expecting settlement from Supreme Court of Appeals.
- f. Local Court has rejected the 2 of 3 lawsuits filed against İzmir Demir Çelik Sanayi A.Ş. by present and former employees with same acquisitions of wage. The remaining 2 lawsuits rejected by local court, are in Supreme Court of Appeal. One lawsuit is still in trial at local court. In the accompanying financial statements, there is no provision set due to expectation of no significant liability from these lawsuits.
- g. Lawsuit has been filed to hold and annul the “Production license” obtained from Energy Market Regulatory Authority for project named “İzdemir Energy Station-2” of İzdemir Enerji Elektrik Üretim A.Ş. As of 27 July 2011 13th State Council confirmed to hold the process of this lawsuit and the decision is to be made by Energy Market Regulatory Authority.
- h. “İzdemir Power Plant Project” of İzdemir Enerji Elektrik Üretim A.Ş. is to be granted “Environmental Impact Assesetment positive” decision by Ministry of the Environment and Forestry. Total of 7 law suits are filed against this process demanding to annul or cancel to 1st, 2nd and 4th Administrative Court of İzmir. These court cases are forwarded to 2nd Administrative Court of İzmir due to their juncture. 2nd Administrative Court of İzmir has dismissed a file demanding to annul of the process and plaintiff has appealed the decision of dismissal.
- i. A total of 6 lawsuits are prosecuted at the 2nd Administrative Court of İzmir since the “Construction Permit” given by Aliağa Municipality regarding to İzdemir Enerji Elektrik Üretim A.Ş.’s “İzdemir Enerji Santrali-2” project holded and requested for cancellation. Regarding the request to participate in addition o the plaintiff is requested for the subjected lawsuits. The Court decision is expected.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

23. COMMITMENTS

Guarantees and deposits received by the Group	31 December 2011	31 December 2010
Guarantees received	44,357,242	8,573,611
Pledges received	1,681,813,488	902,803,935
	1,726,170,730	911,377,546

Letter of guarantees are composed received letters of guarantee from local vendors for goods and services rendered by the Group. Guarantees include received guarantees provided by Group’s related parties and partners for loans from bank.

GUARANTEES, SECURITY AND MORTGAGE (GSM)	31.12.2011			Total TRY
	EUR	USD	TRY	
A. Total Amount of GSM given on behalf of legal entity	250,000	660,751	28,530,109	30,389,152
B. Total Amount of GSM given for partnerships which included in full consolidation	111	292,000,000	1,120,467,477	1,672,026,548
C. Total Amount of GSM given for the purpose of guaranteeing third party loans to carry the regular trade activities	--	--	--	--
D. Total Amount of other GSM given	--	--	--	--
i Total Amount of GSM given for the Parent Company	--	--	--	--
ii Total Amount of GSM given for Other Group Companies not included in B and C clauses	--	--	--	--
iii. Total Amount of GSM given for third parties not included in C clause	--	--	--	--
Total	250,111	292,660,751	1,148,997,586	1,702,415,700

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

GUARANTEES, SECURITY AND MORTGAGE (GSM)	31.12.2010			
	Original Currency			Total
	EUR	USD	TRY	TRY
A. Total Amount of GSM given on behalf of legal entity	250,000	660,751	13,066,456	14,600,252
B Total Amount of GSM given for partnerships which included in full consolidation	212	12,000,000	10,465,095	29,017,529
C. Total Amount of GSM given for the purpose of guaranteeing third party loans to carry the regular trade activities	--	--	--	--
D. Total Amount of other GSM given	--	--	--	--
i. Total Amount of GSM given for the Parent Company	--	--	--	--
ii. Total Amount of GSM given for Other Group Companies not included in B and C clauses	--	--	--	--
iii. Total Amount of GSM given for third parties not included in C clause	--	--	--	--
Total	250,212	12,660,751	23,531,551	43,617,781

Ratio of other GSM given by the Group to Shareholders’ Equity as of 31.12.2010 is 0%.

As of 31 December 2011, the details of the guarantee letters given to various public institutions given by the Group are as following;

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

As of 31 December 2010, the details of the guarantee letters given to various public institutions given by the Group are as following;

GUARANTEE	31.12.2010			
	Original Currency			Total
	EUR	USD	TRY	TRY
Given Customs Office	250,000	--	9,375	521,650
Given Tax Office	--	--	2,140,879	2,140,879
Given Electricity Distribution Company	--	--	4,189,407	4,189,407
Given Natural Gas Company	--	660,751	908,295	1,929,816
Given EMRB	--	--	5,750,000	5,750,000
Other given letter of guarantees	--	--	68,500	68,500
Total	250,000	660,751	13,066,456	14,600,252

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

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

BAILMENT	31.12.2011			
	Original Currency			Total
	EUR	USD	TRY	TRY
Given Bailment to Complete Consolidated Companies	111	292,000,000	1,120,467,477	1,672,026,548
- Given to İzmir Demir Çelik Sanayi A.Ş.	--	12,000,000	200,000	22,866,800
- Given to Akdemir Çelik Sanayi ve Ticaret A.Ş.	--	--	4,153,000	4,153,000
- Given to İDÇ Liman İşletmeleri A.Ş.	111	--	114,477	114,748
- Given to İzdemir Enerji Sanayi ve Ticaret A.Ş.	--	280,000,000	1,116,000,000	1,644,892,000
Total	111	292,000,000	1,120,467,477	1,672,026,548

As of 31 December 2010, the details of the guarantee letters given to Group Companies and Subsidiaries for various loan, are as following;

BAILMENT	31.12.2010			
	Original Currency			Total
	EUR	USD	TRY	TRY
Given Bailment to Complete Consolidated Companies	212	12,000,000	10,465,095	29,017,529
- Given to İzmir Demir Çelik Sanayi A.Ş.	--	12,000,000	200,000	18,752,000
- Given to Akdemir Çelik Sanayi ve Ticaret A.Ş.	--	--	4,153,000	4,153,000
- Given to İDÇ Liman İşletmeleri A.Ş.	212	--	112,095	112,529
- Given to İzdemir Enerji Sanayi ve Ticaret A.Ş.	--	--	6,000,000	6,000,000
Total	212	12,000,000	10,465,095	29,017,529

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

24. BENEFITS PROVIDED TO EMPLOYEES

24.1 Severance Pay Provisions – Short term

	31 December 2011	31 December 2010
Severance pay provision	272,512	295,760
	272,512	295,760

24.2 Severance Pay Provision – Long term

	31 December 2011	31 December 2010
Severance pay provision	6,332,924	5,844,131
	6,332,924	5,844,131

The movement of long and short term severance pay provisions is as follows;

	01.01.- 31.12.2011	01.01.- 31.12.2010
Severance Pay		
Provision at the beginning of the period	6,139,891	6,028,848
Added severance pay provision with İzdemir Enerji consolidation	--	9,372
Period expense	1,431,570	2,738,953
Severance pay that are paid in the period	(785,346)	(2,637,282)
Reversal of unnecessary provisions	(180,679)	--
Provision as of the period end	6,605,436	6,139,891

Accordance with applicable provisions of the Labor Law, employees in the bargaining agreement will be entitled to severance compensation ancestors, have an obligation to pay severance benefits legally entitled.

As of 31 December 2011, the amount payable consists of one month’s salary limited to a maximum of TRY 2,731.85 (31 December 2010: TRY 2,517.01) .

The liability is not funded, as there is no funding requirement.

The provision has been calculated as in note 2. The amount payable consists of one month’s salary limited to a maximum of TRY 2,731.85 (31 December 2010 - TRY 2,517.01) for each period of service at 31 December 2011.

The basic assumption is the maximum liability for each year increases with inflation equally. Hence, applied discount rate signifies the expected real rate after adjustment of the future inflation effects. As result, as of 31 December 2011 and 2010, provisions in the accompanying financial statements are calculated by estimating the present value of the future probable obligation of Company arising from the retirement of employees:

	31 December 2011	31 December 2010
Rediscount rate	12.00%	10.00%
Inflation rate	6.80%	5.10%
Real discount rate	4.87%	4.66%

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

As a result, as of 31 December 2011, provision of amounting to TRY 6,605,436 (31 December 2010: TRY 6,139,891) by estimating the present value of the future probable obligation of Company arising from the retirement of employees is reflected in the financial statements.

As of 31 December 2011, Group’s expected probability rate to pay the severance pay package except who those who quit their job on basis of their request and not eligible for severance pay, is 98.88% (31 December 2010 : 98.35%).

25. MINORITY INTEREST

	31 December 2011	31 December 2010
Shares in capital	10,086,027	888,027
Shares in reserves	810	581
Shares increase in value of the fund	11,546	--
Shares in accumulated losses	(739,822)	(493,314)
Share in period’s (losses) / profit	(1,927,463)	(221,079)
	7,431,098	174,215

26. RETIREMENT PLANS

None (31.12.2010 - None).

27. OTHER ASSETS AND LIABILITIES

27.1 Other Current Assets

	31 December 2011	31 December 2010
Order advances given	15,651,108	10,639,974
VAT reclaimed	537,791	354,112
VAT carried forward	3,116,185	683,699
Prepaid advance tax	7,912,579	99,388
Prepaid tax and funds	1,674,813	743,209
Business advances	18,533	61,477
Prepaid expenses	723,496	455,512
	29,634,505	13,037,371

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

27.2 Other Non-Current Assets

	31 December 2011	31 December 2010
Order advances of fixed assets (*)	66,862,868	4,990,941
Prepaid expenses	--	565
	66,862,868	4,991,506

(*) Fixed assets order advances comprises advances which was given to Energy production facilities by of İzmir Demir Çelik Sanayi A.Ş with in contex of factory reindustrialization for TRY 9,143,374 for rolling plant platform revision, TRY 46,193 other environmental regulations of İzmir Demir Çelik Sanayi A.Ş. and TRY 57,673,301.

27.3 Other Current Liabilities

	31 December 2011	31 December 2010
Order advances received	55,230,001	17,227,902
Expense Accruals	177,920	--
Deferred income	158,446	--
Due to personnel	1,629,374	1,414,067
Other Liabilities	6,598	11,707
	57,202,339	18,653,676

27.4 Other Non-Current Liabilities

	31 December 2011	31 December 2010
Prepaid expenses	277,281	--
	277,281	--

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

28. SHARE CAPITAL

28.1 Paid in Capital

Company adopted registered capital system pursuant to the provisions of Law No. 2499 and Capital Market Board transfer in to the system dated 22.08.1984 with the 256 numbered permission. The company’s registered capital is TRY 400,000,000; shares are divided into 40,000,000,000 each in nominal value of Kurush 1.

The registered capital ceiling permission granted by Capital Market Board is valid for between 2010-2014 years (5 years). Even if the registered capital ceiling allowed to at the end of 2014 is not reached, in order to the board take decision to obtain capital after year 2014, it is required to obtain authorization for a new period from the General Assembly for previously allowed ceiling or a new ceiling amount allowed by means of the Capital Markets Board. If mentioned authority is not taken company is deemed to have come from the registered capital system.

According to the decision of the Board Meeting dated 03.05.2011 and numbered 11, it has decided to increase the paid in capital from TRY, 150,000,000 to TRY 300,000,000 to cover “Difference from Inflation Adjustment of Capital”. The capital increase process has been completed by obtaining the permissions from CMB (Capital Market Board) and registering to Trade Registry on 16.06.2011.

The company’s issued share capital is, fully paid TRY 150,000,000. This capital is formed in total 15,000,000,000 unit shares of Group A which has 800 units written to name each valued 1 Kurush (700 pieces to Şahin Koç Çelik Sanayi A.Ş., 100 pieces to Deba Holding A.Ş.) and of Group B which has 14,999,999,200 units written to name each valued 1 Kurush Registration to stock register of the shares written to name is subject to the approval of the Board. The shares written to name may be withheld from the record by the company even without reason.

As of 31 December 2011 and 2010 the capital structure is as follows:

Shareholders	(%)	31 December 2011	(%)	31 December 2010
Şahin – Koç Çelik Sanayi A.Ş.	61.52	184,555,821	61.52	92,277,911
Halil Şahin	14.52	43,567,535	14.52	21,783,767
Foreign shareholders (Al Rajhi family)	0.65	1,937,021	1.07	1,609,190
Other (Publicly Held)	23.31	69,939,623	22.89	34,329,132
Historic amounts	100.00	300,000,000	100.00	150,000,000

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

28.2 Inflation Adjustment to Share Capital

	31 December 2011	31 December 2010
Inflation adjustment to capital	22,763,962	172,763,962
	22,763,962	172,763,962

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

28.3 Profile Reserves

	31 December 2011	31 December 2010
Legal reserves	20,322,687	20,322,687
	20,322,687	20,322,687

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions.

The companies those have quoted shares in Istanbul Stock Exchange are subject to the regulations determined by Capital Markets Board related to dividends as follows:

Capital Markets Board (the Board) decided on 27 January 2010, that basis of distribution of income acquired from trade activity in 2009 are would be; no mandatory minimum (31.12.2009: 20%) profit distribution for joint stock companies whose shares traded publicly. In this regard, profit distribution within the frame of Communiqué IV, No: 27, “Communiqué to applied in profit distribution of Publicly Traded Companies subject to Capital Market Board” issued by Board, clauses in main agreements of shareholders and announced profit distribution to public by the companies would take place according to the policy.

Moreover, according to the Board Decision, companies those are obligated to prepare consolidated financial statements, if distributable profit can be covered by their statutory equity, are to announce their net distributable profit in the consolidated financial statements within the frame of Communiqué XI, No: 29 and net period profit will be taken into account.

TRY 148,476 of primary legal reserves has been calculated from the remaining amount after deduction of previous years’ losses TRY 8,659,496 from net period profit of TRY 11,629,021 in statutory financial statements as of 31 December 2010 according to Tax Procedure Law. After deduction of previous years’ losses, and primary legal reserves TRY 2,821,048 of distributable profit has been left for the period in the statutory financial statement.

After deduction of primary legal reserves TRY 148,476, from TRY 17,373,191 of after tax profit in the consolidated financial statements according to Capital Board Regulation, there has left net distributable dividend of TRY 17,224,715. Within the course of the year, TRY 200,036 of charity contribution was made and primary dividend base was calculated as TRY 17,424,751. TRY 3,484,950 of primary distributable dividend for 2010 is calculated with 20% consistent with Communiqué IV No: 27 by Capital Market Board and is TRY 2,821,048 by Tax Procedure Law and in legitimate record transfer to extraordinary reserve account which decided at the annual general meeting in 03 May 2011.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

28.4 Previous year’s profit / (loss)

General reserves comprise legal reserves, retained earnings and revaluation surplus.

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

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

28.5 Appraisal Fund / (Revaluation Fund)

Property, plants, buildings, infrastructure and land improvements, machineries, equipment and appliances are reflected in the financial statements with their revalued market values determined by valuation work dated 15 August 2011 and 31 December 2011, of ABC Gayrimenkul Değerleme ve Danışmanlık Anonim Şirketi which is accredited by Capital Market Board

ABC Gayrimenkul Değerleme ve Danışmanlık Anonim Şirketi has determined land values with market, buildings, infrastructure and land improvements with assumptions of rebuilding cost less depreciation since there are not sales / purchases in the area to set similar examples. Determination of machineries, equipment and appliances values are done with their current market values.

Property, plants, buildings, infrastructure and land improvements, machineries, equipment and appliances are reflected in the financial statements with their revalued market values.

	31 December 2011	31 December 2010
Revaluation increase	208,502,558	--
Depreciation of Revaluation increase	(25,712,153)	--
Deferred Tax which calculated with/over Revaluation Fund	(31,269,926)	--
Revaluation Fund	151,520,479	--

	31 December 2011	31 December 2010
Parent Company’s Revaluation Fund	151,508,933	--
Minority’s Revaluation Fund	11,546	--
Revaluation Fund	151,520,479	--

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

29. SALES AND COST OF SALES

29.1 Sales Income, net

	01.01.- 31.12.2011	01.01.- 31.12.2010
Domestic sales	569,052,978	482,430,763
Overseas sales	895,507,593	464,404,177
Sales returns (-)	(34,543)	(42,354)
Deductions on other sales (-) (*)	(40,314,494)	(26,847,923)
Sales Income (net)	1,424,211,534	919,944,663

(*) According to Group’s accounting policy, export freight and insurance expenses are pursued under other deductions.

Details about the reportable segment used in management reports by the Group as following (Footnote 5).

29.2 Cost of sales (-)

	01.01.- 31.12.2011	01.01.- 31.12.2010
Raw materials cost (-)	(1,127,340,468)	(733,980,282)
Direct labor cost (-)	(38,029,111)	(29,007,079)
General production overheads (-)	(140,926,202)	(109,595,329)
Depreciation expenses (-)	(15,924,147)	(15,092,710)
Change in work in process inventory	4,085,858	7,267,765
Change in finished goods inventory	34,970,910	21,881,217
Cost of merchandises sold (-)	(1,283,163,160)	(858,526,418)
Cost of merchandises sold (-)	(4,465,956)	(1,004,850)
Provision for diminution in value of inventories	--	--
Service costs:		
Personnel expense (-)	(16,546,910)	(12,094,945)
Depreciation expenses (-)	(8,812,884)	(8,736,897)
Other expense (-)	(19,985,726)	(14,094,960)
	(1,332,974,636)	(894,458,070)

29.3 Interest, wage, premium, commission and other income, net

None (31.12.2010 - None).

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

30. RESEARCH AND DEVELOPMENT EXPENSES

None (31.12.2010 - None).

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

	01.01.- 31.12.2011	01.01.- 31.12.2010
Marketing, Sales and Distribution Expense	(8,734,294)	(5,343,877)
General Administrative Expense	(14,987,150)	(13,522,447)
	(23,721,444)	(18,866,324)

31.1 Marketing, sales and distribution expenses

	01.01.- 31.12.2011	01.01.- 31.12.2010
Transportation expenses	605,050	227,098
Brand and registration expenses	378,879	275,253
Commission expenses	5,222,542	2,816,692
Seaport services expenses	134,858	383,145
Export expenses	851,998	329,702
Overseas test expenses	10,835	21,845
Personnel expenses	1,309,789	1,060,460
Other expenses	220,343	229,682
	8,734,294	5,343,877

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

31.2 General administrative expenses

	01.01.- 31.12.2011	01.01.- 31.12.2010
Board of Directors and Audit Committee expenses	168,526	126,322
Personnel expense	5,267,317	4,432,354
Travelling expenses	119,416	61,162
Food expenses	132,351	144,193
Water heating and lighting expenses	136,271	104,644
Repair and maintenance expenses	172,988	219,804
Counseling and consultation expenses	612,862	602,056
Operating renting expenses	129,750	130,950
Insurance expenses	937,805	940,430
Communication expenses	239,616	216,778
Court, execution and notary expenses	183,184	61,293
Subscription expenses	260,399	205,144
Tax and duties	990,783	1,245,417
Depreciation expenses	393,425	506,395
Severance pay provision	1,431,570	2,738,953
Stationery expenses	66,389	60,371
Representation and accommodation expenses	167,910	133,190
Vehicle expenses	427,424	372,479
Donation and charity expenses	96,340	209,419
Stock quotation wage expenses	187,500	37,500
Provision for doubtful receivables	12,549	18,977
CMB Capital increase expenses	360,000	-
Customs charges	470,547	415,326
Provision for court cases expenses	760,785	1,687
Establishment costs	601,597	202,130
Other expenses	659,846	335,473
	14,987,150	13,522,447

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

32. OTHER OPERATING INCOME / EXPENSE

32.1 Other operating income and profits

	01.01.- 31.12.2011	01.01.- 31.12.2010
Reversal of unnecessary provisions	180,679	--
Reversal of lawsuit provision	14,505	6,144,722
Reversal of doubtful receivables	11,117	--
Custom expense income	417,963	--
Warehouse income	918,020	459,290
Insurance indemnity income	876,663	484,111
Compensation income	742,720	448,203
Early loading and unloading premium income	--	63,165
Profit on sale of tangible assets	697,692	20,249
Operation renting income	54,501	47,161
Other ordinary income and profit	503,092	588,850
	4,416,952	8,255,751

32.2 Other operating expense and losses

	01.01.- 31.12.2011	01.01.- 31.12.2010
Loss on sale of tangible assets	(28,433)	(35,212)
Warehouse income	(248,180)	--
Subsidiary capital decrease losses ⁽¹⁾	(109,415)	--
Other ordinary expense and losses	(22,198)	4,129
	(408,226)	(31,083)

⁽¹⁾ İzmir Havayolları A.Ş. has decreased by TRY 50,500,000 its paid in capital from TRY 52,500,000 to TRY 2,000,000 by reducing shares bound to decision numbered 2011/214 and 2011/177 of İzmir 3rd First Instance Court, in the ordinary Board Meeting held on 23 May 2011.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

33. FINANCIAL INCOME

	01.01.- 31.12.2011	01.01.- 31.12.2010
Interest income	11,633,881	3,872,816
Foreign currency income	53,663,784	14,739,402
Foreign currency futures exchange rate income accrual	927,838	109,109
Dividend income	151,436	124,341
Financial income due to forward sale	335,849	597,043
Optional foreign currency purchase premium income	1,586,798	770,827
Other financial income	263,648	256,592
	68,563,234	20,470,130

Group’s hedging transactions and optional agreements:

	31 December 2011	
	Foreign currency amount given to banks	Foreign currency amount received from banks
Foreign currency futures agreements		
EUR/USD	5,500,000	7,603,850
USD/EUR	14,780,300	11,000,000
Foreign currency optional agreements		
USD/TRY	43,500,000	101,485,000

As 31 December 2011, foreign exchange gain due to hedging transactions and optional agreements is pursued in foreign exchange income is amounting to TRY 927,838 in financial income (Note 33), foreign exchange loss is amounting to TRY 1,042,535 in financial expenses (Note 34).

	31 December 2010	
	Foreign currency amount given to banks	Foreign currency amount received from banks
Foreign currency futures agreements		
EUR/USD	3,000,000	4,039,500
USD/EUR	3,332,300	2,500,000
TRY/USD	770,750	500,000
Foreign currency optional agreements		
USD/TRY	10,000,000	16,435,000

As 31 December 2010, foreign exchange gain due to hedging transactions and optional agreements is pursued in foreign exchange income is amounting to TRY 109,109 in financial income (Note 33), foreign exchange loss is amounting to, TRY 38,077 in financial expenses (Note 34).

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

34. FINANCIAL EXPENSES

	01.01.- 31.12.2011	01.01.- 31.12.2010
Interest expenses	(7,134,942)	(3,284,374)
Foreign exchange losses	(67,907,969)	(13,023,557)
Rediscount expenses	(185,266)	(111,829)
Commission expenses	(526,168)	(769,965)
Money transfer and other bank expenses	(362,490)	(165,829)
Leasing expenses	(198)	(45,967)
Foreign currency futures exchange rate expense accrual	(1,042,535)	(38,078)
Expense of changing transaction of interest rate	--	(43,199)
	(77,159,568)	(17,482,798)

35. FIXED ASSETS HELD FOR FURTHER SALE AND ABOLISHED ACTIVITIES

None (31.12.2010 - None).

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

36. TAX ASSETS AND LIABILITIES (DEFERRED TAX ASSETS AND LIABILITIES INCLUDED)

	31 December 2011	31 December 2010
Corporation tax payable		
Provision for corporation tax payables	12,407,207	246,786
Prepaid taxes and funds	(9,587,392)	(842,597)
	2,819,815	(595,811)
Provision for current tax	01.01.- 31.12.2011	01.01.- 31.12.2010
Provision for current corporation tax	(12,407,207)	(246,786)
Deferred tax (expense) / income	179,119	(433,371)
	(12,228,088)	(680,157)

Corporation Tax

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

Corporation tax rate that will be accrued over corporation tax base is calculated over the tax base that remains after adding expenses recorded as expense in determination of commercial earnings that are non-deductible from tax base and subtracting tax-exempt profit, tax- free income and other deductions (if there are losses from previous years and used investment allowances if preferred).

The applied effective interest rate in 2011 is 20 % (2010: 20%).

Permanent tax is calculated and accrued quarterly in Turkey. As of temporary tax periods, the effective corporation tax rate is 20% (2010: 20%) in 2011.

Losses may be carried forward for a maximum period of five years in order to be deducted from the taxable profit for a maximum period of five years.

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

Withholding Tax:

In addition to Corporation tax, it is required to calculate withholding tax from the dividends distributed by full pledge taxpayer enterprise and include in its income tax base and except dividends distributed by foreign companies to its subsidiary in Turkey. As of 23 July 2006 income tax stoppage rate was changed as 15%. Dividends that are added to capital without distribution are not subject to income tax stoppage. It is necessary to make tax withholding at 19.8% over investment allowance balance utilized based on investment incentive certificate taken before 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.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Investment Allowance

The Temporary Article 69 added to the Income Tax Law no.193 with the Law no.5479, which became effective starting from 1 January 2006, upon being promulgated in the Official Gazette no. 26133 dated 8 April 2006, stating that taxpayers can deduct the amount of the investment allowance exemption which they are entitled to according to legislative provisions effective at 31 December 2005 (including rulings on the tax rate) only from the taxable income of 2006, 2007 and 2008. Accordingly, the investment incentive allowance practice was ended as of 1 January 2006. At this perspective, an investment allowance which cannot be deducted partially or fully in three years time was not allowed to be carried forward to the following years and became unavailable as of 31 December 2008. On the other hand, the Article 19 of the Income Tax Law was annulled and the investment allowance practice was ended as of 1 January 2006 with effectiveness of the Article 2 and the Article 15 of the Law no. 5479 and the investment allowance rights on the investment expenditures incurred during the period of 1 January 2006 and 8 April 2006 became unavailable.

However, on 15 October 2009, the Turkish Constitutional Court decided to cancel the clause no. 2 of the Article 15 of the Law no. 5479 and the expressions of “2006, 2007, 2008” in the Temporary Article 69 related to investment allowance mentioned above that enables effectiveness of the Law as of 1 January 2006 rather than 8 April 2006, since it is against the Constitution. Accordingly, the time limitations for the carried forward investment allowances that were entitled to in the previous period of mentioned date and the limitations related with the investments expenditures incurred between the issuance date of the Law promulgated and 1 January 2006 were eliminated. According to the decision of Turkish Constitutional Court, cancellation related with the investment allowance became effective with promulgation of the decision on the Official Gazette and the decision of the Turkish Constitutional Court was promulgated in the Official Gazette no. 27456 dated 8 January 2010.

According to the decision mentioned above, the investment allowances carried forward to the year 2006 due to the lack of taxable income and the investment allowances earned through the investments started before 1 January 2006 and continued after that date constituting economic and technical integrity will be used not only in 2006, 2007 and 2008, but also in the following years. In addition, 40% of investment expenditures that are realized between 1 January 2006 and 8 April 2006, within the context of the Article 19 of the Income Tax Law will have the right for investment allowance exemption.

In 2006, 2007 and 2008 years in the corporate income tax accounts for companies, when they prefer to decrease moved investment rebate from their taxable income, company tax rate will be 30%. In the case of not benefited from moved investment rebate, company tax rate will be considered as 20%.

Subsequently, new treatment on investment incentive was introduced by the Law no. 6009 “Law on the Amendment of the Income Tax Law and Certain Laws and Decree Laws” which was promulgated in the Official Gazette on 1 August 2010. The Article 5 of the Law regulates the amount of investment incentive to be benefited in computing the corporate tax base after the cancellation of the clause no.2 of the Article of the Law no. 5479. According to the Law no. 6009, the taxpayers are allowed to benefit from the investment incentive stemming from the periods before the promulgation of the Law no. 5479 up to 25% (corporate tax rate is considered as 20%) of the taxable income of the respective tax period.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported in accordance with CMB Communiqué XI, No: 29 Communiqué standards and the statutory tax financial statements. The differences which are explained below usually emanate from amounts for taxable value of some income – expense items and being in different periods of financial statements which are prepared according to Account Standards Communiqué of CMB.

Time differences arise from differences which occurred because of change in income expense items, which are recorded with accounting and tax aim. Time differences are being calculated based on intangible fixed assets (excluding land and area), revaluation of intangible fixed assets and stocks; rediscount of receivables and payables, financial leases, provision for severance pay, provision unused allowance, previous year’s losses and benefit able amount of investment incentive. The ratio of deferred tax is 20% in 2011 (2010: 20%).

The entries related to deferred tax and corporation tax is in the following:

	31 December 2011		31 December 2010	
	Temporary Difference	Deferred Tax	Temporary Difference	Deferred Tax
Deferred tax assets				
Effect of depreciation adjustments of inventories	417,924	83,585	89,858	17,972
Severance pay provision	6,605,436	1,321,086	6,139,891	1,227,978
Provision for doubtful receivables	46,759	9,352	45,327	9,065
Rediscount receivables	93,396	18,679	18,551	3,710
Reversal of capitalized financial expenses	8,535,261	1,707,052	1,529,815	305,963
Foreign currency valuation difference	3,493	699	171	34
Accrued time deposit banking transactions	114,697	22,939	--	--
Provision for courts	806,757	161,351	100,877	20,175
Accrued interest loans and leasing	198	40	166	33
Expense accruals	7,744	1,549	7,744	1,549
Reclassification of prepaid incomes	613,647	122,729	--	--
Destruction of establishment costs	778,830	155,766	471,533	94,307
Provision for subsidiaries	445,357	89,071	445,357	89,071
Taxable losses	2,002,831	400,566	7,038,438	1,407,688
		4,094,464		3,177,545
Deferred Tax Liabilities				
Economic life differences of tangible and intangible assets	11,725,651	2,345,131	9,800,973	1,960,196
Rediscount of payables	145,430	29,086	102,992	20,598
Adjustment of rediscount of loan interest according to internal return	4,807	961	5,889	1,178
Interest accruals for time deposits	9,573	1,915	2,942	588
Term difference adjustment related to trade payables	2,247,363	449,473	460,002	92,000
Foreign currency valuation difference	--	--	71,032	14,206
Revaluation fund deferred tax effect	182,790,405	31,269,926	--	--
		34,096,492		2,088,766
Deferred Tax Assets / (Liabilities), net		(30,002,028)		1,088,779

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Deferred Tax (Asset) / Liability Movements	01.01.- 31.12.2011	01.01.- 31.12.2010
Opening balance	(1,088,779)	(1,433,286)
Added deferred tax with İzdemir Enerji consolidation	-	(88,864)
Revaluation fund deferred tax effect	31,269,926	-
Deferred tax expense / income	(179,119)	433,371
Closing balance	30,002,028	(1,088,779)

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

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Agreement of tax provision that is shown in income statement is as follows;

	01.01.- 31.12.2011	01.01.- 31.12.2010
Agreement of tax provision		
Unaudited profit / (loss) before tax (*)	68,153,822	12,794,263
Agreement of tax provision and calculation:		
- Non-deductible expenses	3,467,336	2,391,312
- Total current year losses, exceptions and discounts	(3,832,681)	(13,951,644)
- Absorbed previous years losses (**)	(5,752,443)	--
Tax base	62,036,033	1,233,931
Valid tax rate	%20	%20
Tax provision in the income statements	(12,407,207)	(246,786)

(*) Calculations were made from the complete consolidated companies and the companies formed from the tax provision.

(**) Absorbed previous year losses are composed of in 2010 (TRY 1,411,828) and 2009 (TRY 4,340,615) amounting of TRY 5,752,443 financial losses.

As of 31 December 2011 and 2010 the carry forward financial losses of the Group’s related parties and the last periods of that this losses could be used are as below:

İDÇ Liman İşletmeleri A.Ş. (*)		31 December 2011	31 December 2010
Term financial damage occurred	The last term of using financial losses	Deferred Financial Losses	Deferred Financial Losses
2010	2015	988,634	988,634
2011	2016	1,014,197	--
Total		2,002,831	988,634

(*) The reducible financial loss of the related party İDÇ Liman İşletmeleri A.Ş. is used in deferred tax calculation.

İzdemir Enerji Elektrik Üretim A.Ş.(**)		31 December 2011	31 December 2010
Term financial damage occurred	The last term of using financial losses	Deferred Financial Losses	Deferred Financial Losses
2007	2012	3,751	3,751
2008	2013	599,680	599,680
2009	2014	981,448	981,448
2010	2015	950,878	950,878
2011	2016	1,685,709	--
Total		4,221,466	2,535,757

(**) The reducible financial loss of the related party İzdemir Enerji Elektrik Üretim A.Ş. is used in deferred tax calculation.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

37. EARNINGS PER SHARE

For the period’s 01 January – 31 December 2011 and 2010 weighted average for the Company shares and calculation of profit per unit share:

	01.01.- 31.12.2011	01.01.- 31.12.2010
Period net profit / (loss)	52,627,221	17,373,191
Share in circulation – Lot	208,241,758	150,000,000
The nominal price per TRY 1 – Lot Profit / (Loss) per share TRY	0.2527	0.1158
Earnings per share	25.27%	11.58%

38. TRANSACTIONS WITH RELATED PARTIES

As of 31 December 2011, there is no doubtful receivables provision for trade and other receivables and guarantee for receivables regarding related parties. Similarly, there is no given guarantee letters for trade and other payables regarding related parties.

No guarantees, pledges, bailment and so forth undertakings for the related parties except for consolidated companies of the Group (Footnote 23).

Receivables from related parties and balances with related parties in term of loans to related parties summarized the important transactions within the period below:

38.1 Due from related parties pursued under short term trade receivables is as following :

	31 December 2011	31 December 2010
İDÇ Denizcilik San. Tic. A.Ş.	539	6,852
Begonviller Turizm Yatçılık Ltd. Şti.	888	--
İzmaden Madencilik San.ve Tic.A.Ş.	2,784	5,587
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	--	1,195
Şahin Gemicilik Nakliyat San. ve Tic. A.Ş.	--	4,905
	4,211	18,539

38.2 Due to related parties pursued under short term trade payables is as following :

	31 December 2011	31 December 2010
İDÇ Denizcilik San. ve Tic. A.Ş.	1,203,196	497,826
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	67,761	69,146
	1,270,957	566,972

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

38.3 Due to related parties pursued under other current payables is as following :

	31 December 2011	31 December 2010
Due to shareholders(*)	59,012	59,984
	59,012	59,984

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

38.4 Sales to related parties pursued under sales income is as following :

	01.01.- 31.12.2011	01.01.- 31.12.2010
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	218,844	129,928
İzmaden Madencilik San.ve Tic.A.Ş.	--	2,820
Şahin Gemicilik Nakliyat San. ve Tic. A.Ş.	--	2,580
	218,844	135,328

38.5 Other allowance from related parties pursued under other deductions on sales balances is as following :

	01.01.- 31.12.2011	01.01.- 31.12.2010
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	28,341	75,272
	28,341	75,272

38.6 Purchase from related parties pursued under cost of sales is as follows :

	01.01.- 31.12.2011	01.01.- 31.12.2010
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	6,329,856	5,615,511
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	1,025,884	293,397
	7,355,740	5,908,908

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

38.7 Expenses from related parties pursued under marketing, sales and distribution expenses are as follows :

	01.01.- 31.12.2011	01.01.- 31.12.2010
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	945,934	698,103
	945,934	698,103

38.8 Expense from related parties pursued under general administrative expenses is as follows :

	01.01.- 31.12.2011	01.01.- 31.12.2010
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	850,240	182,681
	850,240	182,681

38.9 Other operating income and profits in income from related parties are as follows :

	01.01.- 31.12.2011	01.01.- 31.12.2010
İDÇ Denizcilik San. ve Tic. A.Ş.	150,576	100,409
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	26,008	35,509
İzmaden Madencilik San.ve Tic.A.Ş.	5,359	--
Şahin Gemicilik Nakliyat San. ve Tic. A.Ş.	3,908	--
Begonviller Turizm Yatçılık Ltd. Şti.	2,432	--
	188,283	135,918

38.10 Purchase of tangible fixed assets from related parties are as follows :

	01.01.- 31.12.2011	01.01.- 31.12.2010
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	40,303	--
	40,303	--

38.11 Benefits provided to senior executives:

As of period ended by 31 December 2011, Group’s general shareholders’ meeting has taken a decision regarding to pay attendance fee for once a year to members of Board of Directors, Board of Supervisors and 16 month equivalent salary payment for a year to other managers. Short term employee benefits (salary and similar beneficiaries) in the current period are TRY1,867,225 (01.01.-31.12.2010: TRY 1,369,223).

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

39. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Credit risk

Registered value of financial assets is the maximum net credit risk. Maximum net credit risk as of balance sheet date is as following:

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

	Receivables				Bank	Derivative Financial
	Trade Receivables		Other Receivables			
	Related Party	Third Party	Related Party	Third Party	Deposit	Instrument
31 December 2010						
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	18,539	20,508,530	--	75,604	102,611,05	12,140,818
-The part of maximum risk under guarantee with collateral	--	--	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	18,539	19,948,054	--	75,604	102,611,05	12,140,818
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	--	--	--	--	--	--
C. Carrying value of financial assets that are past due but not	--	560,476	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	--	--
- Past due (gross carrying amount)	--	45,327	--	--	--	--
- Impairment (-)	--	(45,327)	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
E. Off-balance sheet items with credit risk	--	--	--	--	--	--

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

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

Although it is highly watch overed that the sales operations of the Group are widely spread into different regions and not focus into a certain sector, country, individual or company, since there is a fluctuation in the international markets, narrowing of the foreign markets due to the conditions of competition and increase in the domestic demand, the overall rate of domestic sales are increasing. A more cooperative work is going on with a local buyer. Export of iron-steel sales to the developing and high increase in demand regions as Middle East, Africa and South America is rising.

The usage of credit limits are continuously followed 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 2011, the ageing details of overdue however not impaired receivables of Group are as following with their due dates:

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

As of 31 December 2010, the ageing details of overdue however not impaired receivables of Group are as following with their due dates:

31 December 2010	Trade Receivables		Other Receivables	
	Related Party	Third Party	Related Party	Third Party
Overdue 1 - 30 days	--	--	--	--
Overdue 1 - 3 months	--	3,916	--	--
Overdue 3 - 12 months	--	556,560	--	--
Overdue 1 - 5 years	--	--	--	--
	--	560,476	--	--

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Foreign Currency Risk

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

	TRY Equivalent functional (Functional Unit)	USD (Original currency)	Euro (Original currency)	GBP (Original currency)	JPY (Original currency)	CAD (Original currency)	AUD (Original currency)
1. Trade Receivables	20,746,380	10,983,313	--	--	--	--	--
2a. Monetary Financial Assets (Cash, Banks included)	166,552,215	76,190,706	9,232,358	1,781	2,023,314	5,670	4,496
2b. Non-monetary financial assets	--	--	--	--	--	--	--
3. Other	347,493	183,276	533	--	--	--	--
4. Current Assets (1+2+3)	187,646,088	87,357,295	9,232,891	1,781	2,023,314	5,670	4,496
5. Trade Receivables	--	--	--	--	--	--	--
6a. Monetary Trade Receivables	--	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--	--
7. Other	--	--	--	--	--	--	--
8. Non-Current Assets (5+6+7)	--	--	--	--	--	--	--
9. Total Assets (4+8)	187,646,088	87,357,295	9,232,891	1,781	2,023,314	5,670	4,496
10. Trade Payables	217,297,634	113,941,119	811,083	13,232	2,199,326	--	--
11. Financial Liabilities	172,914,700	80,245,377	8,731,978	--	--	--	--
12a. Other monetary financial liabilities	71,344	37,770	--	--	--	--	--
12b. Other non-monetary financial liabilities	--	--	--	--	--	--	--
13. Current Liabilities (10+11+12)	390,283,678	194,224,266	9,543,061	13,232	2,199,326	--	--
14. Trade Payables	--	--	--	--	--	--	--
15. Financial Liabilities	96,455,818	29,940,285	16,327,692	--	--	--	--
16a. Other monetary financial liabilities	--	--	--	--	--	--	--
16b. Other non-monetary financial liabilities	--	--	--	--	--	--	--
17. Non-Current Liabilities (14+15+16)	96,455,818	29,940,285	16,327,692	--	--	--	--
18. Total Liabilities (13+17)	486,739,496	224,164,551	25,870,753	13,232	2,199,326	--	--
19. Net asset / liability position of off- balance sheet derivative instruments (19a-19b)	--	--	--	--	--	--	--
19a. Off-balance sheet foreign currency derivative assets	--	--	--	--	--	--	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--	--	--	--	--
20. Net foreign currency asset / liabilities (9-18+19)	(299,093,408)	(136,807,256)	(16,637,862)	(11,451)	(176,012)	5,670	4,496
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	--	--	--	--	--	--	--
22. Fair value of derivative instruments used in foreign currency hedge	--	--	--	--	--	--	--
23. Exports	895,353,465	540,644,215	--	--	--	--	--
24. Imports	920,804,361	571,771,268	--	--	--	--	--

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

As of 31 December 2010, foreign currency position of the Group in terms of original currency is as following:

	TRY Equivalent functional (Functional Unit)	USD (Original currency)	EUR (Original currency)	GBP (Original currency)	CAD (Original currency)	JPY (Original currency)
1. Trade Receivables	19,352,885	12,518,037	--	--	--	--
2a. Monetary Financial Assets (Cash, Banks included)	72,150,884	46,288,524	268,342	1,292	6,670	1,350,247
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	45,459	23,998	4,079	--	--	--
4. Current Assets (1+2+3)	91,549,228	58,830,559	272,421	1,292	6,670	1,350,247
5. Trade Receivables	--	--	--	--	--	--
6a. Monetary Trade Receivables	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. Non-Current Assets (5+6+7)	--	--	--	--	--	--
9. Total Assets (4+8)	91,549,228	58,830,559	272,421	1,292	6,670	1,350,247
10. Trade Payables	74,397,803	47,560,483	398,659	4,869	--	2,153,611
11. Financial Liabilities	97,185,436	62,862,400	81	--	--	--
12a. Other monetary financial liabilities	535,995	346,698	--	--	--	--
12b. Other non-monetary financial liabilities	--	--	--	--	--	--
13. Current Liabilities (10+11+12)	172,119,234	110,769,581	398,740	4,869	--	2,153,611
14. Trade Payables	--	--	--	--	--	--
15. Financial Liabilities	15,460,000	10,000,000	--	--	--	--
16a. Other monetary financial liabilities	--	--	--	--	--	--
16b. Other non-monetary financial liabilities	--	--	--	--	--	--
17. Non-Current Liabilities (14+15+16)	15,460,000	10,000,000	--	--	--	--
18. Total Liabilities (13+17)	187,579,234	120,769,581	398,740	4,869	--	2,153,611
19. Net asset / liability position of off- balance sheet derivative instruments (19a-19b)	--	--	--	--	--	--
19a. Off-balance sheet foreign currency derivative assets	--	--	--	--	--	--
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--	--	--	--
20. Net foreign currency asset / liabilities (9-18+19)	(96,030,005)	(61,939,022)	(126,319)	(3,577)	6,670	(803,364)
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	--	--	--	--	--	--
22. Fair value of derivative instruments used in foreign currency hedge	--	--	--	--	--	--
23. Exports	464,524,948	309,859,697	--	--	--	--
24. Imports	602,364,838	401,313,594	--	--	--	--

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Foreign Currency Risk Sensitivity

31 December 2011 and 2010, in the case of increasing / losing value of TRY at 10% in view of foreign currencies below, shareholders’ equity and income statement will be affected as below. While making analysis, firms TRY interest rates and all other variables are assumed as fixed. The advance qualified accounts that have been treated in foreign currency risk and exchange rate risk sensitivity analysis and that have not undergone any evaluation, are not enclosed in the table as of 31 December 2011 and 2010.

31 December 2011	Profit / Loss	
	Depreciation of foreign currency against	Appreciation of foreign currency against
1-USD net asset / liability	25,841,523	(25,841,523)
2-Part of hedged from USD risk (-)	--	--
3-USD net effect (1+2)	25,841,523	(25,841,523)
4- EUR net asset / liability	4,065,960	(4,065,960)
5- Part of hedged from Euro risk (-)	--	--
6-EUR net effect (4+5)	4,065,960	(4,065,960)
7- Other currency net asset / liability	1,856	(1,856)
8- Part of hedged from other currency risk (-)	--	--
9- Other currency net effect (7+8)	1,856	(1,856)
TOTAL (3+6+9)	29,909,340	(29,909,340)

31 December 2010	Profit / Loss	
	Depreciation of foreign currency against	Appreciation of foreign currency against
1-USD net asset / liability	9,575,772	(9,575,772)
2-Part of hedged from USD risk (-)	--	--
3-USD net effect (1+2)	9,575,772	(9,575,772)
4- EUR net asset / liability	25,884	(25,884)
5- Part of hedged from Euro risk (-)	--	--
6-EUR net effect (4+5)	25,884	(25,884)
7- Other currency net asset / liability	1,344	(1,344)
8- Part of hedged from other currency risk (-)	--	--
9- Other currency net effect (7+8)	1,344	(1,344)
TOTAL (3+6+9)	9,603,001	(9,603,001)

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Liquidity Risk

Liquidity risk is the Group’s possibility of not fulfilling net funding liabilities. Occurrence of events like deteriorations in markets or decrease in credit score that causes decreases in fund resources, are reasons of liquidity risk. The Company management manages liquidity risk by distributing the funds and by keeping sufficient cash and cash equivalents resources to cover the current and possible liabilities.

The Group’s liquidity risk tables for the period ending at the date of 31 December 2011 are as following;

Expected / (Contractual) maturity analysis	Book Value	Expected / (Contractual) Total cash outflow (=I+II+III+IV)	3 months/ less (I)	Between 3 – 12 months (II)	Between 1- 5 Year (III)	5 Years/ more (IV)
Financial liabilities non derivatives	580,388,679	612,976,982	203,674,652	288,040,779	61,699,040	59,562,511
Bank loans	269,425,661	301,097,222	109,901,534	69,934,137	61,699,040	59,562,511
Forward exchange	1,042,535	1,042,535	1,042,535	--	--	--
Financial leasing	--	269	269	--	--	--
Trade payables	243,578,866	244,495,339	28,231,169	216,264,170	--	--
Other payables	8,332,521	8,332,521	8,202,166	130,355	--	--
Provision of liabilities	806,757	806,757	--	806,757	--	--
Other current financial liabilities r	57,202,339	57,202,339	56,296,979	905,360	--	--
	580,388,679	612,976,982	203,674,652	288,040,779	61,699,040	59,562,511

Maturity accordance to contract	Book Value	Total cash out flow according to agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3 and 12 months (II)	Between 1and 5 years (III)	More than 5 Years (IV)
Derivative Financial Liabilities	41,359,409	41,359,409	41,359,409	--	--	--
Foreign Currency Futures Agreements	41,359,409	41,359,409	41,359,409	--	--	--
	41,359,409	41,359,409	41,359,409	--	--	--

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

The Group’s liquidity risk tables for the period ending at the date of 31 December 2010 are as following;

Expected / (Contractual) maturity analysis	Book Value	Expected / (Contractual) Total cash outflow (=I+II+III+IV)	3 months/ less (I)	Between 3 – 12 months (II)	Between 1- 5 Year (III)	5 Years/ more (IV)
Financial liabilities non derivatives	230,434,512	234,285,976	79,055,777	139,575,875	15,654,324	--
Bank loans	113,242,526	115,566,332	32,319,603	67,592,405	15,654,324	--
Financial leasing	166	596	596	--	--	--
Trade payables	93,032,166	94,559,394	22,788,078	71,771,316	--	--
Other payables	5,367,024	5,367,024	5,293,824	73,200	--	--
Provision of liabilities	100,877	100,877	--	100,877	--	--
Other current financial liabilities	18,691,753	18,691,753	18,653,676	38,077	--	--
	230,434,512	234,285,976	79,055,777	139,575,875	15,654,324	--

Maturity accordance to contract	Book Value	Expected / (Contractual) Total cash outflow (=I+II+III+IV)	3 months/ less (I)	Between 3 – 12 months (II)	Between 1- 5 Year (III)	5 Years/ more (IV)
Derivative Financial Liabilities	12,069,787	12,069,787	6,953,407	5,116,380	--	--
Foreign Currency Futures Agreements	12,069,787	12,069,787	6,953,407	5,116,380	--	--
	12,069,787	12,069,787	6,953,407	5,116,380	--	--

Interest Rate Risk

The Group’s financial liabilities are exposed to interest rate risk. The Group’s financial liabilities mainly consist of borrowings with fixed rate. Group implements and attempts to acquire loans with lower interest rate to minimize stated interest rate risk.

As of 31 December 2011 and 2010, details of financial borrowings of Group with variable interest rate are as following:

	31 December 2011	31 December 2010
Variable interest rate financial liabilities	225,812,339	50,792,000
Total	225,812,339	50,792,000

Group has formed various scenarios for bank loans with flexible interest rates to renew present position and to protect from alternative financial risks. According to these scenarios, as of 31 December 2011, if annual interest rate is higher/lower by 100 basis point for USD and EUR bank loans, and other things were stable; the net present period profit before tax but after high interest expense of bank loan with flexible rate would be lower/higher by approximately TRY 4,306,369 (31 December 2010: TRY 502,450).

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Derivative financial instruments

Forward exchange transactions

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

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

Group also has forward exchange transactions with due date 2011 to protect its trade receivables and payables against currency rate fluctuation.

As of 31 December 2011, the agreement details of time exchange purchase / sale are as following:

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

As of 31 December 2011, TRY 927,838 of (Note 33) occurred changes of purchasing foreign currency / sell contracts are shown in financial gain, TRY 1,042,535 (Note 34) of currency difference expenditure is shown in financing expense with respect to the related derivative contracts.

As of 31 December 2010, the agreement details of time exchange purchase / sale are as following:

31 December 2010	Exchange rate / Parity	Foreign currency given to bank(TRY)	Foreign currency receive from bank(TRY)	Fair value (TRY)
Buying USD Selling EUR				
Between 1 - 3 months	1.3434 - 1.4327	3,073,650	3,144,101	70,451
Between 3 - 6 months	1.3320 - 1.3426	3,073,650	3,100,967	27,317
Buying EUR Selling USD				
Between 1 - 3 months	1.3219 - 1.3529	3,109,007	3,073,650	(35,357)
Between 3 - 6 months	1.3206 - 1.3220	2,042,730	2,049,100	6,370
Buying USD Selling TRY				
Between 1 - 3 months	1.5415	770,750	773,000	2,250
				71,031

As of 31 December 2010, TRY 109,109 of (Note 33) occurred changes of purchasing foreign currency / sell contracts are shown in financial gain, TRY 38,077 (Note 34) of currency difference expenditure is shown in financing expense with respect to the related derivative contracts.

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

Capital risk management

In capital management, while the group tries to provide continuity, on the other hand aims at increasing profitability by using the balance of payable and equity most efficiently.

Group monitors its capital with Liability / Total Capital ratio. This ratio is net liability divided by total capital. Net liability is calculated as cash and cash equivalents are deducted from total liability (bank borrowings, financial leasing and trade payables are included as in balance sheet).

As of 31 December 2011 and 2010 the net debt / equity ratio is as following:

	31 December 2011	31 December 2010
Total debt (*)	269,425,661	113,242,692
Less: Cash and cash equivalents	316,000,602	102,807,747
Net debt	(46,574,941)	10,434,945
Total equity	602,883,481	391,490,444
Total capital	556,308,540	401,925,389
Net Debt/Total Capital ratio	(8%)	3%

(*) This term, when calculating the total liabilities, except for loans and finance lease liabilities are not taken into account.

Important accounting policies

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

Categories of financial instruments

	31 December 2011	31 December 2010
Financial assets		
Cash and cash equivalents	316,000,602	102,807,747
Trade receivables	41,417,790	20,527,069
Financial assets	435,511	544,924
Financial liabilities		
Borrowings	269,425,661	113,242,692
Trade payables	243,578,866	93,032,166

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

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

40. POST BALANCE SHEET EVENTS

According to the decision taken during the Extraordinary General Meeting of the Company’s related party İzdemir Enerji Elektrik Üretim A.Ş. dated 13 January 2012 the capital of the Company has been increased to TRY 88,650,000 from TRY 65,625,000. The General meeting decision regarding to capital increase has been registered and announced in the 18 January 2012 dated and 7986 numbered Turkish Trade Registry.

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

1. Property, plants, buildings, infrastructure and land improvements, machineries, equipment and appliances are reflected in the financial statements with their fair values determined by valuation work dated 15 August 2011. According to revaluation results, TRY 35,254,366 on investment properties in total of TRY 208,502,558 value increase has been formed on land and property, buildings, infrastructure and land improvements, machinery, furniture and fittings. The deferred tax effect of this value increase is TRY 31,269,926 and amortization amount is TRY 25,712,153 and this amount has been deducted from the value increase.
2. An agreement amounting to USD 222,9 million has been signed with CMEC (China Machinery Engineering Corporation) on April 2, 2011 regarding to the main imported equipment of the energy production facility based on imported coal with 350 MW power established by the related party of the Company İzdemir Enerji Elektrik Üretim A.Ş. Investment scheduled to complete by 2014 will be realized in the scope of incentive certificate amounted TRY 475 Million which includes VAT and Customs Duty exemption.
3. A loan agreement amounted TRY 280 million USD signed between the subsidiary company İzdemir Enerji Elektrik Üretim A.Ş and Turkey Garanti Bank A.Ş. on April 8, 2011
4. İzmir Demir Çelik Sanayi A.Ş. stands as a guarantor for the signed credit for the loan agreement.
5. Shares in the related party İzdemir Enerji Elektrik Üretim A.Ş. owed by the Company, TRY 1 worth 1,000 unit A Group (600 unit İzmir Demir Çelik Sanayi A.Ş., 250 unit Şahin Koç Çelik Sanayi A.Ş. , 100 unit İDÇ Liman İşletmeleri A.Ş., 49 unit Akdemir Çelik Sanayi ve Ticaret A.Ş. and 1 unit Halil ŞAHİN) and 65,624,000 unit B Group nominative and each of them amounted to TRY 1 nominal valued a total of 65,625,000 unit nominative share on behalf of Türkiye Garanti Bankası A.Ş. pledge has been established in the first degree. The pledge transaction on the behalf of the same bank of 23,025,000 unit share added to the İzdemir Enerji Elektrik Üretim A.Ş. capital will be realized.
6. There have been lawsuits filed to annul and cancel the “Production License” issued by Energy Market Regulatory Authority and “EIA” decision by Ministry of the Environment and Forestry for “İzdemir Power Plant Project-2” to be established in Aliağa, İzmir. Details of the related lawsuits are stated in the items g, h and i of “Note 22 - Provisions, Conditional Liabilities And Assets.