BORUSAN MANNESMANN BORU SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
TOGETHER WITH INDEPENDENT AUDITORS REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş.

Introduction

1. We have audited the accompanying consolidated financial statements of Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and its subsidiaries (the "Group") which comprise the consolidated balance sheet as at 31 December 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and its subsidiaries as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Baki Erdal, SMMM
Partner

Istanbul, 4 March 2015

BORUSAN MANNESMANN BORU SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONTENTS

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and its Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2014

(Amounts expressed in US Dollars unless otherwise stated)

ASSETS		Audited 31 December 2014	Audited 31 December 2013
Current assets	**Note**	**471,546,053**	**396,054,047**
Cash and cash equivalents	6	48,298,640	72,946,344
Trade receivables	10	127,854,975	58,689,512
- Due from related parties	*37*	*13,805,723*	*6,204,691*
- Other trade receivables		*114,049,252*	*52,484,821*
Other receivables	11	6,662,659	2,158,675
- Other receivables		*6,662,659*	*2,158,675*
Derivative financial instruments	12	71,105	-
Inventories	13	198,796,359	183,215,445
Prepaid expenses	14	10,201,702	5,161,688
Current income tax assets	15	1,056,576	669,200
Other current assets	26	24,126,044	9,275,190
Total current assets		**417,068,060**	**332,116,054**
Assets held for sale	34	54,477,993	63,937,993
Non-current assets		**685,479,897**	**543,216,859**
Trade receivables		-	140,561
- Other trade receivables		-	140,561
Available-for-sale financial assets	7	38,145,767	38,165,228
Property, plant and equipment	18	645,386,127	500,964,033
Intangible assets		1,179,949	1,222,361
- Other intangible assets	19	1,179,949	1,222,361
Prepaid expenses	14	709,498	2,674,269
Other non-current assets	26	58,556	50,407
TOTAL ASSETS		**1,157,025,950**	**939,270,906**

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and its Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2014

(Amounts expressed in US Dollars unless otherwise stated)

		Audited	Audited
LIABILITIES	**Note**	**31 December 2014**	**31 December 2013**
Current liabilities		**462,830,574**	**353,863,162**
Short-term borrowings	8	161,218,900	62,141,736
Short-term portion of long-term borrowings	8	9,848,202	29,434,807
Other financial liabilities	9	-	198,161
Trade payables	10	265,523,652	246,953,688
- Due to related parties	37	4,487,654	6,562,969
- Other trade payables		261,035,998	240,390,719
Employee benefit obligations	17	1,206,404	2,362,702
Other payables	11	17,251,790	4,471,162
- Due to related parties		-	-
- Other payables		17,251,790	4,471,162
Derivative financial instruments	12	-	510,857
Deferred income	16	-	574,652
Current income tax liabilities	35	-	-
Other current liabilities	26	7,781,626	7,215,397
		462,830,574	**353,863,162**
Liabilities regarding the assets held for sale	34	-	-
Non-current liabilities		**263,667,834**	**247,514,852**
Long-term borrowings	8	206,287,440	194,377,436
Other financial liabilities	9	251,588	210,273
Trade payables		-	10,220,275
- Other trade payables		-	10,220,275
Provisions for employee benefits	24	9,001,791	9,871,145
Deferred tax liabilities	35	48,127,015	32,835,723
Total liabilities		**726,498,408**	**601,378,014**
EQUITY		**430,527,542**	**337,892,892**
Equity attributable to equity holders of the parent		**430,277,278**	**337,661,685**
Paid -in capital	27	68,996,872	68,996,872
Other comprehensive income/expense not to be reclassified to profit or loss		**248,101,159**	**160,615,114**
- Revaluation reserve	27	249,252,830	161,751,236
- Reserve for actuarial gain/(loss) on employee termination benefits		(1,151,671)	(1,136,122)
Other comprehensive income/expense to be reclassified to profit or loss		**17,897,251**	**17,556,750**
- Currency translation differences		(1,096,243)	(697,935)
- Investment revaluation reserves	27	19,173,976	19,173,976
- Cash flow hedge reserve		(180,482)	(919,291)
Retained earnings		83,802,153	71,159,233
Net profit for the period		11,479,843	19,333,716
Non-controlling Interest	27	**250,264**	**231,207**
TOTAL LIABILITIES AND EQUITY		**1,157,025,950**	**939,270,906**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in US Dollars unless otherwise stated**)**

	Note	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
Revenue	28	748,975,667	629,935,184
Cost of sales (-)	28	(670,865,392)	(565,017,454)
Gross profit		**78,110,275**	**64,917,730**
General administrative expenses (-)	29	(36,090,788)	(33,809,219)
Marketing expenses (-)	29	(13,640,352)	(13,873,450)
Other operating income	31	7,559,038	6,724,865
Other operating expenses (-)	31	(778,608)	(3,397,212)
Operating profit		**35,159,565**	**20,562,714**
Income from investing activities	32	3,065,685	22,536,822
Operating profit before financial income and expense		**38,225,250**	**43,099,536**
Financial income	33	1,218,784	835,469
Financial expense (-)	33	(22,472,910)	(17,528,914)
Profit before tax from continued operations		**16,971,124**	**26,406,091**
Tax expense from continued operations		**(5,535,747)**	**(7,110,086)**
- Current tax (expense)/ income	35	(2,302,954)	-
- Deferred tax (expense)/ income	35	(3,232,793)	(7,110,086)
Profit for the period		**11,435,377**	**19,296,005**
Attributable to:		**11,435,377**	**19,296,005**
- Non-controlling interest	27	(44,466)	(37,711)
- Equity holders of the parent		11,479,843	19,333,716
Earnings per share			
Earnings per share from continuing operations	36	0.0001	0.0001

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

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and its Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in US Dollars unless otherwise stated**)**

	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
Profit for the period	11,435,377	19,296,005
Other comprehensive income:		
Items not to be reclassified to profit or loss	**89,272,571**	**(8,286,961)**
Fixed assets revaluation funds decreases	89,288,120	(8,277,820)
Remeasurement of employee benefit obligations	(15,549)	(9,141)
Items to be reclassified to profit or loss	**336,477**	**1,036,215**
Cash flow hedging reserve	738,809	870,166
Currency translation differences	(402,332)	166,049
Other comprehensive income/ (loss)	**89,609,048**	**(7,250,746)**
Total comprehensive income	**101,044,425**	**12,045,259**
Attributable to:		
- Non-controlling interest	19,057	(35,794)
- Equity holders of the parent	101,025,368	12,081,053

The accompanying policies and notes form an integral part of these consolidated financial statements.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and its Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in US Dollars unless otherwise stated**)**

		Other comprehensive income/expense not to be reclassified to profit or loss		Other comprehensive income/expense to be reclassified to profit or loss						
	Issued share capital	Revaluation reserve	Remeasurement of employee benefit obligations	Currency translation reserve	Investment revaluation reserve	Cash flow hedge reserve	Legal reserves and retained earnings	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2013	**68,996,872**	**176,547,517**	**(1,126,981)**	**(862,067)**	**19,173,976**	**(1,789,457)**	**86,004,013**	**346,943,873**	**267,001**	**347,210,874**
Transfer of 2013 depreciation difference (net of deferred tax) between the revalued and original value of assets realized from revaluation reserve into retained earnings	-	(4,040,106)	-	-	-	-	4,040,106	-	-	-
Disposals from revaluation reserve	-	(2,478,355)	-	-	-	-	-	(2,478,355)	-	(2,478,355)
Total comprehensive income / (loss) for the period	-	(8,277,820)	(9,141)	164,132	-	870,166	19,333,716	12,081,053	(35,794)	12,045,259
Dividends paid	-	-	-	-	-	-	(18,884,886)	(18,884,886)	-	(18,884,886)
Balance at 31 December 2013	**68,996,872**	**161,751,236**	**(1,136,122)**	**(697,935)**	**19,173,976**	**(919,291)**	**90,492,949**	**337,661,685**	**231,207**	**337,892,892**
Balance at 1 January 2014	**68,996,872**	**161,751,236**	**(1,136,122)**	**(697,935)**	**19,173,976**	**(919,291)**	**90,492,949**	**337,661,685**	**231,207**	**337,892,892**
Transfer of 2014 depreciation difference (net of deferred tax) between the revalued and original value of assets realized from revaluation reserve into retained earnings	-	(1,718,979)	-	-	-	-	1,718,979	-	-	-
Disposals from revaluation reserve	-	-	-	-	-	-	-	-	-	-
Current year revaluation adjustments (net off deferred tax)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	89,220,573	(15,549)	(398,308)	-	738,809	11,479,843	101,025,368	19,057	101,044,425
Dividends paid	-	-	-	-	-	-	(8,409,775)	(8,409,775)	-	(8,409,775)
										-
Balance at 31 December 2014	**68,996,872**	**249,252,830**	**(1,151,671)**	**(1,096,243)**	**19,173,976**	**(180,482)**	**95,281,996**	**430,277,278**	**250,264**	**430,527,542**

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

(Amounts expressed in US Dollars unless otherwise stated)

	Notes	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
Cash flows from operating activities:			
Profit before taxation		16,971,124	26,406,091
Adjustments to net income for the period			
Depreciation and amortization expenses	18,19	21,275,897	18,545,389
Provision for employee termination benefits	24	1,666,810	2,081,006
Interest income	33	(1,218,784)	(835,469)
Interest expense	33	22,472,910	17,528,914
Impairment of assets held for sale	34	150,000	-
Provision for impairment of invesments in associates and financial assets	7	(71,969)	(18,085)
Reversal of unincurred interest income over due from related parties		98,276	-
Unincurred interest income over trade receivables		(152,400)	-
Gain on sale of property, plant and equipment and intangibles	32	-	(19,224,472)
Currency translation differences		2,927,308	(2,617,153)
Dividend income	32	(2,715,741)	(3,312,350)
Operating profit before working capital changes		**61,403,431**	**38,553,871**
Changes in working capital:			
Trade receivables		(68,970,778)	46,038,417
Inventories		(15,580,914)	(48,682,111)
Other current assets and liabilities, net		(9,003,744)	(25,565,461)
Trade payables		8,349,689	30,423,482
Other non-current assets and liabilities, net		11,345,517	-
Taxes paid	35	(2,839,571)	(1,600,069)
Employee benefit obligations paid	24	(1,714,043)	(3,708,211)
Net cash provided by /(used in) operating activities		**(16,946,890)**	**35,459,918**
Cash flow from investing activities:			
Purchase of property, plant and equipment and intangible assets		(68,390,552)	(152,308,990)
Proceeds from sale of property, plant and equipment and intangibles		-	35,765,787
Net cash used in operating activities of discontinued operations		(3,833,771)	-
Dividend received		2,715,741	3,312,350
Net cash used in investing activities		**(69,508,582)**	**(113,273,779)**
Cash flow from financing activities:			
Redemption of borrowings		(6,779,187,648)	(1,545,923,247)
Proceeds from borrowings		6,869,920,508	1,681,487,035
Dividends paid		(8,409,775)	(18,884,886)
Interest paid		(21,734,101)	(16,883,394)
Interest received		1,218,784	835,469
Net cash provided by financing activities		**61,807,768**	**100,630,977**
Net increase/(decrease) in cash and cash equivalents		(24,647,704)	22,817,116
Cash and cash equivalents at the beginning of the year		72,946,344	50,129,228
Cash and cash equivalents at the end of the period		**48,298,640**	**72,946,344**

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

(Amounts expressed in US Dollars unless otherwise stated)

1. CORPORATE INFORMATION

General

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. (Borusan Mannesmann Boru) ("the Company") is a joint stock company incorporated in Turkey. The Company's shares are traded in Istanbul Stock Exchange since 1994. The Company is registered in Turkey and the address of the registered office is as follows:

Meclis-i Mebusan Caddesi No: 35 - 37
34427 Fındıklı – İstanbul

The avarege number of the personnel in the reported period in terms of category is as follows :

Period	Worker	Official	Manager	Executive	Total
December 31, 2014	1,035	254	39	7	1,335
December 31, 2013	921	246	33	6	1,206

Consolidated financial statements covering accounting period of 1 January – 31 December 2014 are approved with Board of Directors' decision dated on March 4, 2014. General assembly has the authority to amend the financial statements.

In the extraordinary General Assembly meeting of Borusan Birleşik Boru Fabrikaları A.Ş. (Borusan Boru) held on 25 November 2004, the merger with Mannesmann Boru Endüstrisi T.A.Ş. (Mannesmann Boru) was approved. The merger of these entities under common control is effected legally through dissolution without liquidation and takeover of Mannesmann Boru by Borusan Boru by transferring all its assets, liabilities, rights and obligations. Following the merger, the registered name of Borusan Boru has been changed to Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and the change was registered on the Trade Registry Gazette dated 13 December 2004.

The parent and the ultimate parent of the Company are Borusan Mannesmann Boru Yatırım Holding A.Ş. and Borusan Holding A.Ş., respectively.

Business segments, the location and the Group's ultimate effective shareholding in its subsidiaries' equity are as follows:

Business Segment	Subsidiary	Location	% of Ownership
Holding	Borusan Mannesmann Holding BV "(BM Holding BV)"	Netherlands	100.0
Steel Pipe	Borusan Mannesmann Pipe US Inc. "(BM Pipe)"	USA	100.0
Steel Pipe	Borusan Mannesmann Vobarno Tubi SPA "(BM Vobarno)"	Italy	99.0
Engineering Services	Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş. "(Borusan Mühendislik)"	Turkey	96.9

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of preparation

2.1.1. Accounting policies

The consolidated financial statements of the Company at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company maintains its accounting records and prepares its statutory accounting reports in Turkish Lira ("TL") in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the Turkish Standard Chart of Accounts issued by the Ministry of Finance (collectively referred to as "Turkish statutory accounts" or "local GAAP"). The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

These financial statements are based on the statutory records, which are maintained under historical cost convention, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with IFRS.

As the Company is listed in Borsa Istanbul and is subject to requirements of Capital Markets Board of Turkey, it also prepares and published consolidated financial statements in accordance with Turkish Financial Reporting Standards. Due to financial reporting requirements of Capital Markets Board of Turkey, companies need to conform to specified presentation formats for their primary financial statements and use Turkish Lira as their presentation currency. The Company has applied those presentation formats in presenting these consolidated financial statements prepared in accordance with IFRS.

2.2. Functional and presentation currency

The consolidated financial statements are presented in US Dollars, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The US Dollar is used to a significant extent, or has a significant impact on the operations of the Company and Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş. ("Borusan Mühendislik") and reflects the economic substance of the underlying events and circumstances relevant to these companies. Therefore, the Company and Borusan Mühendislik use the US Dollar (USD) as functional currency. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to translation gain / (loss) in the consolidated income statement. Non-monetary items and equity balances (excluding profit or loss) that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The functional currency of the subsidiaries, Borusan Mannesmann Holding BV and Borusan Mannesmann Vobarno Tubi SPA is Euro. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group (USD) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity as currency translation reserve. On disposal of such subsidiaries, the deferred cumulative amount recognized in equity relating to that particular subsidiary is recognized in the income statement.

(Amounts expressed in US Dollars unless otherwise stated)

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2. Functional and presentation currency (Continued)

The TRY exchange rates for the purchases of USD announced by the Central Bank of the Republic of Turkey for the last five years were as follows:

Year	Year-end USD/TRY rates	Average USD/TRY rates
2010	1.5640	1.5001
2011	1.8889	1.6697
2012	1.7826	1.7922
2013	2.1343	1.9021
2014	2.3189	2.1878

Consolidated subsidiaries, BM Holding BV and BM Vobarno's functional currency is Euro. In accordance with IAS 21, monetary items in the financial statements are converted via using prevailing Euro exchange rates at 31 December 2014 (1 Euro=2.8207); income and expense and cash flows are converted with twelve-month average of the exchange rates (1 Euro=2.9059) (As of 31 December 2013 1 Euro=2.9365; 31 December 2013 twelve-month average exchange rate 1 Euro=2.5268).

2.3. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are the companies which are controlled by the Group. The Group's control has been provided with exposure to variable returns from these companies, having rights in this return and directing of the power. Subsidiaries have been consolidated by the method of full consolidation from the date that controlling by the Group. Subsidiaries have been exculuded from scope of consolidation as of disappearing of the Group's control.

(i) The balance sheets and statements of income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related equity accounts. Intercompany transactions and balances between the Company and its subsidiaries and unrealized gains and losses on transactions among them are eliminated.

(ii) Subsidiaries are consolidated from the date on when control is transferred to the Company.

(iii) Non-controlling share in the net assets of the consolidated subsidiaries is separately classified in the consolidated financial statements as non-controlling interest.

2.4 Amendments in International Financial Reporting Standards ("IFRS")

a. The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2014:

- Amendment to IAS 32,'Financial instruments:Presentation', on offsetting financial assets and financial liabilities, effective from annual periods beginning on or after 1 January 2014. This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Amendments in International Financial Reporting Standards ("IFRS") (Continued)

- Amendments to IAS 36, 'Impairment of assets', effective from annual periods beginning on or after. 1 January 2014. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting, effective from annual periods beginning on or after 1 January 2014. These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument.

a. The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2014 (Continued):

- IFRIC 21, 'Levies', effective from annual periods beginning on or after 1 January 2014. This interpretation is on IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities, effective from annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

b. New IFRS standards, amendments and IFRICs effective after 1 January 2015:

- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:

  - IFRS 2, 'Share-based payment'
  - IFRS 3, 'Business Combinations'
  - IFRS 8, 'Operating segments'
  - IFRS 13, 'Fair value measurement'
  - IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets'
  - Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and
  - IAS 39, Financial instruments – Recognition and measurement'

- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-2013 cycle of the annual improvements project, that affect 4 standards:

  - IFRS 1, 'First time adoption'
  - IFRS 3, 'Business combinations'
  - IFRS 13, 'Fair value measurement' and
  - IAS 40, 'Investment property'

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Amendments in International Financial Reporting Standards ("IFRS") (Continued)

- IFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- Amendments to IAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2017. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Amendments in International Financial Reporting Standards (“IFRS”) (Continued)

- Amendments to IAS 16 ‘Property, plant and equipment’, and IAS 41, ‘Agriculture’, regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

- Amendment to IAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

  - IFRS 5, ‘Non-current assets held for sale and discontinued operations’ regarding methods of disposal.
  - IFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to IFRS 1) regarding servicing contracts.
  - IAS 19, ‘Employee benefits’ regarding discount rates.
  - IAS 34, ‘Interim financial reporting’ regarding disclosure of information.

2.5. Summary of Significant Accounting Policies

Offsetting

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

Comparative information and restatements on prior year’s financial statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance trends. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are
also reclassified in line with the related changes.

Changes in accounting policies

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance trends. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are
also reclassified in line with the related changes. There is no material changes in accounting policies of the Group in current year.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank deposits with original maturities of more than three months and shorter than 1 year are classified under short-term financial investments.

Trade receivables

Trade receivables are arised from product sales or service providing to the customers. If the expected time for the collection of trade receivables is one year or less, these receivables are classified as short-term receivables. Otherwise, they are classified as long-term receivables. Trade receivables are recognized at original invoice amount and are carried at amortized cost less an allowance for any uncollectible amounts. Interest rates used for amortized cost computation for TRY denominated trade receivables is 12% (2013 - 12%) and for foreign currency denominated trade receivables Libor rate is used (2013: Libor). The average collection period of trade receivables is 55 days (2013 - 56 days). Trade receivables for which risks and rewards are transferred to third parties as part of factoring transaction are derecognized.

Related parties

If an entity has control over another entity or an entity has significant influence on another entity's financial and operational decisions, these two entities are considered as related parties. In consolidated financial statements, shareholders, available for sale investments and related parties of the shareholders are presented as related parties. Related parties also include the ultimate parent, key management personnel, board members and their families.

Inventories

Inventories are valued at the lower of cost and net realizable value after provision for obsolete stock. Cost is determined by using the monthly weighted average cost. Cost of work in progress and finished goods includes materials, direct labor and an appropriate portion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. Provision for slow moving items is recognized in cost of sales at the time it is incurred. Obsolete inventories are written off accounting records.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. At 31 December 2014, the Group's land, buldings, machineries and equipments were revalued based on expertise review by an independent valuation firm and as a result of this valuation the Group has adjusted its assets to the asset's fair values. Fair values were determined by the methods of imputed price, discounted cash flow, replacement cost, etc. The value increases or decreases were reflected to "revaluation gain/loss" account located in equity (Note 27). Depreciation of these assets are recognized over the fair value and related depreciation expenses are recognized in the income statement. All other tangible assets are stated at historical cost less accumulated depreciation and any accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement. On disposal of revalued assets, amounts in revaluation reserves relating to that asset are transferred to retained earnings. Further, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is realized from the revaluation surplus to retained earnings on an annual basis as the asset is used by the Group.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

The cost value of the tangible fixed asset consists of the purchase price, import taxes if any, non-refundable taxes and expenses made in order to make the tangible fixed asset ready to use. The repair and maintenance expenses, which arise after arise after the tangible fixed asset is started to be used, are recorded as expense in the period they arise. If the expenses made, create an economic value increase for the tangible fixed asset in the future use, these expenses can be added to the cost of the asset.

Property, plant and equipment are capitalized and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity.

For the assets which requires a significant amount of time to be used and ready to be sold, the borrowing costs are capitalised.

The depreciation periods for property plant and equipment, which approximate the estimated economic useful lives of the related assets and the depreciation methods applied, are as follows:

	Years	Method
Land improvements	10 – 50	Straight-line
Buildings	25 – 50	Straight-line
Machinery and equipment	12 – 40	Straight-line
Furniture and fixtures	5 – 17	Straight-line
Motor vehicles	5	Straight-line

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of the property, plant and equipment.

Intangible assets

Intangible assets comprising software licenses and rights are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses and intangible assets are amortized on a straight line basis over the estimated useful life of the asset (5 years). Amortization expenses are recognized in selling, general and administrative expenses in the consolidated income statement.

Impairment of assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income. The recoverable amount is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. If the impairment provision is not valid or has been decreased, the related impairment is reversed and recorded in income statements. Impairment loss related to the land, buildings and machinery and equipment which are carried at revalued amounts are treated as a revaluation decrease to the extent that impairment loss does not exceed the amount held in revaluation surplus.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Finance leases

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments (Leased assets are included in related line item in consolidated financial statements). When calculating the present value of the minimum lease payments rate of interest on leasing agreement is used if it can be calculated practically; otherwise interest rate on borrowings is used as discount rate. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Expenses incurred during the acquisition of leased asset are included in cost. Lease payments are apportioned between finance charges and reduction of the lease obligation. Interest charges are calculated by using the constant interest rate and charged directly against income.

The Group has an option to buy the leased asset for nominal amount at the end of lease period.

The Group's financial lease agreements are mainly subject to car and computer rentals.

Trade payables

Trade payables which generally have an average repayment period of 34 days (2013: 31 days) are carried at amortized cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Group. Interest rate used for TRY denominated trade payables is 12% (2013: 12%) and interest rates used for foreign currency denominated trade payables are Libor (2013: Libor rate).

The major part of the trade payables result from the purchase of raw materials and indirect materials. The trade payables resulting from the purchase of raw materials and indirect materials are interest bearing and the average maturities are 180-360 days and the average interest rates applied are in the interval of 1.23% - 3.36% (2013: 180-360 days and the average interest rates applied are in the interval of 1.50% - 3.27%).

Provisions, contingent assets and liabilities

i) Provisions

A provision is recognized when, and only when, the enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation. When present value method is used, the increase attributable to the current period is recorded in finance expense.

ii) Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements but disclosed when an outflow of resources embodying economic benefits is not highly probable. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Income taxes

Tax expense is the aggregate amount of current and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Employment termination benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per IAS 19 “Employee Benefits”. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation. Provision for employee termination benefit is made for the present value of the defined benefit obligation calculated. All actuarial gains and losses are recognized in the other comprehensive income as incurred.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of significant accounting policies (Continued)

Revenue

Revenue from steel pipes is measured at the fair value of the consideration received or receivable and is reduced for estimated customer returns, rebates, and other similar allowances. Sales discounts are given as a constant percentage at the time of sale and deducted from revenue. Sales discounts given vary regarding the type of the sale.

Steel pipe sales:

Revenue from sale of goods is recognized 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.

Engineering sales:

Engineering revenue is recognized proportionally to the level of completion.

Interest and dividend income:

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount. Dividend revenue from investments is recognized when the shareholders’ rights to receive payment have been established.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, one that takes a substantial period of time to get ready for use or sale, are capitalized as part of the cost of that asset in the period in which the asset is prepared for its 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 capitalisation. The Group’s qualifiying assets are mainly comprises from the investments in BM Pipe, Gemlik and Halkalı factories.

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

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of significant accounting policies (Continued)

Financial instruments
A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets

Financial assets' fair values affiliate its carrying amounts. Those assets are involved in financial tables with their cost values, cash and cash equivalents' amounts contain interest accruals and other short term financial assets arising from financial assets. Due to their being short-dated, it is a common view that financial assets' fair values are close to their carrying amounts. The carrying amount that remains after receivables rediscounts and provisions for doubtful receivables are extracted, are close to financial assets' fair values.

A financial asset is any asset that is:

- cash,
- a contractual right to receive cash or another financial asset from another enterprise,
- a contractual right to exchange financial instruments from another enterprise under conditions that are potentially favorable, or,
- an equity instrument of another enterprise

Fixed-term marketable securities that are intended to be held until maturity; fixed or variable payment scheduled, fixed term financial assets are called as investment held to maturity except the receivables of the Group.

Financial assets or liabilities held for sale are acquired for the profit arising from the short term variance on price or the instruments' profit margin.

If a financial asset is involved in a portfolio that is constituted with the aim of short term profit-generating, independently of for what purpose it is obtained, this financial asset is classified as a financial asset which is held for trading purpose. As long as derivatives of financial assets and liabilities are not held for cash flow hedges, they are classified as financial assets or financial liabilities, held for buying and selling purposes.

Financial assets available for sale are those other than (a) loans and receivables originating from businesses, (b) financial assets held until maturity, (c) financial assets held for sale.

A financial asset or liability is initially measured of its fair value which consists of the costs and transaction expenses. Following the initial record, financial assets, including financial derivatives, are evaluated over the fair value without deducting costs to sell. Except these, financial assets that suit into following categories are booked over their costs computed by effective interest rate method

- Loans and receivables of the Group that are not held for sale,
- Investments held until maturity
- Financial assets that are without a market ,market price and unavailable for a fair value assessment.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Available-for-sale financial assets, which are not traded in the organised markets and whose fair values can not be reliably determined, are reflected in the consolidated financial tables after deducting the provision for the impairment from the cost values. The Group evaluates whether there is an objective evidence about the impairment of financial assets on the day of the balance sheet. The significant and long term decrease of the available-for-sale shares below its fair value cost is evaluated as an indicator of impairment. If there are objective evidences about the impairment of available-for-sale financial assets, the remaining loss amount after the deduction of impairment amount reflected in the income statement before the total loss, from the difference between the acquisition cost of the relevant financial asset and its fair value, is deducted from the equities and recognised in the income statement.

The following methods and assumptions are used for the estimation of fair values of the financial instruements whose fair values are predictable;

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Except for financial assets designated as fair value through profit or loss and financial assets avaliable-for-sale, financial instruments are measured using effective interest method.

Financial liabilities

Financial assets' fair values affiliate its carrying amounts. Due to trade liabilities and other financal liabilities being short-dated, it is a common view that financial assets' fair values are close to their carrying amounts. Bank loans are stated with discounted cost and transaction costs are added to loans' first-time booked amounts. Since interest rates' of loans are updated regarding fluctuant market conditions, it is a common view that loans loans' fair values' represent their carrying amounts. It is foreseen that the remaining amount of trade liabilities after rediscounts are extracted is close to their fair values.

Contractual financial liabilities :

- Contractual financial liabilities are liabilites that provide cash or other financial assets to other companies,
- Exchanging financial instruments with other companies in a way that results against the Entity's position.

Following the first-time booking, all financial liabilities, except for liabilies held for buying and selling purposes, are booked by computed cost acquired from effective interest method.

An equity instrument is that the remaining benefit after the declining all financial liabilities.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of significant accounting policies (Continued)

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to changes in interest rates. The Group enters into a variety of derivative contracts(especially exchange rate forward contracts) to manage its exposure to interest rate and foreign exchange rate risk such as interest rate swaps. The inactive portion of the changes in the fair value of the derivative financial instruments in equity, defined as the protection of future cash flows and financial risks are directly recorded on the income statement.

If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognized, the associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in profit or loss in the same period in which the hedged item affects profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to profit or loss for the period.

Recognition and derecognition of financial instruments

The Group recognizes financial assets and liabilities only if the Group is a party of the agreement related to the financial instrument. The Group derecognizes an asset or a portion of an asset if and only if the Group loses its control of the rights associated with the agreement related to the assets. The Group derecognizes a liability if and only if when the obligation under the liability determined by the agreement is discharged, cancelled or expires.

Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRL, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Company and its subsidiaries, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The foreign currency income or expenses incurred from the translation of foreign currency denominated transaction or restatement of monetary items is reflected within the statement of income in the related period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of significant accounting policies (Continued)

Exchange differences are accounted in profit or loss in the period of occured except the cases specified below:

- Exchange differences which related to assets under construction for future usage and the adjustment item to be considered as interest costs on debts shown in foreign currency and included in these cost of assets,
- Exchange differences arising from transactions carried out in order to provide financial protection against risks arising from foreign currency (accounting policies to providing financial protection against risks are described below).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in USD using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Earnings per share

Earnings per share disclosed in the consolidated statements of income is determined by dividing the net income by the weighted average number of shares in existence during the period concerned. The weighted average number of shares in circulation during the period have been calculated considering the shares issued without an increase in resources. However, in terms of legal records, calculating earnings per share is subject to local regulations and laws.

Events after balance sheet date

An explanation for any significant event between the balance sheet date and the publication date of the financial statements, which are disclosed and adjusted in the financial statements if necessary.

Statements of cash flows

Current period statements of cash flows are categorized and reported as operating, investing and financing.

Cash flows from operating activities show that cash flows provided from Group's pipe production and sales, engineering operations.

Cash flows from investing activities summarize the Group's cash flows used in or generated from investing activities (fixed and financial investments).

Cash flows from financing activities summarize the Group's cash flows from liabilities and the back payments of these liabilities benefited in financing needs of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. Summary of significant accounting policies (Continued)

Capital and dividends

Common stocks are classified as equity. Dividends paid are recorded at the Board's payment decision date retained earnings balance less the dividend amount paid.

Discountinued operations

A component of the Group that either has been disposed of or is classified as held for sale and represents a seperate major line of business or geographical area of operations; is a part of single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The Group measures assets related to its discountinued operations at the lower of carrying value and fair value less costs to sell.

Significant accounting judgements and estimations

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the estimates are based on the Group management's best information on the current events and transactions, actual results could differ from those estimates.

<u>Significant accounting judgements that the Group makes in the application of accounting principles</u>

- Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from tax losses carried-forward and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors taken into consideration include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilise some portion of these deferred tax assets, therefore some portion of or all of the deferred tax assets are not recognised.

- Employee termination benefits

The Group made actuarial calculation to calculate the amount of liability in accordance with IAS 19. The Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. The assumptions made by the Group management have been explained in Note 24.

For the period 1 January-31 December 2014, if the discount rate used in the calculation was higher/lower by 1%, the comprehensive income of the period would have been USD740,604 lower/higher. For the same period, if the retirement probability rate used in the calculation was higher/lower by 1%, the comprehensive income of the period would have been USD655,432 lower/higher.

2. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Revaluation of property, plant and equipment

Land, buildings, machinery and equipment are stated at revalued amounts in accordance with IAS 16 revaluation method. Fair values in the financial statements dated 31 December 2014 are based on the appraisal reports prepared by Standart Gayrimenkul Değerleme Uygulamaları A.Ş. for real estate and machinery and equipment in Turkey and CBF s.r.l for real estate and machinery and equipment in Italy. Market prices have been used in valuation of such property, plant and equipment. Net book values of related assets have been adjusted to reflect the revalued amounts and the gain has been accounted for under the revaluation reserve in equity, net-off relevant deferred tax impact.

For the period 1 January-31 December 2014, if the value determined in the expert's report was higher/lower by 1%, the comprehensive income of the period would have been USD893,036 lower/higher.

- Fair value of financial assets

Group management estimated the fair value of the financial assets whose market is not active by utilizing commonly used valuation techniques.

Significant changes and errors in the accounting policies

Significant changes in the accounting policies and errors are applied retrospectively; and the financial information of the prior periods are restated.

Going concern

The consolidated financial statements were prepared in accordance with the going concern assumption.

3. BUSINESS COMBINATIONS

None (31December 2013: None).

4. JOINT VENTURES

None (31December 2013: None).

(Amounts expressed in US Dollars unless otherwise stated)

5. SEGMENT REPORTING

Board of Directors is determined as the chief operating decision maker. Board of Directors monitors the Group's activities in two main industrial segments:

Steel Pipe: Manufacturing and sale of longitudinally and spirally welded steel pipes and pipes.

Engineering: Production, maintenance and repair of the machinery and equipment which are related with the steel industry, design and production of spare parts and to design investment projects and conduct the projects.
Basic assets of the segments are tangible assets, intangible assets, inventories, receivables and make up operational cash which deferred tax asset was excluded. Segments' liabilities consist of operational liabilities, which deferred tax liabilities and tax provision were excluded. Investment expenditures consist of the tangible and intangible asset purchases. Segment reporting of the period ended on 31 December 2014 is mentioned below:

1 January 2014-31 December 2014	**Steel Pipe**	**Engineering**	**Total**
Total segment revenue	738,791,678	10,183,989	748,975,667
Gross profit	76,188,828	1,921,448	78,110,276
Depreciation and amortisation	21,070,953	204,944	21,275,897
Capital expenditures	68,401,269	12,403	68,413,672

31 December 2014	**Steel Pipe**	**Engineering**	**Total**
Total assets	1,145,920,378	11,105,572	1,157,025,950
Total liabilities (*)	672,156,650	6,214,741	678,371,391

Segment reporting of the period ended on 31 December 2013 is mentioned below:

1 January 2013-31 December 2013	**Steel Pipe**	**Engineering**	**Total**
Total segment revenue	620,119,990	9,815,194	629,935,184
Gross profit	64,256,274	661,456	64,917,730
Depreciation and amortisation	9,434,092	149,294	9,583,386
Capital expenditures	43,942,529	100,616	44,043,145

31 December 2013	**Steel Pipe**	**Engineering**	**Total**
Total assets	929,473,620	9,797,286	939,270,906
Total liabilities (*)	562,182,785	6,359,506	568,542,291

(*) Deferred tax liability and current income tax payable are excluded.

As of 31 December 2014, a breakdown of property, plant and equipments in respect of the geographical positions is presented below;

1 January-31 December 2014	**Turkey**	**Outside Turkey**	**Total**
Property, plant and equipment	479,290,956	166,095,171	645,386,127

1 January-31 December 2013	**Turkey**	**Outside Turkey**	**Total**
Property, plant and equipment	380,257,303	120,706,730	500,964,033

(Amounts expressed in US Dollars unless otherwise stated)

6. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash in hand	6,556	5,023
Cash at banks		
- Demand deposits	10,156,778	4,612,558
- Time deposits	38,135,306	68,328,763
	48,298,640	**72,946,344**

The details of time deposits as of 31 December 2014 and 31 December 2013 are as follows:

Currency	Effective interest date	Maturity (days)	Original currency amount	Amount in USD
TRY	5.50 - 8.0 %	2	650,000	280,306
USD	0.80 - 2.2 %	2	37,855,000	37,855,000
				38,135,306

			31 December 2013	
Currency	Effective interest date	Maturity (days)	Original currency amount	Amount in USD
TRY	5.0 - 5.25 %	2	1,032,495	483,763
USD	2.90%	2 - 30	67,845,000	67,845,000
				68,328,763

7. FINANCIAL INVESTMENTS

a) Short-term financial investments

None (31 December 2013: None).

b) Available-for-sale financial assets

Available-for sale financial assets as of 31 December 2014 and 31 December 2013 are stated below:

	31 December 2014		31 December 2013	
	Amount	Share (%)	Amount	Share (%)
Unquoted				
Borçelik Çelik Sanayii Ticaret A.Ş. ("Borçelik")	35,845,000	10.7	35,845,000	10.7
Borusan Mannesman Cooperatie U.A. ("BM Coop") (*)	4,726,889	99.0	4,699,631	99.0
Other	161,263		136,013	
Impeirmant in fair values of subsidiaries (**)	(2,587,385)		(2,515,416)	
	38,145,767		**38,165,228**	

All financial assets are recorded at cost, except for Borçelik which is carried at fair value.

(*) BM Coop. participated 100% to Borusan Mannesmann Espana S.A. which was established in Spain and has no operations. The financial statements of Borusan Mannesmann Espana S.A. were not consolidated due to their immateriality.

(**) Impairment is made for BM Coop and other companies.

(Amounts expressed in US Dollars unless otherwise stated)

7. FINANCIAL INVESTMENTS (Continued)

b) Available-for-sale financial assets (Continued)

The movements for impairment provision of subsidiaries for the periods ended 31 December 2014 and 31 December 2013 are stated below:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening	2,515,416	2,495,123
Additions, net	71,969	18,085
Currency translation differences	-	2,208
Closing	**2,587,385**	**2,515,416**

8. BORROWINGS

a) Short-term borrowings

	31 December 2014			31 December 2013		
Currency	**Amount**	**USD equivalent**	**Interest rate (%)**	**Amount**	**USD equivalent**	**Interest rate (%)**
Short-term borrowings:						
USD	130,708,697	130,708,697	1.32 - 3.41	50,411,982	50,411,982	0.91 - 3.48
EURO	24,599,866	29,923,171	1.30 - 2.25	8,341,012	11,476,073	2.95-5.50
TL	1,361,268	587,032	-	571,579	267,806	-
Transaction costs directly attributable to borrowings		-			(14,125)	
		161,218,900			**62,141,736**	

As of 31 December 2014, none of short-term borrowings of the Group are secured. (31 December 2013: None).

b) Short-term portion of long-term borrowings

	31 December 2014			31 December 2013		
Currency	**Amount**	**USD equivalent**	**Interest rate (%)**	**Amount**	**USD equivalent**	**Interest rate (%)**
Short-term portion of long term borrowings:						
USD	10,094,178	10,094,178	3.70 - 4.94	20,929,948	20,929,948	3.70 - 4.94
EURO	48,517	59,016	1.22 - 4.15	6,421,794	8,835,495	1.05 - 5.29
Transaction costs directly attributable to borrowings		(304,992)			(330,636)	
		9,848,202			**29,434,807**	

As of 31 December 2014; none of the short-term portion of long-term borrowings of the Group are secured. (31 December 2013: 4,004,937 USD of the short-term potion of long term borrowings are secured and the remaining portion amounting to 25,760,506 USD are not secured).

(Amounts expressed in US Dollars unless otherwise stated)

8. BORROWINGS (Continued)

c) Long-term borrowings

	31 December 2014			31 December 2013		
Currency	**Amount**	**USD equivalent**	**Interest rate (%)**	**Amount**	**USD equivalent**	**Interest rate (%)**
Long-term borrowings:						
USD	180,021,978	180,021,978	3.70 - 5.35	180,142,857	180,142,857	3.70 - 5.35
EURO	22,070,260	26,846,170	3.8 - 5.38	11,039,145	15,188,328	1.05 - 5.29
Transaction costs directly attributable to borrowings		(580,708)			(953,749)	
		206,287,440			**194,377,436**	

The interest rates of a certain portion of long-term borrowings are linked LIBOR rates and therefore.

As of 31 December 2014; none of the long-term borrowings of the Group are secured (31 December 2013: 13,136,818 USD of the long-term borrowings are secured and the remaining portion amounting to 182.194.367 USD are not secured).

The redemption schedule of the long-term borrowings for 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	**31 December 2013**
2015	-	42,177,324
2016	92,246,372	71,103,838
2017	44,676,334	11,697,244
2018	23,553,371	24,198,931
2019	15,622,839	15,384,615
2020	30,769,232	30,769,233
	206,868,148	**195,331,185**

9. OTHER FINANCIAL LIABILITIES

Long-term borrowings of the Group have variable interest rates. In order to reduce interest rate risk, a portion of the long-term borrowings' interest rates are fixed via interest swap agreements.

	31 December 2014	**31 December 2013**
Financial liabilities arising from interest-swap agreement	251,588	408,434
	251,588	**408,434**

Fair value of interest-rate swap agreements as of 31 December 2014 is 251,588 USD. All of this amount is recorded in long-term liabilities.(2013: 198,161 USD is recorded within the long term liabilities; and the 210,273 USD portion of this amount is recorded within the short-term liabilities). This amount is recorded in equity under the cash flow hedge reserve.

(Amounts expressed in US Dollars unless otherwise stated)

10. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

Trade receivables	31 December 2014	31 December 2013
Trade receivables	165,806,138	95,036,996
Notes receivable	898,801	2,034,473
Receivables from related parties (Note 37)	13,882,475	6,291,505
Receivables from factoring	(47,161,789)	(38,544,309)
Allowance for doubtful receivables (-)(*)	(5,570,650)	(6,129,153)
	127,854,975	**58,689,512**

(*) As of 31 December 2014, 76,752 USD (31 December 2013: 86,814 USD) of doubtful receivables are due from related parties.

The movement of the provision for doubtful receivables during the periods ended 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014	31 December 2013
Opening	6,129,153	7,685,431
Currency translation differences	(516,086)	(1,008,727)
Collections	(42,417)	(547,551)
Closing	**5,570,650**	**6,129,153**

As of 31 December 2014, the Group does not have the long-term trade receivables (31 December 2013: 140,561 USD).

Nature and level of the risks arising from trade receivables are disclosed in Note 38.

b) Trade payables

Trade payables	31 December 2014	31 December 2013
Trade payables	261,035,998	240,390,719
Due to related parties (Note 37)	4,487,654	6,562,969
	265,523,652	**246,953,688**

73,384,140 USD of trade payables are interest bearing. The weighted average interest rate applied to these trade payables is respectively 2.56% for USD, and the average maturity of the payables is 180 days (31 December 2013: 22,999,883 USD and 3,652,964 EUR; interest rates are: 4.56% for USD and 4.20% for EUR and average maturity is 270 days). On the other hand, the weighted average interest rate applied to 84,424,569 USD of trade payables (84,424,569 USD) is 2.08% for USD and average maturities are 180-360 days. (31 December 2013: 109,679,921 USD and 17,104,569 EUR; interest rates are 3.31% for USD and 2.09% for EUR; and the average maturities are 180- 360 days).

(Amounts expressed in US Dollars unless otherwise stated)

10. TRADE RECEIVABLES AND PAYABLES (Continued)

b) Trade payables (Continued)

There are no long-term trade payables (31 December 2013: 10,220,275 USD; and the interest rates are 3.80% for USD).

Detailed information about the nature and level of risks arising from trade payables are disclosed in Note 38.

11. OTHER RECEIVABLES AND PAYABLES

a) Other receivables

	31 December 2014	31 December 2013
Receivables from tax authority	6,625,934	2,122,760
Due from personnel	36,725	35,915
	6,662,659	**2,158,675**

b) Other payables

	31 December 2014	31 December 2013
Advances received	14,501,954	1,988,247
Taxes and charges payable	2,749,836	2,482,915
	17,251,790	**4,471,162**

12. DERIVATIVE FINANCIAL INSTRUMENTS

Forward transactions are being performed in order to reduce risks deriving from foreign currency exchange rate fluctuations (GBP/USD) and (EUR/USD). As of 31 December 2014; total value of foreign currency receivables is 204,000 EUR and 692,500 GBP, and the total value of foreign currency payables is 2,816,371 USD (2013: 1,918,577 GBP, 17,922,100 EUR, 1,137,654 EUR)(Note 38).

	31 December 2014	31 December 2013
Financial liabilities arising from derivative financial instruments	-	510,857
Financial assets arising from derivative financial instruments	71,105	-
	71,105	**510,857**

As of 31 December 2014, 71,105 USD amounting income has been accrued from forward foreign exchange transactions (31 December 2013: None).

(Amounts expressed in US Dollars unless otherwise stated)

13. INVENTORIES

	31 December 2014	31 December 2013
Raw materials	115,301,105	51,568,780
Work in progress	13,760,136	6,144,971
Finished goods	47,740,430	108,161,707
Trade goods	6,390,638	923,874
Goods-in-transit	15,604,050	16,416,113
	198,796,359	**183,215,445**

14. PREPAID EXPENSES

Details of current and non-current prepaid expenses of the Group as of 31 December 2014 and 31 December 2013 are as follows:

a) Short-term prepaid expenses

	31 December 2014	31 December 2013
Advance payments for raw materials	6,631,395	2,806,260
Other short term prepaid expenses	3,088,138	1,789,955
Insurance fees	482,169	565,473
	10,201,702	**5,161,688**

b) Long-term prepaid expenses

	31 December 2014	31 December 2013
Advances paid for purchases of property,plant and equipment	77,931	1,651,698
Other long term prepaid expenses	631,567	1,022,571
	709,498	**2,674,269**

15. CURRENT INCOME TAX ASSETS

As of 31 December 2014, the current income tax assets are USD 1,056,576 (31 December 2013: USD 669,200).

16. DEFERRED INCOME

As of 31 December 2014, the short-term deferred income of the Group is as follows:

	31 December 2014	31 December 2013
Other short-term deferred income	-	574,652
	-	**574,652**

17. EMPLOYEE BENEFIT OBLIGATIONS

As of 31 December 2014, accrued salaries of employees 1,206,404 USD (31 December 2012: 2,362,702 USD).

(Amounts expressed in US Dollars unless otherwise stated)

18. PROPERTY, PLANT AND EQUIPMENT

	1 January 2014	Currency translation differences	Additions	Disposals	Transfers	Revaluation adjustment	Accumulated depreciation of revalued fixed assets	31 December 2014
Cost								
Land	108,226,563	-	-	-	19,144,930	52,546,507	-	179,918,000
Land improvements	3,544,172	-	-	-	3,028,407	443,751	(666,534)	6,349,796
Buildings	114,154,267	(2,328,410)	-	-	34,619,405	28,620,234	(11,152,942)	163,912,554
Machinery and equipment	182,019,012	(1,930,745)	3,084,319	-	128,573,963	19,817,821	(35,920,267)	295,644,103
Motor vehicles	3,011,168	(27,305)	-	-	490,781	-	-	3,474,643
Furniture and fixtures	18,025,164	(38,158)	-	-	4,032,253	-	-	22,019,259
Construction in progress	130,149,685	(951,509)	64,898,596	-	(189,889,739)	-	-	4,207,033
	559,130,031	**(5,276,127)**	**67,982,915**	**-**	**-**	**101,428,313**	**(47,739,743)**	**675,525,388**
Less: Accumulated depreciation								
Land improvements and leasehold items	(707,560)	-	(236,638)	-	-	-	666,534	(277,664)
Buildings	(10,684,562)	257,953	(3,034,061)	-	-	-	11,152,942	(2,307,729)
Machinery and equipment	(29,602,407)	794,834	(16,422,714)	-	-	-	35,920,267	(9,310,019)
Motor vehicles	(2,604,034)	15,910	(150,185)	-	-	-		(2,738,309)
Furniture and fixtures	(14,567,435)	22,549	(960,654)	-	-	-		(15,505,540)
	(58,165,998)	**1,091,246**	**(20,804,252)**	**-**	**-**	**-**	**47,739,743**	**(30,139,261)**
Net book value	**500,964,033**							**645,386,127**

The Group’s production plant in Vobarno is mortgaged at an amount 20,000,000 EUR as a guarantee for the long-term loan obtained by BM Vobarno Tubi SPA (31 December 2013: 20,000,000 EUR).
The amount of borrowing costs capitalized during the period is 2,076,186 USD (31 December 2013: 887,549 USD).

(Amounts expressed in US Dollars unless otherwise stated)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2013	Currency translation differences	Additions	Disposals	Transfers	Assets held for sale	31 December 2013
Cost							
Land	159,528,943	-	-	(1,644,715)	1,021,500	(50,679,165)	108,226,563
Land improvements	4,093,270	-	1,171	-	6,542	(556,811)	3,544,172
Buildings	126,008,272	784,336	1,039,882	(3,083,656)	1,272,005	(11,866,572)	114,154,267
Machinery and equipment	179,161,332	526,318	4,188,656	(12,610,640)	31,601,533	(20,848,187)	182,019,012
Motor vehicles	2,797,313	4,214	209,641	-	-	-	3,011,168
Furniture and fixtures	16,674,745	11,534	721,008	(3,076)	620,953	-	18,025,164
Construction in progress	19,003,409	256,544	145,247,851	(14,947)	(34,343,172)	-	130,149,685
	507,267,284	**1,582,946**	**151,408,209**	**(17,357,034)**	**179,361**	**(83,950,735)**	**559,130,031**
Less: Accumulated depreciation							
Land improvements and leasehold items	(726,711)	-	(207,313)	83,501	34,905	108,058	(707,560)
Buildings	(10,320,601)	(85,640)	(3,050,422)	319,696	-	2,452,405	(10,684,562)
Machinery and equipment	(24,306,638)	(233,043)	(13,613,669)	410,387	(92,442)	8,232,998	(29,602,407)
Motor vehicles	(2,483,335)	(4,194)	(116,505)	-	-	-	(2,604,034)
Furniture and fixtures	(13,506,234)	(7,338)	(1,044,438)	2,135	(11,560)	-	(14,567,435)
	(51,343,519)	**(330,215)**	**(18,032,347)**	**815,719**	**(69,097)**	**10,793,461**	**(58,165,998)**
Net book value	**455,923,765**						**500,964,033**

(Amounts expressed in US Dollars unless otherwise stated)

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The historical cost of revalued land, buildings and machinery and equipment as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
	Land and buildings	Machinery and equipment	Land and buildings	Machinery and equipment
Cost	90,796,709	214,493,244	89,051,482	207,829,438
Accumulated depreciation (-)	(10,767,883)	(58,554,340)	(7,331,343)	(47,178,511)
Net book value	**80,028,826**	**155,938,904**	**81,720,139**	**160,650,927**

The table below shows net book value of property, plant and equipments which the Group purchased by financial leasing:

	Cost		Accumulated depreciation		Net book value	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Machinery and equipment	1,202,026	1,202,026	(641,928)	(634,002)	560,098	568,024

19. INTANGIBLE ASSETS

	31 December 2014	31 December 2013
Cost:		
Cost as of 1 January	4,306,691	3,558,341
Translation differences	(77,681)	26,930
Additions	430,757	900,781
Transfer/Disposals	-	(179,361)
	4,659,767	**4,306,691**
Less: Accumulated amortization		
Accumulated amortizations as of 1 January	3,084,330	2,613,676
Translation differences	(76,157)	26,708
Current year charge	471,645	513,042
Transfer/Disposals	-	(69,096)
	3,479,818	**3,084,330**
Net book value	**1,179,949**	**1,222,361**

Current period amount of depreciation and amortization recorded to cost of goods sold and services provided is USD 18,535,662, to selling and marketing expenses is USD 325,016 and to general administrative expenses is USD 2,415,219 (2013: cost of goods sold and services USD 15,665,145, selling and marketing expenses USD 283,459, general administrative expenses USD 2,596,785 and currency translation difference USD 2,263,939 respectively).

20. GOODWILL

None (31 December 2013: None).

(Amounts expressed in US Dollars unless otherwise stated)

21. GOVERNMENT GRANTS

None (31 December 2013: None).

22. CONTINGENT ASSETS AND LIABILITIES

None (31 December 2013: None).

23. COMMITMENTS

- **Export Commitments**

Export commitments amount to 263,634,802 USD as of 31 December 2014 (31 December 2013: USD 291,608,280)

- **Letters of credit**

As of 31 December 2014, the Group has open letter of credit agreements for the future purchases from suppliers amounting to USD 73,308,382 and EUR 2,070,500 (31 December 2013: USD 8,247,377 and EUR 2,033,913).

- **Guarantees, Pledges and Mortgages**

As of 31 December 2014, the Group is contingently liable for safeguards which are USD 65,712,645 in total (31 December 2013: USD 58,302,695), and mortgages in total of USD 24,327,914 (31 December 2013: USD 27,517,219). No guarantees are given during this period.

	USD	EUR	TRY	31 December 2014
A. GPM’s given in the name of its own legal personality	53,828,500	7,568,117	4,316,027	65,712,644
B. GPM’s given on behalf of the fully consolidated companies	-	24,327,914	-	24,327,914
C. GPM’s given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other GPM’s given	-	-	-	-
i. Total amount of GPM’s given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of GPM’s given on behalf of other group companies which	-	-	-	-
iii. Total amount of GPM’s given on behalf of third parties which are not in scope of C	-	-	-	-
Total	**53,828,500**	**31,896,031**	**4,316,027**	**90,040,558**

(Amounts expressed in US Dollars unless otherwise stated)

23. COMMITMENTS (Continued)

	USD	EUR	TRY	31 December 2013
A. GPM's given in the name of its own legal personality	15,719,920	12,905,717	2,159,839	30,785,476
B. GPM's given on behalf of the fully consolidated companies	-	27,517,219	-	27,517,219
C. GPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other GPM's given	-	-	-	-
i. Total amount of GPM's given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of GPM's given on behalf of other group companies which	-	-	-	-
iii. Total amount of GPM's given on behalf of third parties which are not in scope of C	-	-	-	-
Total	**15,719,920**	**40,422,936**	**2,159,839**	**58,302,695**

There are no CPMs that the Group is liable on its immediate parent company (31 December 2013: None)

24. PROVISONS FOR EMPLOYEE BENEFITS

In accordance with the Turkish Labour Law, the Group is responsible for paying severance pay for staff who have completed one year of service and cut ties from the Group or retired, who have completed 25 years of service (20 for women) and are entitled to a pension, who have been called up for military service or who die. The severance pay to be paid is equal to the employee's monthly wage for each year of service and this amount is limited to TRY3,541.37 as of 31 December 2014 (TRY3,438.22 as of 31 December 2013).

In accordance with IAS 19, an actuarial calculation is required to calculate the Group's liabilities. The Group has calculated the provisions for severance pay using the "Projection Method", based on the Group's experience regarding the completion of the period of service by the employee and being entitled to the severance pay, and has reflected these in the financial statements. Provisions for severance pay, calculated based on the current value of the possible liability that will need to be paid, are set aside in case of employees' retirement.

As of 31 December 2014 and 31 December 2013 the actuarial assumptions that are used in the calculation of liability are as follows:

	31 December 2014	31 December 2013
Discount rate	3.8%	3.9%
Probability of retirement	98.00%	98.00%

The movements of provision for employment termination benefits for the periods ended 31 December 2014 and 2013 are as follows:

(Amounts expressed in US Dollars unless otherwise stated)

24. PROVISONS FOR EMPLOYEE BENEFITS (Continued)

	31 December 2014	31 December 2013
Opening (January)	9,871,145	13,169,674
Currency translation difference	(837,672)	(1,680,465)
Service cost	778,408	899,660
Finance cost	888,403	1,181,346
Actuarial loss	15,549	9,141
Paid during the period	(1,714,042)	(3,708,211)
	9,001,791	**9,871,145**

25. RETIREMENT PLANS

None (31 December 2013: None).

26. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2014	31 December 2013
VAT receivable	20,369,026	7,012,908
Income accruals	3,467,861	2,072,895
Other job advances	77,977	136,549
Advances given to personnel	211,180	52,838
	24,126,044	**9,275,190**

b) Other non-current assets

As of 31 December 2014, other non-current assets equal 58,556 USD (31 December 2013: 50,407 USD).

c) Other short-term liabilities

	31 December 2014	31 December 2013
Accrued cost of sales expenses	3,792,186	2,517,659
Accrued export expenses	1,974,347	4,508,729
Other	2,015,093	189,009
	7,781,626	**7,215,397**

(Amounts expressed in US Dollars unless otherwise stated)

27. EQUITY

a) Paid-in share capital

As of 31 December 2014 and 31 December 2013, Company's composition of shareholders and their respective shares are as follows:

	31 December 2014		31 December 2013	
	TRY	Share (%)	TRY	Share (%)
Borusan Mannesmann Boru Yatırım Holdinş A.Ş.	104,157,266	73.48	104,157,266	73.48
Halka açık	24,641,510	17.38	24,641,510	17.38
Lumbro Nominees Jersey Ltd.	9,450,000	6.67	9,450,000	6.67
Diğer	3,501,224	2.47	3,501,224	2.47
	141,750,000	**100.00**	**141,750,000**	**100.00**
USD Equivalent	68,996,872		68,996,872	

On 8 November 2013, the statutory capital was increased from TRY28,350,000 to TRY141,750,000. This capital increase was made from "inflation adjustment differences" in the tax accounts and "Foreign Currency Translation Reserve" in the statutory consolidated financial statements prepared in accordance with Turkish Accounting Standards.

As of 31 December 2014, there are 141,750,000,000 shares, each of which has 0.1 Kr nominal value. As of 31 December 2014, the paid-in capital of the company comprises Group A (10% of the total shares) and Group B (90% of the total shares) shares (2013: Group A 10%, Group B 90%). Also, the Company has 100 dividend shares that do not grant voting power (2013: 100 dividend shares).

Group A shareholders' rights are as follows:

- Half of the board of directors and additional one member are selected among the candidates nominated by A Group Shareholders.

- Each of A Group shareholders has 5 voting rights at ordinary and extraordinary general assembly meetings.

b) Revaluation funds

As of 31 December 2014 and 31December 2013 the movement of revaluation funds are as follows:

	1 January 31 December 2014		**1 January 31 December 2013**	
	Propert, Plant and Equipment Revaluation reserve	**Investment revaluation reserves**	**Propert, Plant and Equipment Revaluation reserve**	**Investment revaluation reserves**
Balance at 1 January	161,751,236	19,173,976	176,547,517	19,173,976
Current year revaluation of financial investments	89,220,573	-	(12,317,926)	-
Disposals from revaluation funds	(1,718,979)	-	(2,478,355)	-
Balance at 31 December	**249,252,830**	**19,173,976**	**161,751,236**	**19,173,976**

(Amounts expressed in US Dollars unless otherwise stated)

27. EQUITY (Continued)

b) Revaluation funds (Continued)

Revaluation funds of property, plant and equipment:

Revaluation funds of property, plant and equipment arises from the revaluation of buildings,lands and machinery equipments.In case of disposition of revalued land or buildings, the revalution funds associated with the assets sold are transferred directly to retained earnings.

Cash flow hedge reserve

Cash flow hedge reserve arises as a result recognition in equity of the effective changes in the fair value of the derivate financial instruments subject to a cash flow hedge. Total deferred income/loss earned by protection against financial risk has been accounted in profit/loss when the effect of hedged transaction effecting to profit/loss.

Investment revaluation reserve:

Investment revaluation reserve occurs as a result of valuation of the available-for-sale financial assets over their fair values. In the event of a disposal of a financial instrument that has been appraised over its fair value, the portion of the appreciation fund related to the disposed financial asset is recognised directly as a profit or loss. If the reappraised financial instrument is impaired, the portion of the appreciation fund related to the impaired financial asset is recognised directly as a profit or loss.

Legal reserves
First legal reserve is appropriated out of the statutory profits at the rate of 5% until the total reserves reach a maximum of 20% at the Company’s share capital. A second legal reserve is appropriated at the rate of 10% of all distribution in excess of 5% of the Company share capital.

	31 December 2014	31 December 2013
Legal reserves	14,440,560	13,262,560
Special reserves	2,778	2,778
	14,443,338	**13,265,338**

c) Retained earnings

As per the Capital Markets Board (CMB) Decision dated 27 January 2010, minimum dividend distribution obligation will not be applied for joint stock corporations whose shares are traded in the stock market, regarding the distribution principles of the profits acquired from the activities of 2009, and within this framework, the profit distribution shall be executed in pursuance with the principles stated under the Board's Communique Serial: IV, No: 27 on Principles Regarding Distribution of Dividends and Interim Dividends to be Followed by the Publicly Held Joint Stock Corporations Subject to Capital Market Law, and as per the provisions under the partnerships' Articles of Association and the dividend distribution policies disclosed to public by the companies.

In addition, the said Board Decision rules that, the companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period stated in the consolidated financial statements that will be prepared and announced to the public according to the Communiqué, Serial: IX, No: 29 as long as the profit are sufficient for dividend distribution ob their statutory records.

(Amounts expressed in US Dollars unless otherwise stated)

27. EQUITY (Continued)

c) Retained earnings (Continued)

- Sources Which Can be Subjected to Dividend Distribution:

The Group has a profit amounting to TRY 37,456,355 in its statutory records as of the balance sheet date (loss period in 2013: TRY 2,338,420) and the total of other sources which can be subjected to dividend distribution isTRY 11,854,634 (31 December 2013 : TRY 30,567,912).

d) Non-controlling interests

The movement of non-controlling interests for the periods as of 31 December 2014 and 31 December 2013 are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Balance at 1 January	231.207	267.000
Currency translation difference	(4.023)	1.918
Revaluation reserve	67.546	-
Share in current year result	(44.466)	(37.711)
Balance at 31 December	**250.264**	**231.207**

28. REVENUE AND COST OF SALES

a) Revenue

	1 January – 31 December 2014			1 January – 31 December 2013		
	Domestic sales	Exports	Total	Domestic sales	Exports	Total
Steel Pipe	257,371,726	481,419,952	738,791,678	285,418,046	334,701,943	620,119,989
Engineering	7,072,717	3,111,272	10,183,989	4,425,254	5,389,941	9,815,195
	264,444,443	**484,531,224**	**748,975,667**	**289,843,300**	**340,091,884**	**629,935,184**

b) Cost of sales

	1 January - 31 December 2014	1 January - 31 December 2013
Direct material	514,124,135	409,004,318
Direct labor	41,914,073	33,489,684
Depreciation and amortization	18,535,662	15,665,145
Repair, maintenance and other production expenses	31,852,142	24,944,463
Net change in work-in-process	(7,615,165)	1,835,686
Net change in finished goods	12,881,705	(22,443,577)
Cost of trade goods sold	58,385,962	96,834,438
Cost of other sales	786,878	5,687,297
	670,865,392	**565,017,454**

(Amounts expressed in US Dollars unless otherwise stated)

29. MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
General administrative expenses	36,090,788	33,809,219
Marketing expenses	13,640,352	13,873,450
	49,731,140	**47,682,669**

30. EXPENSES BY NATURE

a) Marketing expenses

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel	3,517,322	3,884,818
Sales distribution	5,201,693	5,137,862
Consultancy	1,323,678	1,630,472
Direct selling expense	1,089,536	757,297
Transportation and travel	777,218	692,934
Vehicle expenses	472,752	471,846
Depreciation and amortisation expenses	325,016	283,459
Rent	220,368	441,418
Energy	101,534	109,975
Communication	67,748	90,363
Oursourced services	25,387	46,719
Tax	20,076	3,502
Maintenance	1,278	708
Other	496,746	322,077
	13,640,352	**13,873,450**

b) General administrative expenses

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel	15,765,964	14,523,349
Consultancy	4,524,252	3,847,112
Depreciation and amortisation	2,415,219	2,596,785
Outsourced services	1,530,364	1,702,567
Insurance	1,586,400	1,246,228
Tax and charges	1,438,788	1,346,706
Information technology	1,590,878	1,392,394
Donations	1,622,641	1,698,687
Rent	627,790	439,600
Transportation and travel	610,689	667,030
Vehicle expenses	506,281	607,915
Maintenance	489,830	397,043
Energy	407,202	239,054
Communication	230,810	238,562
Other	2,743,680	2,866,187
	36,090,788	**33,809,219**

(Amounts expressed in US Dollars unless otherwise stated)

30. EXPENSES BY NATURE

Depreciation and amortization expenses:

	1 January - 31 December 2014	1 January - 31 December 2013
Cost of sales	18,535,662	15,665,145
General administrative expenses	2,415,219	2,596,785
Marketing expenses	325,016	283,459
	21,275,897	**18,545,389**

Personnel expenses:

	1 January - 31 December 2014	1 January - 31 December 2013
Cost of sales	41,914,073	33,489,684
General administrative expenses	15,765,964	14,523,349
Marketing expenses	3,517,322	3,884,818
	61,197,359	**51,897,851**

31. OTHER INCOME AND EXPENSE

a) Other income

	1 January- 31 December 2014	1 January- 31 December 2013
Interest on credit sales	4,190,841	3,680,806
Prior period income	1,296,850	1,530,567
Currency translation gain	1,007,035	-
Rent	504,519	400,849
Scrap sales	446,248	286,994
Insurance claims	9,276	344,078
Other	104,269	481,571
	7,559,038	**6,724,865**

Income for the prior period consists of the release of provisions in relation to corporate tax and USA anti-damping costs for 2013 and 2012.

(Amounts expressed in US Dollars unless otherwise stated)

31. OTHER INCOME AND EXPENSE (Continued)

b) Other expense

	1 January- 31 December 2014	1 January- 31 December 2013
Impairment on fixed assets	150,000	-
Impairment on financial asset held for sale	71,969	20,293
Currency translation losses	-	1,938,363
Count differences	-	168,027
Other	556,639	1,270,529
	778,608	**3,397,212**

32. INVESTMENT INCOME

	1 January- 31 December 2014	1 January- 31 December 2013
Dividend income	2,715,741	3,312,350
Gain on disposal of plant, property and equipment	349,944	19,224,472
	3,065,685	**22,536,822**

The profit from fixed asset sales in 2013 was largely obtained from the sale of the shares of S.S Makine ve İmalat Sanayicileri Toplu İş Yeri Yapı Kooperatifi, and idle buildings and machinery.

33. FINANCIAL INCOME AND EXPENSE

a) Financial income

	1 January- 31 December 2014	1 January- 31 December 2013
Income from derivative financial instruments	692,283	273,106
Interest income	526,501	562,363
	1,218,784	**835,469**

a) Financial expenses

	1 January- 31 December 2014	1 January- 31 December 2013
Interest expenses	16,327,861	10,798,906
Factoring expense	2,231,678	997,883
Interest charges	1,772,526	2,090,679
Bank expense	1,253,647	1,259,404
Loss on derivative financial instruments	887,198	2,382,042
	22,472,910	**17,528,914**

(Amounts expressed in US Dollars unless otherwise stated)

34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Spiral pipe production sites at Gemlik have a 250,000 ton / year capacity, and the production site have been working actively since 2012. The site costed 110m USD at total; and it has provided an important competitive advantage to the Company in the production of pipes tailored for oil and gas lines; especially in terms of technology, production capacity, production elasticity, and the strategic benefits of location.

Production activities in the spiral pipe production sites located in Yenidoğan Mah. Seka Devlet Hastanesi Yanı İzmit/ Kocaeli were suspended due to a urban transformation project of the municipality. The Company has decided to continue its production activities in a modern factory in Gemlik. Production activities of higher-caliber pipes, which is the group with key strategic importance to the company, are going to be carried on in the new production site.

The fixed assets in Kocaeli manufacturing sites were classified as assets held for sale, and presented seperately in the consolidated financial statements.

Major part of assets held for sale are consists of lands and machineries which are not classified as merchandise goods and they have limited areas of usage and only used for special purposes. Therefore, potential buyers are limited and it takes long time to investigate return of any probable investment to these assets. The Company are willing to sell these assets on market prices, if so it takes long time to complete negotiation process with potential buyers. As of 31 December 2014, the impairment on assets held for sale is amounting to USD 150,000 (31 December 2013: USD 5,839,813).

Group Management takes into consideration that the major part of fixed assets are comprised of land and machine equipments, these land and machine equipments are not partake of commodity which is commonly traded and that can be used to serve for a specific goal, the potential buyer audience is comprised of these people who are private needers of this specific goals, moreover potential buyers being prepared and being etuded the trade meetings after project exercised. Group management considers that the sales procedure takes time because of the fixed assets are not being emtia product which are waiting to be sold even if there is marketing activities in fair cash value of these fixed assets. 150,00 USD is the total impairment that was made in 31 December 2014 (2013: 5,839,813 USD).

Assets held for sale, and the regarding liabilities and expenses regarding to these assets are as follows:

	31 December 2014	**31 December 2013**
Tangible and intangible assets, net	53,904,794	63,364,794
Other assets	573,199	573,199
	54,477,993	**63,937,993**

Amortisation expense for the current period is 468,882 USD.

35. INCOME TAX ASSETS AND LIABILITIES

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

In Turkey, advance tax returns are filed and accrued on a quarterly basis. Advance corporate income tax rate applied in 2014 is 20% (2013: 20%).

Law No. 6111 has entered into effect after being promulgated in the Official Gazette No. 27857 (1. Repeated) dated 25 February 2011. Pursuant to the Article 6 of the relevant law, in case the income and corporate taxpayers increase their tax bases in their annual tax returns, no income and corporate tax inspection will be made for the years that the increase was made on behalf of them and no further assessment will be made afterwards, for those taxes regarding these years. As per the Law, tax returns regarding the increase in corporate tax base have been submitted.

Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate.

Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 21 June 2006. However until the resolution of council of ministers, it was used as 10%. After the resolution, declared in Official Gazette in 23 July 2006, this rate is changed to %15 effective from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

For 2003 and the previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies". As inflation met certain thresholds in 2004, the Group adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No. 5024 and inflation adjusted balances as at 31 December 2004 were taken as the opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds in 2005 and the following years, no further inflation adjustment made to the Group's statutory financial statements.

(Amounts expressed in US Dollars unless otherwise stated)

35. INCOME TAX ASSETS AND LIABILITIES (Continued)

As of 31 December 2014 and 31 December 2013, the current statutory tax charges for the Group can be analyzed as follows:

	1 January- 31 December 2014	**1 January- 31 December 2013**
Statutory combined profit before taxes as per historical statutory financial statements	16,910,695	(2,019,547)
Permanent non-tax deductible expenses	5,203,266	5,461,704
Permanent non-taxable income and loss carried forward utilized during the year	(10,331,541)	(8,376,439)
Taxable income per Turkish Tax Legislation	11,782,420	(4,934,282)
Corporation tax at 20%	2,356,484	-
Italy tax charge	79,694	-
Foreign currency translation differences	(133,224)	-
Provision for current statutory taxes on income	**2,302,954**	**-**

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, the companies which have incurred losses for the year ended 31 December 2014 have not been included in combined profit before taxes as per historical statutory financial statements.

Reconciliation of taxes by applying effective tax rates to profit before tax provision as reflected in the consolidated income statement for the years ended 31 December 2014 and 31 December 2013 is as follows:

	1 January- 31 December 2014	**1 January- 31 December 2013**
Profit before tax	16,971,124	26,406,091
At statutory income tax calculated with rate at 20%	3,394,225	5,281,218
Effects of:		
Disallowable expenses	909,154	838,514
Tax exempt income	(1,964,892)	(1,476,425)
Non-tax deductible translation loss arising from remeasurement	3,197,260	2,466,779
Tax expense	**5,535,747**	**7,110,086**

(Amounts expressed in US Dollars unless otherwise stated)

35. INCOME TAX ASSETS AND LIABILITIES (Continued)

Current income tax for the periods ended 31 December 2014 and 31 December 2013 are summarized below:

	1 January- 31 December 2014	1 January- 31 December 2013
Provision for current taxes as per statements of income		
- Turkey tax charge	2,223,260	-
- Italy tax charge	79,694	-
Total statutory income tax charge for the year	**2,302,954**	**-**
Prepaid taxes	(3,279,836)	(669,200)
Foreign currency translation differences	(79,694)	
Income taxes payable	**(1,056,576)**	**(669,200)**

As of 31 December 2014 and 31 December 2013 deferred tax rate used is 20% in Turkey, 34% for subsidiaries in the USA and 31.4% for subsidiaries in Italy. For the periods ended on these dates, deferred tax asset / (liability) calculated with temporary differences and effective tax rate is as follows:

	Temporary differences		Deferred tax asset/(liability)	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Net difference between the tax base and the amounts reported based on TMS:				
- carrying value of tangible and intangible assets	(185,970,094)	(124,995,227)	(37,822,863)	(25,718,057)
- carrying value of lands	(203,554,152)	(148,717,483)	(10,177,708)	(7,435,874)
- carrying value of financial assets	(20,183,132)	(20,183,132)	(1,009,156)	(1,009,157)
- carrying value of inventories	(6,418,708)	(8,885,120)	(1,283,742)	(1,777,024)
Provision for employee benefits obligation	7,953,252	8,434,378	1,590,650	1,686,875
Temporary differences of trade receivables	271,187	288,557	54,237	57,711
Temporary differences of trade payables	(96,116)	(121,524)	(19,223)	(24,305)
Carry forward tax losses	-	3,647,997	-	729,599
The effect of derivatives	-	-	-	-
Other provisions and accruals	2,703,941	3,272,532	540,790	654,509
Deferred tax liability, net	**(405,293,822)**	**(287,259,022)**	**(48,127,015)**	**(32,835,723)**

(Amounts expressed in US Dollars unless otherwise stated)

35. INCOME TAX ASSETS AND LIABILITIES (Continued)

The distribution of deferred tax assets / (liabilities) for the periods ended on 31 December 2014 and 31 December 2013 are as follows:

Deferred tax assets:	**31 December 2014**	**31 December 2013**
Total amount of deferred tax assets to be settled in a year	595,027	1,429,666
Total amount of deferred tax assets to be settled in more than a year	1,590,650	1,674,722
	2,185,677	**3,104,388**

Deferred tax liabilities:	**31 December 2014**	**31 December 2013**
Total amount of deferred tax liabilities be settled in a year	(1,302,965)	(1,801,329)
Total amount of deferred tax liabilities be settled in more than a year	(49,009,727)	(34,138,782)
	(50,312,692)	**(35,940,111)**
Total	**(48,127,015)**	**(32,835,723)**

Deferred tax liability for the periods ended on 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	**31 December 2013**
1 January	(32,835,723)	(27,877,206)
Tax charge recognized in the equity	(12,290,193)	2,355,200
Tax charge recognized in the statement of income	(3,232,793)	(7,110,086)
Curreny translation reserve	231,694	(203,631)
31 December	**(48,127,015)**	**(32,835,723)**

Since each company consolidated is a separate entity, the deferred tax assets / (liabilities) of these companies cannot be netted. Deferred tax assets /(liabilities) of the Company and its subsidiaries are as follows:

	31 December 2014		**31 December 2013**	
	Deferred tax asset	**Deferred tax liability**	**Deferred tax asset**	**Deferred tax liability**
Borusan Mannesmann Boru San. ve Tic A.Ş.	-	45,244,599	-	30,427,988
Borusan Mühendislik	-	1,150,338	-	427,302
BM Vobarno	-	1,732,078	-	1,980,433
	-	**48,127,015**	**-**	**32,835,723**

(Amounts expressed in US Dollars unless otherwise stated)

36. EARNINGS PER SHARE

Earning per share is determined by dividing net income by the weighted average number of shares circulating during the year concerned.

In Turkey, companies can increase their capital via transfers from retained earnings and revaluation funds; and distribute costless shares to shareholders in corresponding to the capital increases. Such shares are taken into account as dividend payments. Dividends that are included by the capital as they are distributed are also taken into consideration as shared granted as dividends.Thus, such shares are considered to be in circulation throuhout the entire period; when the earnings per share is calculated.

The Group's earnings per share as of 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014	31 December 2013
Average number of shares existing during the period (total value)	141,750,000,000	141,750,000,000
Net profit for the period attributable to equity holders of the parent	11,479,843	19,333,716
Profit from continuing operations	11,479,843	19,333,716
Earnings per share from continuing operations	0.0001	0.0001
Earnings per share	**0.0001**	**0.0001**

37. RELATED PARTY BALANCES AND TRANSACTIONS

a) Receivables and Payables to Related Parties

	31 December 2014	31 December 2013
Trade receivables		
Borusan İstikbal Ticaret T.A.Ş. ("İstikbal") (*)	13,097,016	6,216,845
Supsan Motor Supapları San. Ve Tic. A.Ş.	189,446	-
Borusan Makine	103,593	54,354
Kerim Çelik	1,912	24,762
Other	588,783	27,266
Less: Allowance for doubtful receivables	(76,752)	(86,814)
Less: Provision for unaccrued finance income	(98,275)	(31,722)
	13,805,723	**6,204,691**

(*) The receivable from İstikbal is derived from the export sales performed through İstikbal.

	31 December 2014	31 December 2013
Trade payables to related parties		
Borusan Lojistik	3,197,278	3,838,779
Borçelik	530,394	1,757,206
Borusan Holding A.Ş. (Borusan Holding)	112,187	134,384
Kerim Çelik	26,824	366
Diğer	623,880	838,057
Less: Provision for unaccrued finance expense	(2,909)	(5,823)
	4,487,654	**6,562,969**

(Amounts expressed in US Dollars unless otherwise stated)

37. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Borusan Lojistik and Borusan Holding provides services to the Company, whereas Borçelik and Kerim Çelik provides raw material. The average due for the purchases are 30-60 days, and no interest charges may apply. Furthermore, no securities and guarantees are provided for the purchases.

b) Transactions with related parties

	1 January - 31 December 2014	1 January - 31 December 2013
Material purchases		
Borçelik	8,580,035	15,669,263
	8,580,035	**15,669,263**

	1 January - 31 December 2014	1 January - 31 December 2013
Service purchases		
Borusan Lojistik	47,525,585	52,421,299
Borusan Holding	2,250,000	2,641,373
Borusan Birlik Danışmanlık	1,636,322	1,484,940
İstikbal	382,268	363,110
Other	377,756	489,952
	52,171,931	**57,400,674**

	1 January - 31 December 2014	1 January - 31 December 2013
Interest expenses		
BMBYH	112,557	92,634
	112,557	**92,634**

	1 January - 31 December 2014	1 January - 31 December 2013
Sales		
İstikbal	62,883,947	62,721,804
Borçelik	5,323,561	4,274,318
Supsan	3,956,449	-
Other	66,004	61,527
	72,229,961	**67,057,649**

	1 January - 31 December 2014	1 January - 31 December 2013
Dividend income		
Borçelik	2,712,454	3,307,027
Other	3,288	5,323
	2,715,742	**3,312,350**

(Amounts expressed in US Dollars unless otherwise stated)

37. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Payments to key management

	1 January - 31 December 2014	1 January - 31 December 2013
Salaries and short-term benefits provided to top management	2,723,520	1,845,083
Salaries and short-term benefits provided to board of directors	467,955	234,404
	3,191,475	**2,079,487**

38. FINANCIAL RISK MANAGEMENT

(a) Capital risk management

Group aims to maximize the profitability through the optimization of the debt and equity balance, while maintaining the continuity of its business operations.

The capital structure of the Group consists of debt which includes the borrowings disclosed in Note 8 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 27.

The Management of the Group analyzes the cost of capital and the risks associated with each class of capital and aims to balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

(b) Financial risk management objectives

The Group's finance department is responsible for maintaining a systematical access to international and local markets as well as monitoring and managing the Group's risk exposure using the in-house reports which analyze the level and extent of risks. Such risks consist of market risk, credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments such as foreign currency forwards during the period. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives (Continued)

b.1) Credit risk

	Receivables					
	Trade receivables		Other receivables			
31 December 2014	**Related parties**	**Other**	**Related parties**	**Other**	**Bank accounts**	**Other**
Maximum credit risk exposed as of balance sheet date	13,805,723	114,049,252	-	6,662,659	48,292,084	-
- the part under guarantee with collaterals, etc.	-	10,891,398	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	13,805,723	102,246,461	-	6,662,659	48,292,084	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	-	-	-	-	-
- the part under guarantee with collaterals, etc.	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	11,802,791	-	-	-	-
- the part under guarantee with collaterals, etc.	-	1,857,581	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	76,752	5,493,898	-	-	-	-
- Impairment (-)	(76,752)	(5,493,898)	-	-	-	-
- the part under guarantee with collaterals, etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- the part under guarantee with collaterals, etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

1) In determining the amounts; securities received and the factors that may have an influence on the credit risk are not taken into consideration.
2) Guarantees contain mortgages, letters of guarantee and direct debiting system limits.

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives (Continued)

b.1) Credit risk (Continued)

	Receivables					
	Trade receivables		Other receivables			
31 December 2013	**Related parties**	**Other**	**Related parties**	**Other**	**Bank accounts**	**Other**
Maximum credit risk exposed as of balance sheet date	6,204,691	52,484,821	-	2,158,675	72,941,322	-
- the part under guarantee with collaterals, etc.	-	9,004,104	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	6,204,691	39,940,872	-	2,158,675	72,941,322	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	-	-	-	-	-
- the part under guarantee with collaterals, etc.	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	12,543,949	-	-	-	-
- the part under guarantee with collaterals, etc.	-	1,816,214	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	86,814	6,042,338	-	-	-	-
- Impairment (-)	(86,814)	(6,042,338)	-	-	-	-
- the part under guarantee with collaterals, etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- the part under guarantee with collaterals, etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

1) In determining the amounts; securities received and the factors that may have an influence on the credit risk are not taken into consideration.
2) Guarantees contain mortgages, letters of guarantee and direct debiting system limits.

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives (Continued)

b.1) Credit risk (Continued)

Disclosures regarding the quality of financial assets

The Group's credit risk primarily arises from its trade receivables. Such credit risk is managed by limiting the risk by the amount of the collaterals received. In managing credit risk, the Group uses three types of instruments which are Direct Debit System, letters of guarantee and mortgages. The Group monitors the customers' credit limits on a consistent basis and creditworthiness of the customers are systematically assessed based on the financial position, past experience and other factors.

Trade receivables are reviewed depending on the Group policies and procedures and they are carried at net amounts in the balance sheet subsequent to any provision for doubtful receivables.

In accordance to the internal evaluation;	**31 December 2014**	**31 December 2013**
Group 1	37,857,922	3,526,415
Group 2	66,391,470	30,075,200
Group 3	11,802,791	12,543,949
Total trade receivables	**116,052,183**	**46,145,564**

Group 1: Customers which have been performing trade activities with the Group no longer than 6 months

Group 2: Customers which have been performing trade activities with the Group over 6 months, without any collection problems during the entire process

Group 3: Customers which have been performing trade activities with the Group over 6 months, with several collection problems

There is no trade receivables restructured, or that may be overdue in the case of being not restructured. (31 December 2013: None)

As of 31 December 2014, the part of overdue trade receivables for which no impairment was calculated equals 9,967,921 USD (31 December 2013: 12,543,949 USD). Below is the aging of such trade receivables:

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

Trade receivables	31 December 2014	31 December 2013
1-30 days overdue	4,275,406	7,844,589
1-3 months overdue	3,678,347	2,503,623
3- 12 months overdue	2,014,168	2,195,737
Total overdue receivables	**9,967,921**	**12,543,949**
The part under guarantee with collaterals	**1,857,581**	**1,816,214**

As of 31 December 2014, the Group holds mortgages equal to 400,450 USD, letters of guarantee equals to 381,719 USD, and pledges equal to 1,075,412 USD (31 December 2013 respectively: 462,837 USD of mortgages,7,741 USD of letter of guarantee, and 1,165,842 USD of pledges).

Overdue and impaired receivables are not secured.

b.2) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

Liquidity risk tables

Conservative liquidity risk management requires maintaining sufficient cash on hand, availability of sufficient loan transactions and fund sources and ability to close market positions.

31 December 2014	Carrying value	Total cash outflows in accordance with contracts (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities:						
Borrwwings	377,354,542	407,830,741	22,141,836	155,412,570	183,551,867	46,724,468
Trade payables	265,523,652	268,050,181	152,229,328	115,820,853	-	-
Other payables	17,251,790	17,251,790	17,251,790	-	-	-
Derivative instruments:						
Other financial liabilities	251,588	251,588	-	-	251,588	-
Total liabilities	**660,381,572**	**693,384,300**	**191,622,954**	**271,233,423**	**183,803,455**	**46,724,468**

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

	Carrying value	**Total cash outflows in accordance with contracts (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non derivative financial liabilities:						
Borrwwings	285,953,979	319,606,240	13,639,452	83,659,873	172,145,118	50,161,797
Trade payables	257,173,963	259,372,674	160,264,832	88,207,231	10,900,611	-
Other payables	4,471,162	4,471,162	4,471,162	-	-	-
Derivative financial liabilities:						
Derivative instruments	510,857	510,857	473,346	37,510	-	-
Other financial liabilities	408,434	408,434	-	198,161	210,273	-
Total liabilities	**548,518,395**	**584,369,367**	**178,848,792**	**172,102,775**	**183,256,002**	**50,161,797**

The details of the committed outstanding future contracts as of 31 December 2014 and 31 December 2013 are as below;

	Average exchange rates		**Buying amount**		**Selling amount**		**Fair value**	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
USD buy- GBP sell Between 1-5 months	1.5888	-	474,472	-	298,633	-	18,761	-
USD buy- EUR sell Between 1-12 months	1.2600	-	110,846	-	87,973	-	6,982	-
EUR buy USD sell Between 1-6 months	2.3380	-	12,642,361	-	29,558,109	-	45,362	-
USD buy- GBP sell Between 1-5 months	-	1.6260	-	1,461,658	-	898,926	-	(39,749)
USD buy- EUR sell Between 1-6 months	-	1.3445	-	11,289,837	-	8,397,179	-	473,298
EUR buy- USD sell Between 1-6 months	-	0.7819	-	533,034	-	681,723	-	2,190

(c) Market risk

Market risk includes foreign currency risk, interest rate risk and price risk.

The Group is exposed to risks deriving from exchange rates and interest rates. In order to manage these risks, the Group uses derivative financial instruments.

Furthermore, market risk can also be assessed via sensitivity analyses. There are no significant changes in the methods that are being used by the Group in assessing the market risk and other risks.

(d) Foreign currency risk management

Transactions in foreign currencies results in foreign currency risk. Foreign currency risk is managed by using derivative financial instruments such as foreign currency forwards.

38. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity

The Group is mainly exposed to EUR and TRY foreign currency risk.

The following table details the Group's sensitivity to a 10% change in the EUR and TRY exchange rates. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis below have been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The negative amount indicates the revaluation of EUR and TRY against USD.

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) Foreign currency risk management (Continued)

	31 December 2014			
	Profit / (loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciaiton	Foreign currency appreciation	Foreign currency depreciaiton
	Change of EUR against USD by 10%			
1 - EUR net assets / liabilities	(1,407,333)	1,407,333	(238,115)	238,115
2 - EUR hedged from risks (-)	-	-	-	-
3- EUR net effect (1+2)	(1,407,333)	1,407,333	(238,115)	238,115
	Change of TL against USD by 10%			
4- TRY net assets / liabilities	(630,437)	630,437	-	-
5- TRY hedged from risks (-)		-	-	-
6- TRY net effect (4+5)	(630,437)	630,437	-	-
TOTAL (3 + 6)	**(2,037,770)**	**2,037,770**	**(238,115)**	**238,115**

(Amounts expressed in US Dollars unless otherwise stated)

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) Foreign currency risk management (Continued)

	31 December 2013			
	Profit / (loss)		**Equity**	
	Foreign currency appreciation	**Foreign currency depreciaiton**	**Foreign currency appreciation**	**Foreign currency depreciaiton**
	Change of EUR against USD by 10%			
1 - EUR net assets / liabilities	(1,042,251)	1,042,251	(529,799)	529,799
2 - EUR hedged from risks (-)	-	-	-	-
3- EUR net effect (1+2)	(1,042,251)	1,042,251	(529,799)	529,799
	Change of TL against USD by 10%			
4- TRY net assets / liabilities	597,228	(597,228)	-	-
5- TRY hedged from risks (-)	-	-	-	-
6- TRY net effect (4+5)	597,228	(597,228)	-	-
TOTAL (3 + 6)	**(445,023)**	**445,023**	**(529,799)**	**529,799**

The assets and liabilities in foreign curencies that are being held by the Group as of 31 December 2014 are as follows, in the original currencies and amounts, and denominated in their USD equivalents:

(Amounts expressed in US Dollars unless otherwise stated)

38 FINANCIAL RISK MANAGEMENT (continued)

FOREIGN CURRENCY POSITION

	31 December 2014				**31 December 2013**			
	TRY	**EUR**	**GBP**	**USD equivalents**	**TRY**	**EUR**	**GBP**	**USD equivalents**
1 Trade receivables	43,690,915	19,794,912	566,054	43,797,494	44,491,865	15,004,377	-	41,490,052
2a Monetary financial assets (Including cash and cash	4,966,936	1,301,855	-	3,725,507	1,819,482	1,771,255	-	3,289,496
2b Non-monetary financial assets					-	-	-	-
4 Current Assets (1+2+3)	**48,657,851**	**21,096,767**	**566,054**	**47,523,001**	**46,311,347**	**16,775,632**	**-**	**44,779,548**
5 Trade receivables	-	-	-	-	300,000	-	-	140,561
8 Other assets (5+6+7)	-	-	-	-	-	-	-	-
9 TOTAL ASSETS (4+8)	**48,657,851**	**21,096,767**	**566,054**	**47,523,001**	**46,611,347**	**16,775,632**	**-**	**44,920,109**
10 Trade payables	32,677,378	6,998,057	3,247	22,609,200	30,594,283	13,084,410	-	32,336,903
11 Financial liabilities	1,361,268	24,648,382	-	30,569,218	571,579	14,762,806	-	20,579,374
12a Other monetary liabilities	-	14,708	-	17,890	2,698,850	134,038	-	1,448,931
12b Other non-monetary liabilities	-	-	-	-	-	-	-	-
13 Short-term liabilities (10+11+12)	**34,038,646**	**31,661,147**	**3,247**	**53,196,309**	**33,864,712**	**27,981,254**	**-**	**54,365,208**
14 Trade payables	-	-	-	-	-	-	-	-
15 Financial liabilities	-	22,070,260	-	26,846,170	-	11,039,145	-	15,188,328
16 Other non-monetary liabilities	-	-	-	-	-	-	-	-
17 Long-term liabilities (14+15+16)	**-**	**22,070,260**	**-**	**26,846,170**	**-**	**11,039,145**	**-**	**15,188,328**
18 TOTAL LIABILITIES (13+17)	**34,038,646**	**53,731,407**	**3,247**	**80,042,479**	**33,864,712**	**39,020,399**	**-**	**69,553,536**
19Net asset and liability positions of derivatives out of statement of financial situation(19a-19b)	**68,542,300**	**204,000**	**692,500**	**30,880,168**	**-**	**(17,922,100)**	**(1,918,577)**	**(27,814,805)**
19a Total Hedged Assets	68,542,300	204,000	692,500	30,880,168	-	-	-	-
19bTotal Hedged Liabilities	-	-	-	-	-	(17,922,100)	(1,918,577)	(27,814,805)
20 Net foreign currency Asset/ (Liability) position	**83,161,505**	**(32,430,640)**	**1,255,307**	**(1,639,310)**	**12,746,635**	**(40,166,867)**	**(1,918,577)**	**(52,448,232)**
21Monetary Items Net Foreign Currency Asset / (l	**14,619,205**	**(32,634,640)**	**562,807**	**(32,519,478)**	**12,746,635**	**(22,244,767)**	**-**	**(24,633,427)**
22 Fair value of the financial instruments used f	**105,191**	**5,740**	**12,098**	**71,105**	**-**	**(344,002)**	**(24,161)**	**(473,299)**
23 Total Hedged Assets in Foreign Currency	**68,542,300**	**204,000**	**692,500**	**30,880,168**	**-**	**(344,002)**	**(24,161)**	**(473,299)**
24 Total Hedged Liabilities in Foreign Currency	-	-	-	-	-	-	-	-

From 1 January 2014 to 31 December 2014, the Group imported amounting to USD 210,903,154 (USD 208,365,227 and EUR 1,910,758) and exported amounting to USD 484,531,224 (EUR 89,320,119. GBP 2,684,201 and USD 361,481,690). (In the period of 1 January 2013 – 31 December 2013, the Company imported USD 137,638,851 (USD 130,424,082 and EUR 9,926,519) exported amounting to USD 284,019,063 (EUR 97,022,408, GBP 8,681,730 and USD 207,268,579)

38. FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk

The interest rates on the Group's financial liabilities are detailed in Note 8, Bank Borrowings, Short Term and Long Term.

Interest rate sensivity

The Group's exposure to interest rate risk is related to its financial liabilities. These risk are managed by the Group through the interest rate swap agreements and forward interest rate agreements and by maintaining an appropriate distribution between fixed and variable rated debts. Hedging strategies are evaluated regularly to be compatible with interest rate expectations and defined risk. Thus, the creation of optimal hedging strategy, revision of the balance sheet position both and to be kept under the control of interest expenditure at different interest rates have been intended. The interest rate is fixed for significant portion of the Group's borrowings when the borrowing is obtained. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the income and loss effect of variable rate borrowings in the financial statements would be immaterial.

(f) Price risk

The Group is exposed to price risks arising from the cost of raw material inventories and the steel price changes affecting the sales prices except pipeline projects. Projects has not been affected by change in steel prices due to fixed the raw materials prices at the beginning. There are no global derivative instruments to be utilized against the adverse price change effect on the sales margins. The Group optimizes inventory turnover rates by reviewing the sales-production-purchase balance on a consistent basis considering the steel price trend and reflects the changes on steel prices to the selling prices.

(Amounts expressed in US Dollars unless otherwise stated)

39. FINANCIAL INSTRUMENTS

31 December 2014 Balance Sheet	Loans and receivables	Available for sale investments	Derivatives	Other financial liabilities at amortised cost	Carrying amount
Financial assets					
Cash and cash equivalents	48,298,640	-	-	-	48,298,640
Trade receivables	114,049,252	-	-	-	114,049,252
Due from related parties	13,805,723	-	-	-	13,805,723
Financial investments	-	38,145,767	-	-	38,145,767
Other receivables	6,662,659	-	-	-	6,662,659
Derivatives	-	-	71,105	-	71,105
Financial liabilities	-	-	-	-	-
Borrowings	-	-	251,588	377,354,542	377,606,130
Trade payables	-	-	-	261,035,998	261,035,998
Due to related parties	-	-	-	4,487,654	4,487,654
Other payables	-	-	-	17,251,790	17,251,790

31 December 2013 Balance Sheet	Loans and receivables	Available for sale investments	Derivatives	Other financial liabilities at amortised cost	Carrying amount
Financial assets					
Cash and cash equivalents	72,946,344	-	-	-	72,946,344
Trade receivables	52,484,821	-	-	-	52,484,821
Due from related parties	6,204,691	-	-	-	6,204,691
Financial investments	-	38,165,228	-	-	38,165,228
Other receivables	2,158,675	-	-	-	2,158,675
Derivatives	-	-	-	-	-
Financial liabilities					
Borrowings	-	-	408,434	285,953,979	286,362,413
Trade payables	-	-	-	250,610,994	250,610,994
Due to related parties	-	-	-	6,562,969	6,562,969
Other payables	-	-	-	4,471,162	4,471,162
Derivatives	-	-	510,857	-	510,857

(Amounts expressed in US Dollars unless otherwise stated)

39. FINANCIAL INSTRUMENTS (Continued)

Below table is the reconciliation of fair values of financial assets and liabilities;

31 December 2014	Available-for-sale financial asset Equity investments	Total
Openning balance, 1 January 2014	35,485,000	35,485,000
Total gain or losses		
- recognized in profit and loss	-	-
- recognized in other comprehensive income	-	-
Closing balance 31 December 2014	**35,485,000**	**35,485,000**

31 December 2013	Available-for-sale financial asset Equity investments	Total
Openning balance, 1 January 2013		
Total gain or losses	35,485,000	35,485,000
- recognized in profit and loss	-	-
- recognized in other comprehensive income	-	-
Closing balance 31 December 2013	**35,485,000**	**35,485,000**

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data.

(Amounts expressed in US Dollars unless otherwise stated)

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Based on the fair value hierarchy, the Group's financial assets and liabilities are categorized as follows:

31 December 2014	**Level 1**	**Level 2**	**Level 3**
	USD	**USD**	**USD**
Financial assets fair value through profit and loss	-	(180,483)	-
Financial assets available for sale	-	-	38,145,767
Property, plant and equipment (*)	-	633,929,041	-
Non-current assets held for sale (**)	-	54,477,993	-

31 December 2013	**Level 1**	**Level 2**	**Level 3**
	USD	**USD**	**USD**
Financial assets fair value through profit and loss	-	(919,291)	-
Financial assets available for sale	-	-	38,165,228
Property, plant and equipment (*)	-	366,955,756	-
Non-current assets held for sale (**)	-	63,937,993	-

(*) The fair values of the property, plant and equipment of the Company, as explained in Note 2.5, have been determined by an independent valuation firm as at 31 December 2014.

(**) The fair value of the assets held for sales of the Company were determined by an independent valuation company in the 2013 and as a result of these valuation, USD 5,839,183 impairment amount had been accounted. The Company has conducted a valuation again for related assets for as of 31 December 2014 and USD 150,000 additional impairment has been accounted.

41. SUBSEQUENT EVENTS

None (31 December 2013: None).

42. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None (31 December 2013: None).

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