



## CONTENTS

### **01 MESSAGE FROM THE CHAIRMAN**

04 Economic Developments in the World and in Turkey in 2014

### **06 ABOUT KÜRÜM HOLDİNG**

08 Financial Indicators  
10 Operational Indicators  
12 Kürüm Holding in Brief  
16 Milestones  
18 Mission, Vision, Values, Corporate Strategy and Target

### **20 IRON AND STEEL INDUSTRIES AROUND THE WORLD AND IN TURKEY**

#### **24 2014 OPERATIONS**

28 [Domestic Operations](#)  
28 Iron-Steel  
32 [International Operations](#)  
32 Iron-Steel, Lime, Energy  
36 Oxygen  
38 Insurance  
40 Investments in 2014 and Outlook

### **42 CORPORATE GOVERNANCE**

45 Kürüm Holding's Organizational Structure  
46 Organizational Chart  
48 Executive Committee  
50 Human Resources and Training  
52 Risk Management

### **55 FINANCIAL STATEMENTS AND FOOTNOTES**

## MESSAGE FROM THE CHAIRMAN, HAŞMET BEDİİ KÜRÜM



# CRUCIAL PROGRESS HAS BEEN MADE IN LINE WITH THE TARGETS OF THE ECONOMIC TRANSFORMATION PROGRAM.

Esteemed Customers and Employees,

Risks and vulnerabilities dominated the global economic panorama in 2014, which became a challenging period for those economic actors focused on the future and investment plans. As of year-end, most developed economies and emerging economies failed to meet growth expectations, while the USA was an exception as its growth rate hit 2.4%, the highest figure in the last 11 years. In parallel with the improvement of macro-economic indicators, the Fed ended its bond purchase program in October 2014 and signaled a possible rise in interest rates. The end of Fed's bond purchase program and the rapid appreciation of the US dollar in international markets, increased the foreign borrowing costs of developing countries in particular and export-oriented sectors found themselves face to face with a more competitive international market.

### **TURKEY MAINTAINED A CONSISTENT MACRO-ECONOMIC OUTLOOK**

As the world's 19<sup>th</sup> largest economy, Turkey maintained its consistent macro-economic outlook with a 2.9% growth figure as of year-end 2014. Crucial progress has been made in line with the targets of the Economic Transformation Program, disclosed to the public by Prime Minister Ahmet Davutoğlu in 2014. The current account deficit was brought below USD 50 billion. With the positive impact of falling international energy prices, we believe that the current account deficit will fall further in the coming period. Despite a slight uptick in inflation and unemployment figures, our country has preserved its "investment grade" status among international credit rating agencies and inspired confidence in actors of the real economy in 2014.

**Despite a slight uptick in inflation and unemployment figures, our country has preserved its "investment grade" status among international credit rating agencies and inspired confidence in actors of the real economy in 2014.**

## MESSAGE FROM THE CHAIRMAN, HAŞMET BEDİİ KÜRÜM



BOASTING OVER 30 YEARS OF CORPORATE EXPERIENCE AND EXPERTISE, KÜRÜM HOLDİNG IS ACTIVE IN THE IRON AND STEEL INDUSTRY, AS WELL AS DIVERSE FIELDS INCLUDING LIME AND PURE OXYGEN PRODUCTION, POWER PLANT OPERATION AND INSURANCE SERVICES.

### POWERING AHEAD UNDER THE KÜRÜM BRAND...

Boasting over 30 years of corporate experience and expertise, Kürüm Holding is active in the iron and steel industry, as well as diverse fields including lime and pure oxygen production, power plant operation and insurance services. The Company closed the year 2014 with successful financial and operational results. In addition to Turkey, the Company also has vast investments and a strong productive infrastructure in the Balkans. By raising its total assets to EUR 488 million and its operational revenues to EUR 557 million as of year-end 2014, the Company preserved its high brand prestige in the eyes of its stakeholders. During the 2014 accounting period, the main factor underlying this successful performance across business in different countries has been our 963-strong workforce.

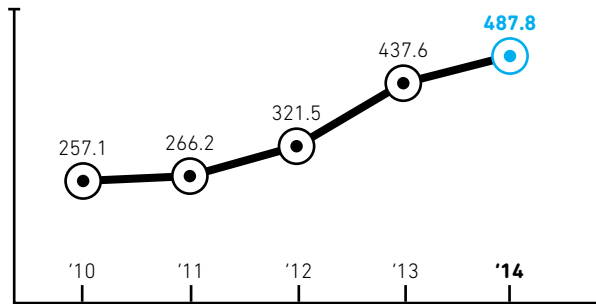
### KÜRÜM DEMİR MAINTAINS ITS MARKET SHARE

The flagship of the Holding, Kürüm Demir, managed to bring its production to 482 thousand tons and its sales to 836 thousand tons in 2014 to reinforce its strong position in the market. The Company channels 97% of its sales to the domestic market and the remaining 3% to international markets, and preserves its market share thanks to long-term relationships based on mutual trust with customers across Turkey. As of year-end 2014, Kürüm Demir ranks 130<sup>th</sup> in the Top 500 list of the Istanbul Chamber of Industry (ISO). The Company plans to undertake ambitious investments in the coming period to become one of the key value-adding business lines in Turkey.

**The Group realizes 80% of its sales in the domestic market and the remaining 20% in international markets,** and preserves its market share thanks to long-term relationships based on mutual trust with customers across Turkey.

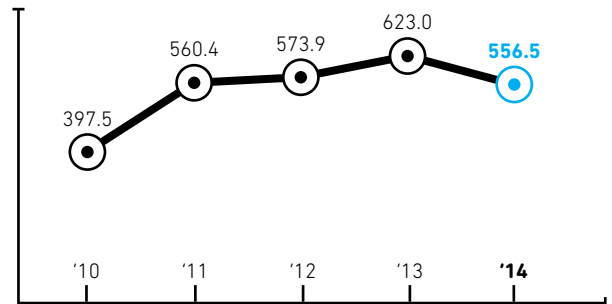
## Total Assets

EUR MILLION



## Net Sales

EUR MILLION



### KÜRÜM INTERNATIONAL ESTABLISHES INTEGRATED PRODUCTION INFRASTRUCTURE

Kürüm International, Kürüm Holding's largest overseas investment, has manufactured 303 tons of hot-rolled construction bars and 443 thousand tons of liquid steel as of year-end, which correspond to an almost 100% target attainment. As of one the top iron and steel manufacturers of the Balkans, Kürüm International turned into an integrated plant self-sufficient energywise upon the Holding's 2013 acquisition of the operational rights of four hydroelectric power plants (HEPP) with a 400 kwh capacity in Albania. Thanks to the acquisition of these HEPPs in 2013, the Holding can not only meet the energy demand of Kürüm International Elbasan Facilities, but also performs energy wholesales so as to diversify its revenues.

### BUSINESS DEVELOPMENT ACTIVITIES TO CONTINUE

In the coming period, Kürüm Holding shall not only enhance productivity in its energy generation facilities in Albania but also strengthen Kürüm International's strong market position in Albania, Kosovo, Montenegro and Macedonia.

I would like to extend my gratitude to our business partners, employees and customers for their contributions to the successful manufacturing and sales & marketing operations of Kürüm Holding's Turkish and overseas business units. We wish to carry the Kürüm brand to ever greatest heights in the years to come.

Best regards,

**Haşmet Bedii Kürüm**  
Chairman of the Board

**Kürüm International turned into an integrated plant self-sufficient energywise** upon the Holding's 2013 acquisition of the operational rights of four hydroelectric power plants (HEPP) with a 400 kwh capacity in Albania.

**In the coming period, Kürüm Holding shall not only enhance productivity in its energy generation facilities in Albania** but also strengthen Kürüm International's strong market position in Albania, Kosovo, Montenegro and Macedonia.

## ECONOMIC DEVELOPMENTS IN THE WORLD AND IN TURKEY IN 2014



TURKEY MAINTAINED ITS MACRO-ECONOMIC STABILITY IN 2014 BY POSTING A 2.9% GROWTH RATE, DESPITE RECESSION IN THE EURO ZONE, ITS LARGEST EXPORT MARKET, AND POLITICAL INSTABILITY IN THE MIDDLE EAST.

### WORLD ECONOMY

Due to the political turmoil in Ukraine and Syria, and the contraction of international commerce, the global economy went through a rough patch in 2014. The major economic development of the year was the Fed's October 2014 decision to end its bond purchases within the scope of the quantitative easing program and its signals of a possible interest rate hike. Upon this development, there was an acceleration of capital flow from emerging markets, which maintained their economic rigor during the global financial crisis, to the USA. Despite a consistent improvement in US economic growth and employment figures, the Euro Zone and Japan continued to face risk of recession in 2014. The ECB took quantitative easing measures in 2014 to overcome the recession across the European Union.

Owing to the change in Fed's monetary policy, foreign financing has become more costly for developing economies, which saw their growth rates fall in 2014. The second largest economy in the world, China had to content itself with the lowest growth figure in recent years, 7.4%.

### TURKISH ECONOMY

Turkey maintained its macro-economic stability in 2014 by posting a 2.9% growth rate, despite recession in the Euro Zone, its largest export market, and political instability in the Middle East. In spite of a relative rise in unemployment and inflation, Turkey's current account deficit fell below the order of USD 50 billion owing to the drop in international oil prices and macro-economic measures to cool down the economy. Granted an "investment grade" by the world's prestigious credit rating agencies, Turkey is set to remain a center of attention for foreign and domestic investors owing to its strategic location, dynamic economy, and macro-economic management based on fiscal discipline.

**Turkey maintained its macro-economic stability in 2014 by posting a 2.9% growth rate, despite recession in the Euro Zone, its largest export market, and political instability in the Middle East.** In spite of a relative rise in unemployment and inflation, Turkey's current account deficit fell below the order of USD 50 billion owing to the drop in international oil prices and macro-economic measures to cool down the economy.





A photograph of an industrial factory interior. The scene is dominated by large, dark metal pipes and structural beams. In the upper center, a worker wearing a yellow hard hat and safety gear is visible, looking down at something. The lighting is warm and orange, creating a dramatic atmosphere. The overall composition is industrial and technical.

# ABOUT KÜRÜM HOLDİNG

KÜRÜM HOLDİNG MAINTAINS ITS  
STEADY CORPORATE DEVELOPMENT IN  
ACCORDANCE WITH THE COMPANY'S  
LONG-TERM STRATEGIC GOALS.





## FINANCIAL INDICATORS

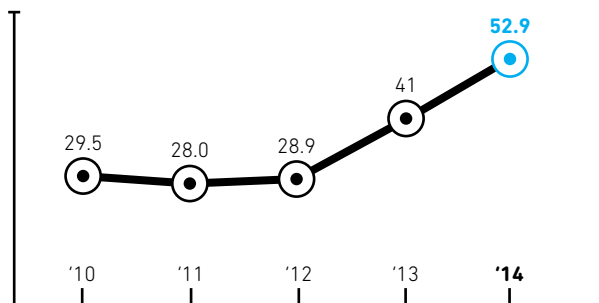


KÜRÜM HOLDİNG MAINTAINED STEADY GROWTH AND CLOSED THE YEAR WITH EUR 488 MILLION IN TOTAL ASSETS.

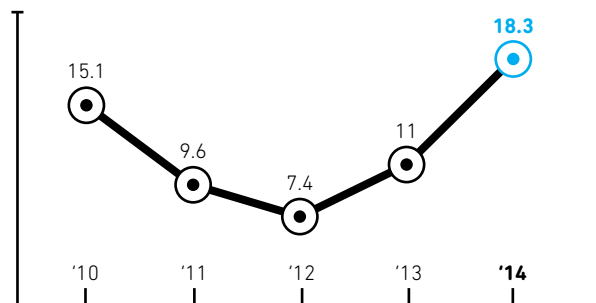
EUR Million	2012	2013	2014
Total Assets	321.5	437.6	487.8
Current Assets	227.6	237.3	291.7
Fixed Assets	93.9	200.3	196.1
Short-Term Liabilities	123.4	252.8	183.9
Long-Term Liabilities	69.6	20.2	119.1
Shareholders' Equity	128.5	164.6	184.8
Net Sales	573.9	623	556.5
Cost of Sales	538.9	578.6	502.3
Earnings before Tax	8.6	12.3	19.9
Net Profit	7.4	11	18.3
EBITDA	28.9	41	52.9
Trade Receivables	95.5	150.2	182
Inventory	86.4	45.2	68.6
Trade Payables	50.4	22	50

**EBITDA**

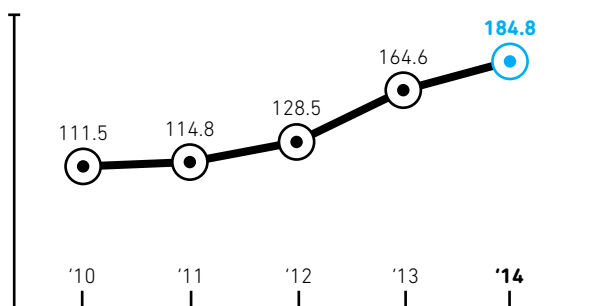
EUR MILLION

**Net Profit**

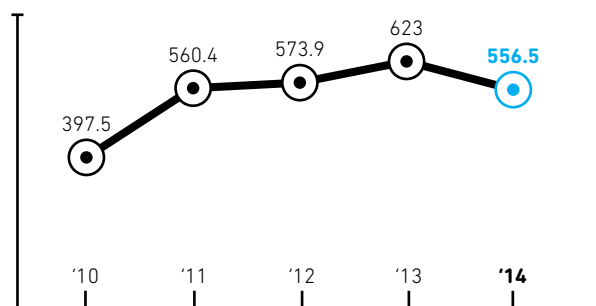
EUR MILLION

**Shareholders' Equity**

EUR MILLION

**Net Sales**

EUR MILLION

**Principal Ratios**

	2012	2013	2014
Gross Profit Margin (%)	6.1	7.1	9.7
Equity/Total Assets (%)	40.0	37.6	37.9
Return on Assets (%)	2.3	2.5	3.8
Return on Equity (%)	5.8	6.7	9.9
Current Ratio	1.9	0.9	1.6
Accounts Receivable Turnover (days)	60	88	119
Accounts Payable Turnover (days)	34	13	36
Inventory Turnover (days)	58	28	50

## OPERATIONAL INDICATORS

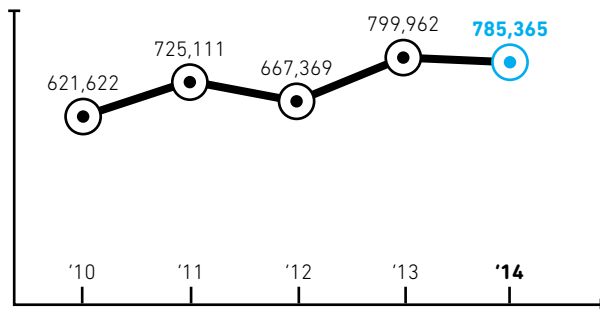
DESPITE THE CONTRACTION IN DOMESTIC CONSUMPTION, KÜRÜM DEMİR MANAGED TO BRING ITS PRODUCTION TO 403 THOUSAND TONS AND ITS SALES TO 731 THOUSAND TONS IN 2014 TO REINFORCE ITS STRONG POSITION IN THE MARKET.

	2012	2013	2014	Change (%)
<b>Consolidated Re-bar Production</b>	<b>667,369 Tons</b>	<b>799,962 Tons</b>	<b>785,365 Ton</b>	-2%
Kürüm Demir	419,042 Tons	487,435 Ton	481,892 Tons	-1%
Kürüm International	248,327 Tons	312,527 Tons	303,473 Ton	-3%
<b>Billet Production</b>	<b>381,692 Tons</b>	<b>401,432 Tons</b>	<b>442.739 Tons</b>	10%
<b>Fragmented Lime</b>	<b>23,096 Tons</b>	<b>23,007 Tons</b>	<b>28,327 Tons</b>	23%
<b>Oxygen &amp; Nitrogen</b>	<b>19,203 Tons</b>	<b>18,638 Tons</b>	<b>19,971 Tons</b>	7%
<b>Consolidated Re-bar Sales</b>	<b>942,479 Tons</b>	<b>1,221,521 Tons</b>	<b>1,110,239 Tons</b>	-9%
<b>Kürüm Demir</b>	<b>670,506 Tons</b>	<b>870,959 Tons</b>	<b>835,810 Tons</b>	-4%
- Product	422,725 Tons	489,818 Tons	483,399 Tons	-1%
- Commodity	247,781 Tons	381,140 Tons	352,411 Tons	-8%
<b>Kürüm Internatioanal</b>	<b>271,973 Tons</b>	<b>350,562 Tons</b>	<b>274,429 Tons</b>	-22%
- Product	236,013 Tons	333,784 Tons	262,816 Tons	-21%
- Commodity	35,960 Tons	16,778 Tons	11,613 Tons	-31%
<b>Billet Sales</b>	<b>124,486 Tons</b>	<b>79,922 Tons</b>	<b>103,831 Tons</b>	30%
<b>Fragmented Lime Sales</b>	<b>9,546 Tons</b>	<b>9,457 Tons</b>	<b>11,372 Tons</b>	20%
<b>Oxygen &amp; Nitrogen Sales</b>	<b>130 Tons</b>	<b>197 Tons</b>	<b>279 Tons</b>	42%
<b>Number of Employees</b>	<b>1,031</b>	<b>1,058</b>	<b>963</b>	-9%



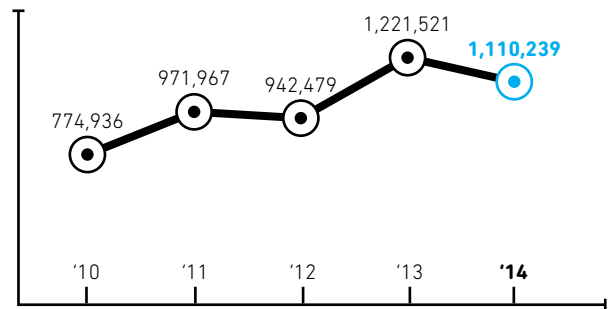
### Consolidated Re-bar Production

TONS



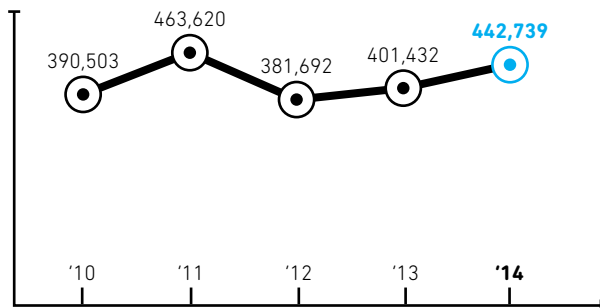
### Consolidated Re-bar Sales

TONS



### Billet Production

TONS





## KÜRÜM HOLDİNG IN BRIEF



KÜRÜM HOLDİNG'S EFFICIENT AND PROFITABLE BUSINESS PROCESSES ARE CARRIED OUT BY A TOTAL OF 963 EMPLOYEES AT ITS PRODUCTION FACILITIES IN TURKEY AND THE BALKANS. THE COMPANY IS WIDELY RECOGNIZED AS A LEADING PRIVATE ENTERPRISE THAT ADDS SIGNIFICANT VALUE TO THE COUNTRY ECONOMY OF OPERATING IN.



6

**COUNTRIES OF  
OPERATION**

488

**TOTAL ASSETS  
EUR MILLION**

557

**NET SALES  
EUR MILLION**

963

**NUMBER OF EMPLOYEES**

## OPERATIONAL MAP



Kürüm Holding's operations are driven by deep experience and know-how spanning more than 30 years. Today, Kürüm Holding is not only one of the leading iron and steel manufacturers in Turkey and southeast Europe, it is also an enterprise that makes strategic investments in diversified industries. Enjoying an institutional history closely identified with reliability and stability, the Holding's foundation was laid in 1975 with the establishment of Kürüm Demir A.Ş. in iron manufacture and trade. The Holding's successful operations have made it one of the pioneering players in the iron and steel industry in Turkey and the Balkans today. The Holding has continued to develop steadily in line with its strategic growth and investment goals, while in active pursuit of the Company's vision and mission. Kürüm Holding has also reinforced its market position as a regional player by venturing into other sectors, including lime and pure oxygen production, insurance services, foreign trade and, most recently, energy.

In order to effectively manage its diversified operations and expanding business volume in line with the Company's long-term strategic goals, Kürüm Demir was reorganized under the structure of Kürüm Holding in 2006. Today, Kürüm Holding's efficient and profitable business processes are carried out by a total of 963 employees at its production facilities in Turkey and the Balkans. The Company is widely recognized as a leading private enterprise that adds significant value to the Turkish economy.

**The Holding has continued to develop steadily in line with its strategic growth** and investment goals, while in active pursuit of the Company's vision and mission. Kürüm Holding has also reinforced its market position as a regional player by venturing into other sectors, including lime and pure oxygen production, insurance services, foreign trade and, most recently, energy.

## KÜRÜM HOLDİNG IN BRIEF



SUCCESSFULLY IMPLEMENTING KÜRÜM HOLDİNG'S INVESTMENT AND PRODUCTION ACTIVITIES IN THE BALKANS, KÜRÜM INTERNATIONAL SH. A. IS A MARKET LEADER THAT ADDS MORE VALUE TO THE HOLDING EACH YEAR.

Kürüm Holding's flagship company, Kürüm Demir A.Ş., is among the region's major manufacturers of hot-rolled, finely calibrated and reinforced construction bars at its facilities in Gebze; the Company also stands out with its continued investments. Kürüm Holding has successfully improved its experience and know-how by adding an international dimension to its operations through significant investments in the Balkan region.

Successfully implementing Kürüm Holding's investment and production activities in the Balkans, Kürüm International Sh. A. is a market leader that adds more value to the Holding each year. Besides iron and steel production, Kürüm International Sh. A. is also active in lime and oxygen production (Kürüm Industrial Gases Sh. A.). Operating in an industry in which procurement of raw materials bears great importance, the Company imports a large share of its production raw materials from Ukraine, the Russian Federation, the Balkans, the Near East, the Mediterranean and the Middle East. In 2012, Kürüm International took an important step in terms of its growth targets, and acquired and commenced the transfer processes for four hydroelectric power plants from the state of Albania. In 2012, Kürüm International took an important step forward in terms of growth and acquired four hydroelectric power plants from the State of Albania through privatization; the transfer process was completed in 2013. This investment, which the company made at a time when Albania was experiencing a serious energy bottleneck, added significant value to Kürüm Holding.

Another foreign market that Kürüm Holding focuses on, together with Albania, is Kosovo. Operating in the insurance sector in this country through its subsidiary Kosovo E Re, Kürüm Holding ranks among the most important players in Kosovo's insurance sector.

Having conducted its operations in pursuit of steady growth since 1975, Kürüm Holding enjoys a strong international reputation and widespread recognition in its business areas. In order to bolster its solid market position, Kürüm Holding undertook additional investments in 2014, and aimed at sustaining business activities that will create value for all stakeholders.

**Another foreign market that Kürüm Holding focuses on, together with Albania, is Kosovo.** Operating in the insurance sector in this country through its subsidiary Kosovo E Re, Kürüm Holding ranks among the most important players in Kosovo's insurance sector.

**Kürüm Holding's flagship company, Kürüm Demir A.Ş., is among the region's** major manufacturers of hot-rolled, finely calibrated and reinforced construction bars at its facilities in Gebze; the Company also stands out with its continued investments.





## MILESTONES

**1975** The foundations of the Kürüm Group were laid with the establishment of Kürüm Demir A.Ş.

**1998** Among the rising stars of the global economy, the Group named the Balkans as its growth area as part of its development strategy. In line with investment decisions, the largest integrated iron and steel complex in the Balkans lined up for privatization in Albania was activated and put into operation

**2002** With the Company's investments in Albania—Kürüm's production base in the Balkans—oxygen and lime facilities were put into operation next to its iron and steel facilities. The Kürüm Group collaborated with the Kosovo administration for a new overseas investment project and founded Kosova e RE (Kosova Insurance Group S.A.). Shortly thereafter, Kürüm took over all shares of the Company upon the request of the Kosovo administration. Kürüm Demir rose to 372<sup>nd</sup> place in the "Top 500 Industrial Corporations" list of the Istanbul Chamber of Industry.

**2004** Kürüm Demir successfully rose to 233<sup>rd</sup> place in the "Top 500 Industrial Corporations" list.

The founder and majority shareholder of the Group, Haşmet Bedii Kürüm, entered the sector by purchasing a rolling mill in Gebze, Kocaeli Industrial Zone. Production of hotrolled steel re-bars began, which remains the core business of the Group.

**1994** Based on the strength of its production sales figures, Kürüm Demir ranked 495<sup>th</sup> in the "Top 500 Industrial Corporations" list of the Istanbul Chamber of Industry.

**2001** Kürüm Durres, comprised of a shipyard and port management complex, was acquired as the second major strategic enterprise in Albania. Kürüm Demir rose to 285<sup>th</sup> place in the "Top 500 Industrial Corporations" list.

**2003** Kürüm Yapı was established for construction operations with the aim of taking advantage of the Group's synergy and experience in the sector

**2005**





**2006**

Activities targeting the strengthening of the corporate structure were accelerated, and all operations were consolidated under Kürüm Holding. Production of profiled iron started under Kürüm International in Albania. Bims block production facilities, established by Kürüm Yapı in Diyarbakır, started production. Kürüm Demir rose to 208<sup>th</sup> place in the "Top 500 Industrial Corporations" list.

**2008**

Kürüm Gelqere started its operations under Kürüm International. Investment efforts were launched to raise steel production to 420,000 tons per year. Kürüm Demir rose to 151<sup>st</sup> place in the "Top 500 Industrial Corporations" list.

**2010**

The rolling mill under Kürüm International was entirely renewed and the annual production capacity was increased to 450,000 tons. This enabled the plant's total yearly rolling capacity to increase to 700,000 tons. Further, a scrap processing plant was transferred from Germany to increase the productivity and energy efficiency of Kürüm International's Albania Steel Production Facilities. Kürüm Demir expanded its production volume by 30%.

**2012**

Kürüm Holding commenced the transfer processes for four hydroelectric power plants which it acquired from the state of Albania through privatization.



As a result of capacity enhancements activities, Kürüm Demir's production capacity was increased to 444,600 tons and Kürüm International's production capacity to 550,000 tons

**2007**

Kürüm Yapı was sold. Kürüm Demir increased its production by 2% to 297,445 tons. Kosova E Re celebrated its 40<sup>th</sup> anniversary in the insurance industry. In its 10<sup>th</sup> year, Kürüm International acquired the ownership of the Elbasan Steel Production Facilities from the Albanian Ministry of Privatization. In addition, the outstanding minority rights in Kürüm Durres, the only shipyard in Albania, were bought.

**2009**

Kürüm Demir and Kürüm International recorded substantial increases in both production and turnover compared to prior years. Aiming to achieve significant improvements in productivity and energy efficiency at Kürüm International's Elbasan facility, a scrap processing unit was commissioned at the end of the year. Kürüm Demir rose to 137<sup>th</sup> place in the list of "Top 500 Industrial Enterprises."

**2011**

With the commissioning of four hydroelectric power plants, which were acquired by Kürüm Holding from the State of Albania, Kürüm International's Elbasan facility became an integrated complex generating its own energy, and thus achieved an increase in productivity.

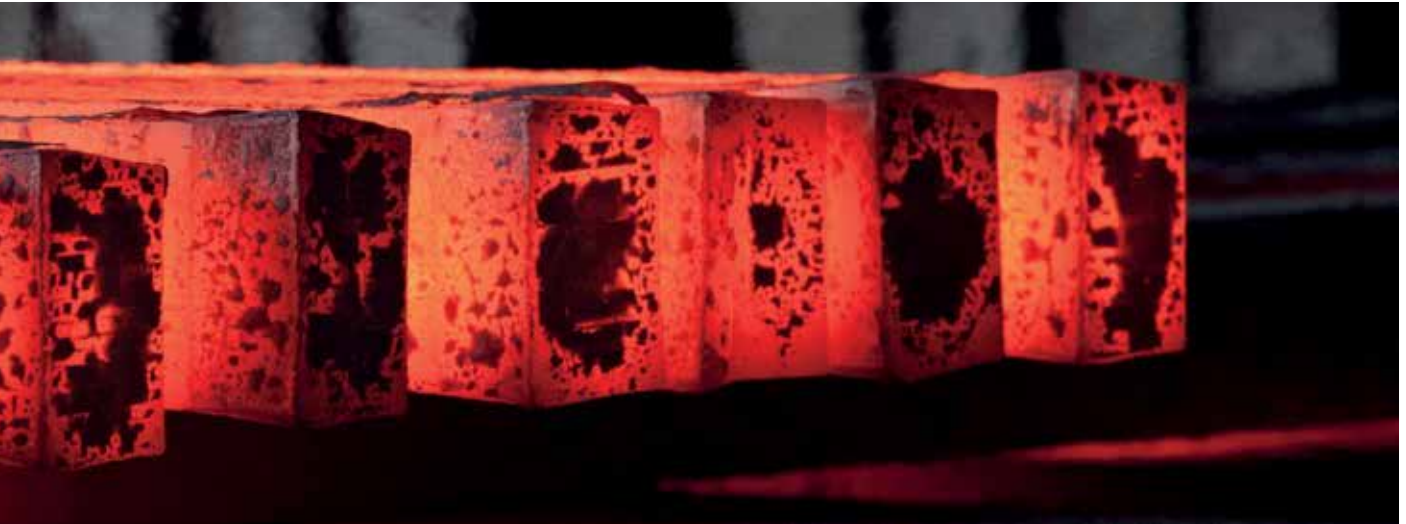
**2013**

## MISSION, VISION, VALUES, CORPORATE STRATEGY AND TARGET



**OUR MISSION** IS TO CONTRIBUTE TO THE ECONOMIC DEVELOPMENT OF COUNTRIES WITH CHALLENGING CONDITIONS BY LEADING IN THE IRON AND STEEL INDUSTRIES AS WELL AS IN OTHER STRATEGIC BUSINESS AREAS.

**OUR VISION** IS TO BECOME A LEADING, GLOBAL COMPANY IN THE COUNTRIES WHERE WE OPERATE THROUGH QUALITY AND COMPETITIVENESS



## VALUES

### Courage

We take calculated and measurable risks; we are determined, persevering, bold and innovative.

### Trustworthiness and Fairness

We seek the best interests of our stakeholders; we are true to our word, reliable and consistent.

### Innovativeness

We listen and consider new ideas; monitor new developments; encourage and implement innovative ideas

### Teamwork

We support collaboration; listen to different opinions; prioritize team interest over personal interests.

### Continued Development

We value the development and satisfaction of our employees; create the opportunities and the conditions for employee development; strive to improve performance; work to enhance our business practices; and undertake investments to achieve our goals.

## CORPORATE STRATEGY AND TARGET

- Distributing risk among various areas to enable growth consistent with our vision and enhancing group synergy to continue regional expansion,
- Prioritizing areas of operation and products that create satisfactory growth, profitability and added value,
- Developing a shared philosophy, code of conduct and corporate culture as well as the organizational and managerial structures for corporate development,
- Improving production quality and undertaking technological investments that serve to effectively meet customer demand,
- Ensuring reasonable efficient consumption of resources to reduce consumption of raw material, energy and water per unit of production,
- Making arrangements to procure quality products and services at more favorable prices by harnessing the synergies and scale economies of Kürüm Holding subsidiaries,
- Establishing lasting and long-term business relationships with customers with high payment and purchase capacities to increase asset quality and profitability while maintaining our high-quality service approach

# IRON AND STEEL INDUSTRIES AROUND THE WORLD AND IN TURKEY

AS A RESULT OF  
THE RECESSION IN  
INTERNATIONAL MARKETS,  
THE GLOBAL IRON AND  
STEEL SECTOR HAS BECOME  
MUCH MORE COMPETITIVE.









## IRON AND STEEL INDUSTRIES AROUND THE WORLD AND IN TURKEY



AS OF THE THIRD QUARTER OF 2014, THE AVERAGE CAPACITY UTILIZATION RATE OF WORLDWIDE STEEL PLANTS HAS DROPPED 2.6 PERCENTAGE POINTS YEAR-OVER-YEAR TO 76.1%.

According to data for the third quarter of 2014, the global raw steel production fell 0.1% year-over-year to 134.4 million tons. Nonetheless, global raw steel production during the entire year rose 2.1% over the prior year to the order of 1,230.8 million tons. The raw steel production in Asia in the first nine months of 2014, showed a 2.5% year-over-year to reach 833.7 million tons. During the same period, China's raw steel production grew 2.3% to 618 million tons, Japan's raw steel production 0.8% to 83.1 million tons, and South Korea's raw steel production 9.4% to 53.3 million tons. On the other hand, the EU-28 nations produced 127.7 million tons of raw steel, in a 2.9% increase. As of the third quarter of 2014, the average capacity utilization rate of worldwide steel plants has dropped 2.6 percentage points year-over-year to 76.1%.

Turkey's raw steel manufacturing grew 0.3% as of the last quarter of 2014 to reach 25.7 million tons. In the said period, Turkey's the raw steel manufacturing of Turkish factories with electric arc furnaces fell 1.9% to 18.1 million tons, even as the manufacturing of integrated facilities rose 6% to 7.6 million.

**Turkey's raw steel manufacturing grew 0.3% as of the third quarter of 2014 to reach 25.7 million tons.**

In the said period, the raw steel manufacturing of Turkish factories with electric arc furnaces fell 1.9% to 18.1 million tons, even as the manufacturing of integrated facilities rose 6% to 7.6 million.



# 2014 OPERATIONS



KÜRÜM HOLDİNG SETS ITS LONG TERM STRATEGIC GOALS BY DRIVING STRENGTH FROM ITS VISION AND MISSION. IN 2014, TOO, THE HOLDING MADE IMPORTANT LEAPS WHICH SHALL CARRY ITS PIONEERING POSITION TO THE FUTURE, IN ITS BUSINESS LINES IN TURKEY AND BALKANS.





## 2014 OPERATIONS

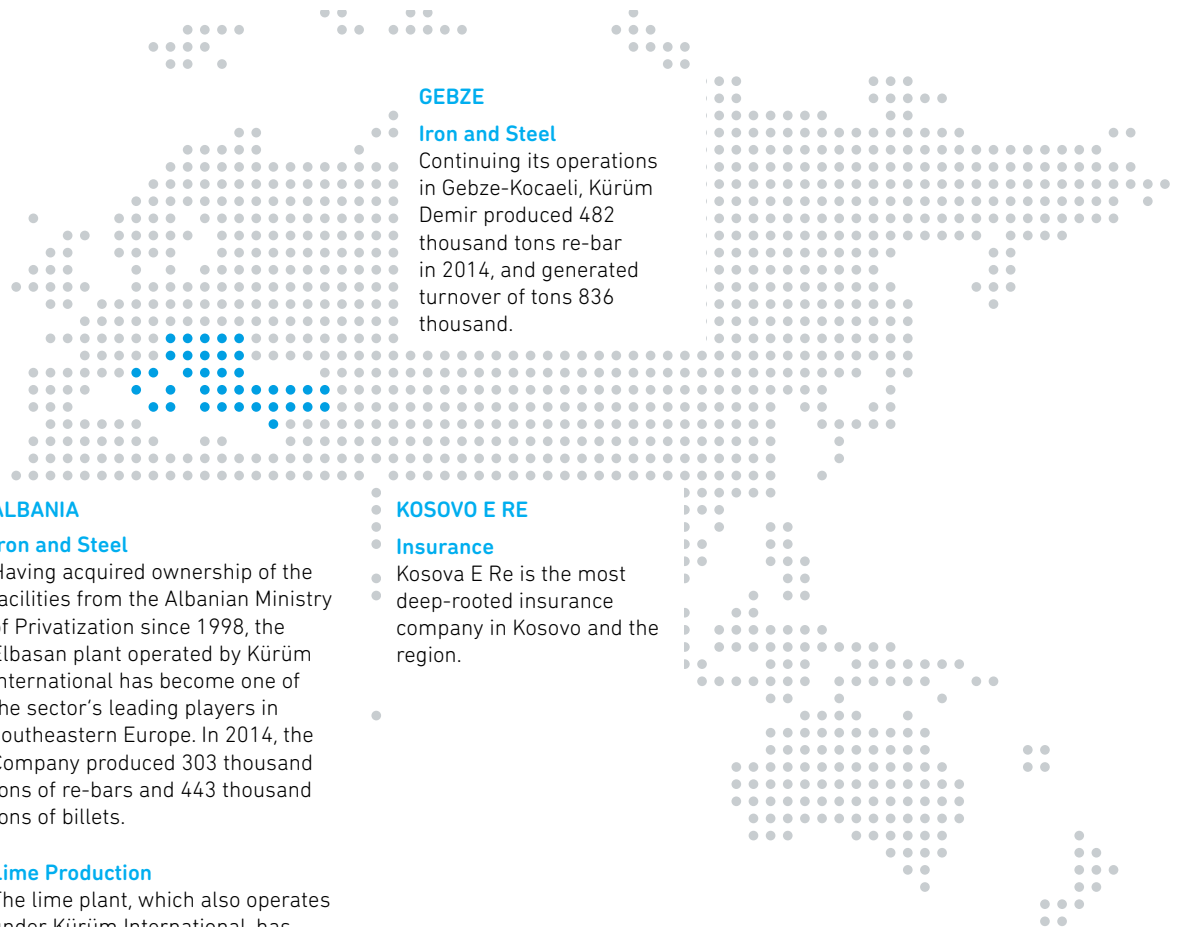


Kürüm Holding sets its long term strategic goals by driving strength from its vision and mission. In 2014, too, the Holding made important leaps which shall carry its pioneering position to the future, in its business lines in Turkey and Balkans. In addition to efficient optimization processes in manufacturing and sales, the Company boasts flexible planning procedures and state-of-the-art production infrastructure, all of which add to its competitive edge. During the year, the Holding successfully continued efforts to expand its transport and logistics operations from Albania, Kosovo, Serbia and Macedonia to Italy, Greece and Montenegro. Embracing a proactive approach, the Holding's flagship Kürüm Demir has maintained strong relations with domestic and international suppliers and continued its production operations without respite. The Company preserved its dominant position in the market by realizing 482 thousand tons of production and 836 thousand tons of sales in 2014.

Designating Albania, which has recently started its integration to the global economy, as the key market for its overseas operations, Kürüm Holding expanded the scope of its operations by acquiring four HEPPs from the Albanian government via privatization in 2012 and established a self-sufficient plant. Realizing 59% of its steel and iron sales to Albania, 41% to Serbia, Kosovo and Macedonia, Kürüm International has bolstered its market advantage with efficient marketing policies.

**Embracing a proactive approach, Kürüm Demir has maintained strong relations** with domestic and international suppliers and continued its production operations without respite. The Company preserved its dominant position in the market by realizing 482 thousand tons of production and 836 thousand tons of sales in 2014.





#### GEBZE

##### Iron and Steel

Continuing its operations in Gebze-Kocaeli, Kürüm Demir produced 482 thousand tons re-bar in 2014, and generated turnover of tons 836 thousand.

#### ALBANIA

##### Iron and Steel

Having acquired ownership of the facilities from the Albanian Ministry of Privatization since 1998, the Elbasan plant operated by Kürüm International has become one of the sector's leading players in southeastern Europe. In 2014, the Company produced 303 thousand tons of re-bars and 443 thousand tons of billets.

##### Lime Production

The lime plant, which also operates under Kürüm International, has steadily continued its function in 2014 as the only hydrated lime production center exploiting state-of-the-art technologies in Albania.

##### Energy

Kürüm International has also entered the energy sector after acquiring four hydroelectric power plants, which were privatized by the State of Albania in 2012. These hydroelectric power plants, for which the sale and transfer process were finalized in 2013, will generate enough electricity to power the company's Elbasan facility.

#### KOSOVO E RE

##### Insurance

- Kosova E Re is the most deep-rooted insurance company in Kosovo and the region.

## DOMESTIC OPERATIONS

### IRON-STEEL

IN THE FACE OF THE EVER-INCREASING COMPETITION IN THE INDUSTRY, KÜRÜM DEMİR USES DIRECT SALES STRATEGIES FOR REACHING WHOLESALERS, END-USERS AND GEOGRAPHICALLY POSITIONED ITS FACILITIES AT LOCATIONS CONVENIENT FOR ITS CUSTOMERS WITH THE AIM OF INCREASING ITS SERVICE QUALITY AND ACCELERATING SERVICE PROVISION.

#### KÜRÜM DEMİR

The founding company of Kürüm Holding, Kürüm Demir has made significant contributions to the development of the Turkish iron and steel industry since its establishment in 1975. The Company headquarters and steel works are located in Gebze, Kocaeli, 50 kilometers far from Istanbul. Kürüm Demir successfully satisfies the demands received from domestic and international markets with its yearly production capacity of 444,600 tons. While price-based competition has largely increased as a result of the stagnation in global markets, the Company's production as of the end of 2014 was 482 thousand tons, enjoying a sales level of 836 thousand tons, thanks to its efficient distribution network.

In the face of the ever-increasing competition in the industry, Kürüm Demir uses direct sales strategies for reaching wholesalers, end-users and geographically positioned its facilities at locations convenient for its customers with the aim of increasing its service quality and accelerating service provision. Within the framework of this strategy, the Company delivers its products from the İkitelli-Küçükçekmece warehouse to the Thrace region and from the factory site to Anatolia.

Kürüm Demir's business processes are in full compliance with international standards including ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System, OHSAS 18001: Occupational Health and Safety Management System. The Company also holds the TSE 708 Product Compliance Certification in Turkey.

Another area that Kürüm Demir attributes special importance to is the technological investments made to ensure sustained efficiency and a focus on productivity. To that end, the Company's machinery is continuously upgraded through new investments.

Kürüm Demir reserves 80% of its steel re-bar production capacity to products that are hard to process in terms of ton-per-meter. In this respect, the Company manufactures 8 mm-10 mm plain and reinforcing steel bars, once folded re-bar and 12-meter hot-rolled steel bars. Having prioritized the production of 8-mm

**Kürüm Demir's business processes are in full compliance with international standards including ISO 9001:2008 Quality Management System, ISO14001:2004 Environmental Management System, OHSAS 18001: Occupational Health and Safety Management System. The Company also holds the TSE 708 Product Compliance Certification in Turkey.**

A close-up photograph of several parallel steel rebar rods with a ribbed texture. A dark metal chain link is draped over the rods, creating a complex geometric pattern of light and shadow. The background is blurred, emphasizing the texture and metallic sheen of the steel.

#### COUNTRY OF OPERATION

TURKEY

#### AREA OF OPERATION

PRODUCTION OF HOT-ROLLED STEEL RE-BARS, IMPORT AND EXPORT OF STEEL PRODUCTS

#### NUMBER AND PROFILE OF EMPLOYEES

**171** EMPLOYEES

**82%** BLUE COLLAR

**18%** WHITE COLLAR

#### CAPACITY

**444** (THOUSAND TONS/YEAR)

PRIORITIZING THE PRODUCTION OF 8-MM PRODUCTS, WHICH ARE DIFFICULT TO PROCESS IN TERMS OF TONS/METER IN TURKEY, KÜRÜM DEMİR HAS CREATED A NICHE MARKET.

#### 2014 PRODUCTION

**482** (THOUSAND TONS)

HAVING ADOPTED A HIGHLY EFFECTIVE MARKETING STRATEGY, KÜRÜM DEMİR DELIVERS ITS PRODUCTS TO ALL PARTS OF TURKEY IN A FAST AND SEAMLESS MANNER.

#### 2014 SALES

**836** THOUSAND TONS

**58%** PRODUCT

**42%** COMMODITY

#### 2014 TURNOVER

EUR **368** MILLION

## DOMESTIC OPERATIONS IRON-STEEL



WHILE IN 2013 KÜRÜM DEMİR SOLD ABOUT 96% OF ITS PRODUCTS IN THE DOMESTIC MARKET AND 4% TO FOREIGN MARKETS, THESE PERCENTAGES WERE 97%-3% RESPECTIVELY, IN 2014.

products, items that are hard to process in terms of tons/meter in Turkey, Kürüm Demir has created a niche market for itself in the industry with this approach.

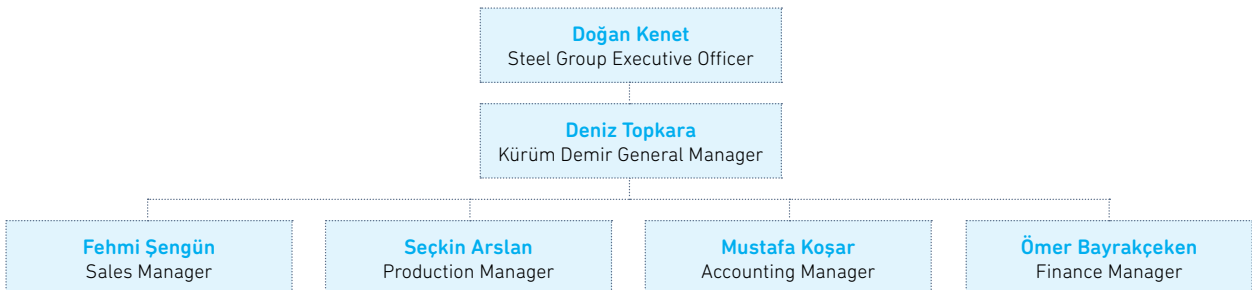
Having an effective marketing network in place, Kürüm Demir seamlessly delivers its products throughout Turkey and streamlines its supply on the market through long-term relationships with its business partners and customers. The Company has established its own logistics distribution network and adopted as its principle to operate in line with the needs and expectations of its customers.

### The key features that ensure competitive advantage for Kürüm Demir are:

- Focus on highly-demanded and sales-ready small size products,
- Agility to quickly respond to customer demand and expectations as well as its customer-oriented, high-quality and continuous service approach,
- Deep-rooted and long-term customer relationships,
- Extensive distribution network and logistics capability,
- Experienced sales team,
- Competitive prices.

While in 2013 Kürüm Demir sold about 96% of its products in the domestic market and 4% to foreign markets, these percentages were 97%-3% respectively, in 2014.

**Kürüm Demir seamlessly delivers its products throughout Turkey and streamlines its supply on the market through long-term relationships with its business partners and customers. The Company has established its own logistics distribution network and adopted as its principle to operate in line with the needs and expectations of its customers**









## INTERNATIONAL OPERATIONS

### IRON-STEEL, LIME, ENERGY

WITH ITS 219,410 M<sup>2</sup> PLANT EQUIPPED WITH STATE-OF-THE-ART TECHNOLOGIES, KÜRÜM INTERNATIONAL IS NOT ONLY AN IRON AND STEEL PRODUCER IN ALBANIA BUT ALSO ONE OF THE MAJOR PRIVATE SECTOR CORPORATIONS IN THE COUNTRY.

#### KÜRÜM INTERNATIONAL

The strategic and commercial importance of Albania, Kürüm Holding's market of focus for foreign investment, continues to grow in Southeastern Europe. Presently producing iron and steel products, lime and industrial oxygen in its facilities in Albania, the Holding acquired four hydroelectric power plants from the State of Albania through privatization, thereby adding the energy industry among its operations. Thanks to the electricity generated at the hydroelectric power plants, for which the sale and transfer process were finalized in 2013, the plant units acquired an integrated structure; as a result, the need to supply electricity from external sources has decreased. With its diversified fields of operation in Albania and expanding business volume, Kürüm Holding targets a leading market position in Southeast Europe's non-financial sector.

With its 219,410 m<sup>2</sup> plant equipped with state-of-the-art technologies, Kürüm International is not only an iron and steel producer in Albania but also one of the major private sector corporations in the country. Powered by its high-quality international standards and deep-rooted business culture, Kürüm International solidifies its market position in both Albania and in Southeastern Europe. As at the end of 2014, Kürüm International sold about 46% of its iron produced to Albania, and 54% to neighboring countries such as Serbia, Kosovo and Macedonia.

The proximity of Kürüm International facilities to its target market and the logistical advantages of such a beneficial geographic position, provide the Company with the opportunity to expand its production capacity, market share and service network across the Balkan region. Despite the decrease in customs duties, the high cost of importing iron and steel products and certain advantages available on input costs make Albania an indispensable country to invest in for Kürüm Holding subsidiaries.

Kürüm Holding has built its growth and development strategy on the Albanian market on three principles:

- reducing input costs,
- increasing and diversifying the quality of products and services and,
- developing sustainable and long-term business partnerships in the region.

Empowered by its professional management approach, Kürüm International continued to increase its sales volume in its markets in 2014 with a stable pricing policy, strong relationships established with wholesalers, and a marketing-sales strategy based on effective premiums.

In 2014, Kürüm International continued its rise in the Serbian market where it carries out its sales operations and supplies scrap as raw material.

Empowered by its professional management approach, Kürüm International continued to increase its sales volume in its markets in 2014 with a stable pricing policy, strong relationships established with wholesalers, and a marketing-sales strategy based on effective premiums.



#### COUNTRY OF OPERATION

ALBANIA

#### AREA OF OPERATION

- PRODUCTION OF HOT-ROLLED STEEL RE-BARS,
- LIME (FRAGMENTED/HYDRATED)
- HYDROELECTRIC POWER GENERATION

#### NUMBER AND PROFILE OF EMPLOYEES

**700** EMPLOYEES

**84%** BLUE COLLAR

**16%** WHITE COLLAR

#### CAPACITY

**700** THOUSAND TONS OF IRON

**510** THOUSAND TONS OF BILLETS

#### PRODUCTIO

**443** THOUSAND TONS OF BILLETS

**303** THOUSAND TONS OF RE-BAR

#### SALES

**274** THOUSAND TONS

**96%** PRODUCT

**4%** COMMODITY

#### 2014 TURNOVER

EUR **195** MILLION

## INTERNATIONAL OPERATIONS IRON-STEEL, LIME, ENERGY

The Elbasan Steel Production Facilities, which the Company acquired from the Albanian Ministry of Privatization in 1998, is Kürüm International's production headquarters. With this strategic investment, the Company became the first Turkish private company to realize a direct investment of such large scale in the Balkans, and it greatly improved the production infrastructure of these facilities through modernization and investments.

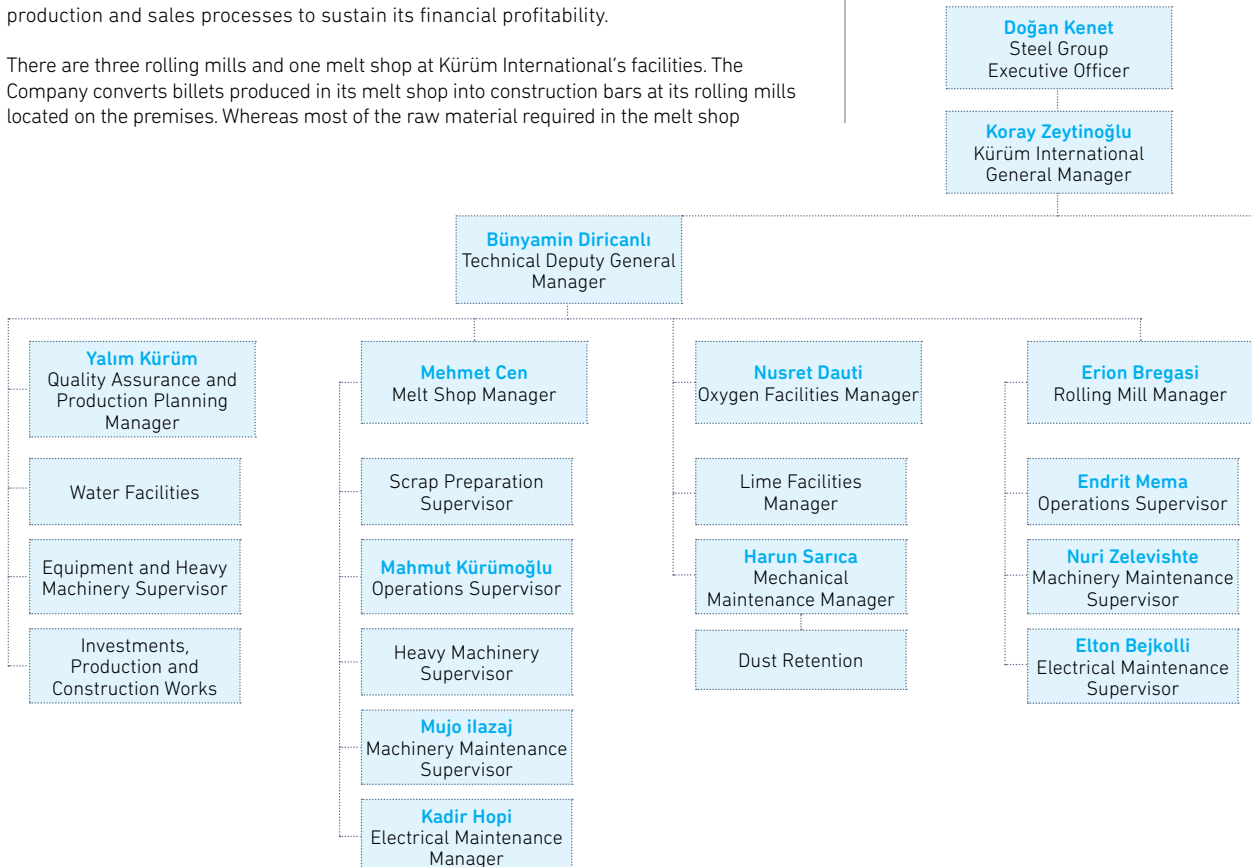
Comprised of one melt shop and three rolling mills and located on a parcel of 219,410 m<sup>2</sup>, including 88,410 m<sup>2</sup> of closed area, the Elbasan Steel Production Facilities operate with a yearly capacity of 700,000 tons of hot-rolled steel re-bar and 510,000 tons of liquid steel, and is capable of meeting Albania's total long-term product requirements.

Operating in the area of steel re-bar production at high quality standards for more than 14 years, the Company has made substantial investments to enhance the diversity and quality of its products. For example, a scrap processing unit was transferred from Germany to Kürüm International Elbasan Steel Facilities for non-metallic contamination cleaning of scrap, increasing its density, and effecting energy savings while raising productivity. The unit operated at optimum level throughout 2012 and contributed significant value to the Company. Furthermore, the two scrap shears moved to the scrap plant of the Company effectively started production in 2012. This ensured a clean and high quality mixture which is ideal for scrap used in steel production, hence a significant increase in metallic efficiency was realized. In addition, significant achievements were made in energy savings. As part of its ongoing modernization initiative, the company continued its upgrade efforts in 2014.

With such ambitious investments targeting to expand the Company's product range and to further enhance production quality, Kürüm International maintained its competitive edge in 2014. Kürüm International aims at effectively projecting its competitive advantages in production and sales processes to sustain its financial profitability.

There are three rolling mills and one melt shop at Kürüm International's facilities. The Company converts billets produced in its melt shop into construction bars at its rolling mills located on the premises. Whereas most of the raw material required in the melt shop

**With such ambitious investments targeting to expand the Company's product range and to further enhance production quality, Kürüm International maintained its competitive edge in 2014. Kürüm International aims at effectively projecting its competitive advantages in production and sales processes to sustain its financial profitability.**





is procured from the domestic market, the Company also buys raw material from Montenegro, Macedonia, Serbia and Kosovo. In 2014, a total of 303 thousand tons of re-bars and 443 thousand tons of billets were produced.

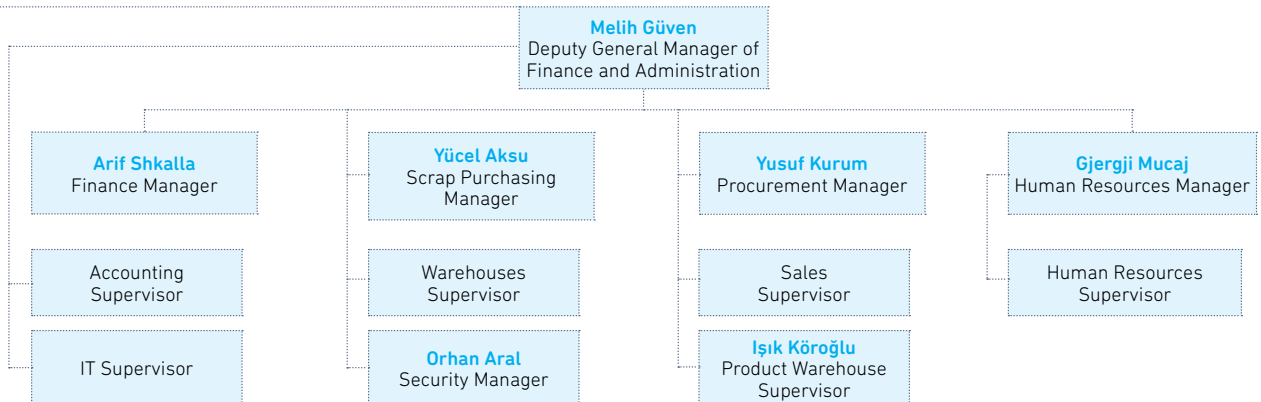
Kürüm International sells 49% of its total products, including billets, on the Albanian market. Accordingly, 66% of the market demand in Albania is supplied by Kürüm International. This outstanding performance of the Company in the Albanian market demonstrates Kürüm Holding's ability to produce quality excellence in all areas and regions.

Kürüm International runs its business processes in compliance with EN 10080 (B500CEurope), DIN 488 (B500A-Germany), D.M. 14.01.2008 (B450C-Italy) and ASTM A615A (G60-US) international product standards, and holds ISO 9001: 2008 Quality Management System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety Management System certifications. The Company aims at further strengthening its proactive marketing strategies in the coming period and extending its successful operations in the Albanian market to the other countries in the region.

#### Lime Production Facility

Kürüm International owns the only slaked (hydrated) lime production center in Albania that uses state-of-the-art technology and meets with a major part of the country's lime requirement. With a production capacity of 72,000 tons per year, the lime-production facility procures all of its raw material need from the domestic market. This provides the Company with a significant competitive advantage. The environmentally friendly de-dusting unit and ancillary equipment were put into service in 2011 and compliance with the EU emission standards was ensured. As Kürüm lime products are produced at a quality level exceeding EU standards, their utilization in the electro-metallurgy industry continued to increase steadily in 2014.

**Kürüm International owns the only slaked (hydrated) lime production center** in Albania that uses state-of-the-art technology and meets with a major part of the country's lime requirement. With a production capacity of 72,000 tons per year, the lime-production facility procures all of its raw material need from the domestic market.



## INTERNATIONAL OPERATIONS

### OXYGEN

BESIDES KÜRÜM HOLDING'S FACILITIES, KÜRÜM OXYGEN ALSO PROVIDES SERVICES TO VARIOUS COMPANIES IN ALBANIA. KÜRÜM OXYGEN NOT ONLY SATISFIES THE HOLDING'S PROFITABILITY NEED BUT ALSO CONTRIBUTES SIGNIFICANT VALUE TO THE ALBANIAN ECONOMY.

#### **KÜRÜM OXYGEN (KÜRÜM INDUSTRIAL GASES SH.A.)**

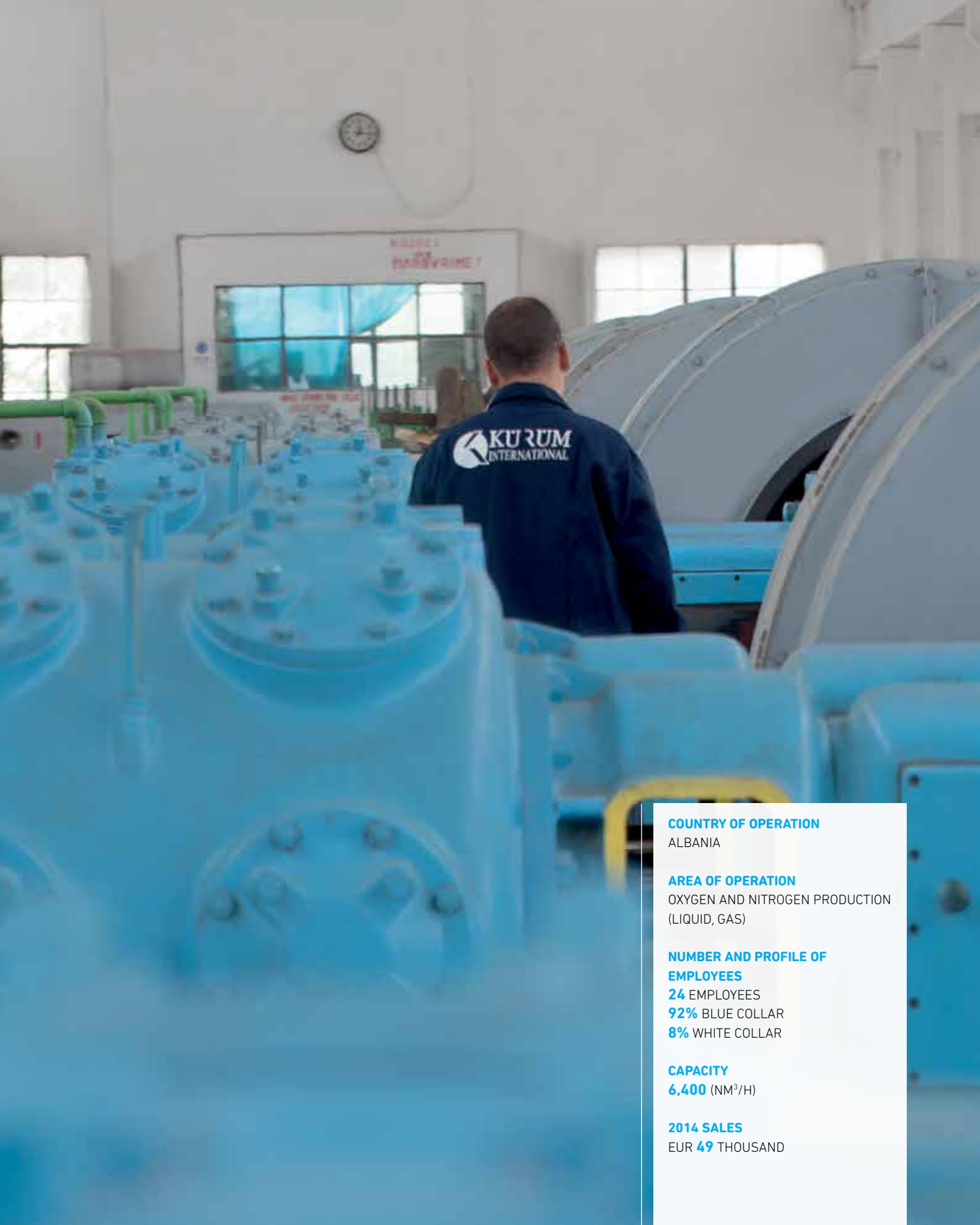
Operating with a production capacity of 6,400 Nm<sup>3</sup>/h per year, Kürüm Oxygen is the second company which Kürüm Holding has acquired in Albania through privatization/concession agreements.

The Company effectively meets the oxygen need of the Elbasan iron and steel facilities operating under Kürüm International. Besides Kürüm Holding's facilities, the Company also provides services to various companies in Albania. Kürüm Oxygen not only satisfies the Holding's profitability need but also contributes significant value to the Albanian economy. In addition to liquid oxygen, nitrogen, and industrial oxygen cylinders, the Company also produces oxygen cylinders for the healthcare industry and attracts the market's attention with its extensive portfolio.

With 97% of its production reserved for the melt shop, the Company continues its efforts to increase its capacity and efficiency taking into account the production needs of the Elbasan Production Facilities melt shop and those of other facilities in the region.

**With 97% of its production reserved for the melt shop, the Company** continues its efforts to increase its capacity and efficiency taking into account the production needs of the Elbasan Production Facilities melt shop and those of other facilities in the region





**COUNTRY OF OPERATION**

ALBANIA

**AREA OF OPERATION**

OXYGEN AND NITROGEN PRODUCTION  
(LIQUID, GAS)

**NUMBER AND PROFILE OF  
EMPLOYEES**

**24** EMPLOYEES

**92%** BLUE COLLAR

**8%** WHITE COLLAR

**CAPACITY**

**6,400** (NM<sup>3</sup>/H)

**2014 SALES**

EUR **49** THOUSAND

## INTERNATIONAL OPERATIONS

### INSURANCE

SET UP BY KÜRÜM HOLDING TO OPERATE IN THE INSURANCE SECTOR, KOSOVA E RE HAS ITS HEAD OFFICE IN THE CAPITAL CITY OF PRISTINA AND 78 AGENCIES ACROSS THE COUNTRY.

#### KÜRÜM IN KOSOVO

The second largest market for Kürüm Holding in southeast Europe, Kosovo bears major commercial potential with its population of 2 million. Kosova e RE, which Kürüm Holding has established to provide insurance services operates through its seven regional offices and more than 78 agencies under its general management office in the capital of Pristina.

#### KOSOVA E RE

Kosova e RE, acquired by Kürüm Holding from the Kosovo administration in April 2002 through the transfer of 100% of its shares, has consistently increased its number of customers and business volume. In 2013, the Company has successfully maintained market share which it had achieved. Kosova E Re replicated its successful performance under the structure of Kürüm Holding to its corporate structure. Having established an effective agency network to ensure the sustainability of its financial success, the Company continues to target both existing and potential customers through its marketing activities. In 2014, Kosova E Re achieved a premium production level of EUR 8.7 million that it is ranked as 2<sup>nd</sup> within 11 insurance company.

Kosova e RE mainly specializes in non-life insurance and focuses on introducing any innovations in the global insurance sector to the citizens of Kosovo in line with its continuous development principle. In 2014 with starting health insurance, The company became more active in the market.

To that end, the Company prioritizes enhancing its service quality and the competency of its qualified human resource assets. Kosova e RE's relations with international players, the new products it introduces to the market and its pricing strategies further ensure the Company's competitive edge.

With the exception of life and health, Kosova e RE offers all types of insurance products including fire, motor, compulsory liability, traffic and transport insurance. The Company enjoys a strong financial structure thanks to its close collaboration with global reinsurance companies. Kosova e RE insures approximately 46,345 motor vehicles in Kosovo every year.

Kosova e RE aims at increasing its market share in the Kosovo insurance sector to 15% and to that end targets strengthening its agency network, as well as expanding its product portfolio by closely monitoring the innovations in the international insurance sector.

In 2015, the company plans to finalize Green Card negotiations and initially obtain an Acredit rating from Standard & Poor's.





**COUNTRY OF OPERATION**

KOSOVO

**AREA OF OPERATION**

INSURANCE

**NUMBER AND PROFILE OF  
EMPLOYEES**

**58** EMPLOYEES

**82%** HIGH SCHOOL DIPLOMA

**18%** UNIVERSITY DEGREE

**PREMIUM PRODUCTION**

EUR **8.7** MILLION

## INVESTMENTS IN 2014 AND OUTLOOK

IN ADDITION TO EFFORTS FOR DIVERSIFYING ITS FIELDS OF OPERATION IN 2014, KÜRÜM HOLDING ALSO CARRIED OUT MODERNIZATION AND CAPACITY INCREASE PROJECTS IN ITS CURRENT MANUFACTURING FACILITIES. IN CHARGE OF THE HOLDING'S ALBANIAN OPERATIONS, KÜRÜM INTERNATIONAL STOOD OUT AMONG ITS PEERS WITH ITS SUCCESSFUL OPERATIONS.

As Kürüm Holding operates under its continuous development principle, in 2014 the Company focused on investments aimed at diversifying its areas of operation, in addition to modernizing and enhancing the capacity in its existing production facilities. Kürüm International performs the Holding's operations in Albania and has come forth with its successful activities in the area.

### In 2015 Kürüm Holding expects to:

- using efficiently the four hydroelectric power plants acquired through privatization and to put the plants into operation, and finalizing the planned rehabilitation.
- focus on input costs to increase efficiency in production,
- prioritize utilization of state-of-the-art technologies in new investments to ensure sustainable profitability and investments,
- improve environmental standards in light of new technologies,
- focus on increasing its exports and continue to seek alternative markets,
- explore new foreign markets to effectively introduce Kürüm Holding's products.

**Kürüm Holding's goals for 2015 include an added emphasis on efforts to boost exports through alternative markets, and the search for overseas markets to sell Kürüm Holding products.**







# CORPORATE GOVERNANCE



REGULARLY INVESTING IN ITS  
HUMAN CAPITAL, KÜRÜM HOLDING  
CONTINUED TO ADVANCE WITHIN  
THE INDUSTRY THANKS TO A  
STRONG TEAM SPIRIT.



## CORPORATE GOVERNANCE

KÜRÜM HOLDING STEADILY PROGRESSES TOWARDS BECOMING A GLOBAL BRAND THANKS TO ITS PROFESSIONAL MANAGEMENT STAFF, THE HOLDING, WHOSE GROWTH AND FUTURE PLANS ARE MADE WITHIN THE FRAMEWORK OF THE MISSION, VISION AND CORE VALUES APPROVED BY THE SENIOR MANAGEMENT OF THE COMPANY, HAS THE ABILITY TO QUICKLY AND EFFECTIVELY RESPOND TO FLUCTUATIONS IN GLOBAL AND DOMESTIC MARKETS.

Efficiently and swiftly integrating contemporary technological developments and management applications emerging in the fields it operates into its corporate structure, Kürüm Holding steadily progresses towards becoming a global brand. Thanks to its professional management staff, the Holding, whose growth and future plans are made within the framework of the mission, vision and core values approved by the senior management of the Company, has the ability to quickly and effectively respond to fluctuations in global and domestic markets. Meanwhile, the human resources policy of Kürüm Holding aims to create a corporate structure, in which self-disciplined personnel create high added value for sustainable growth, of which all stakeholders are proud to be part, and which is the top choice by professionals in the Holding's operating regions.

With its wide experience in corporate management, Kürüm Holding looks to the future with increased confidence and continues to draw closer to achieving its targets with consistent and solid steps.

As part of its international structure, at Kürüm Holding, conducting business with utmost respect to the laws and social values of foreign countries is an indispensable component of the corporate culture.

The main corporate management efforts carried out by the Holding in 2014 includes:

- In terms of IT systems, the infrastructure of the reporting system was maintained and the content of the website was updated.
- Together with recruiting based on experience and competency, the human resources of the Holding was reinforced to keep up with corporate development.

**With its wide experience in corporate management, Kürüm Holding** looks to the future with increased confidence and continues to draw closer to achieving its targets with consistent and solid steps.

As part of its international structure, at Kürüm Holding, conducting business with utmost respect to the laws and social values of foreign countries is an indispensable component of the corporate culture.

## KÜRÜM HOLDİNG'S ORGANIZATIONAL STRUCTURE

WITHIN THE FRAMEWORK OF CORPORATE RESTRUCTURING EFFORTS, THE SENIOR MANAGEMENT ORGANIZATIONAL CHART OF KÜRÜM HOLDİNG HAS BEEN REDEFINED AND IMPLEMENTED.

### **Experienced Human Resource Assets, Merit-Oriented Organization Structure**

Within the framework of corporate restructuring efforts, the Senior Management organizational chart of Kürüm Holding has been redefined and implemented.

In effect since 2007, this organizational chart includes two main title categories:

- Executive Officers in charge of general managers,
- Directors in charge of managers.

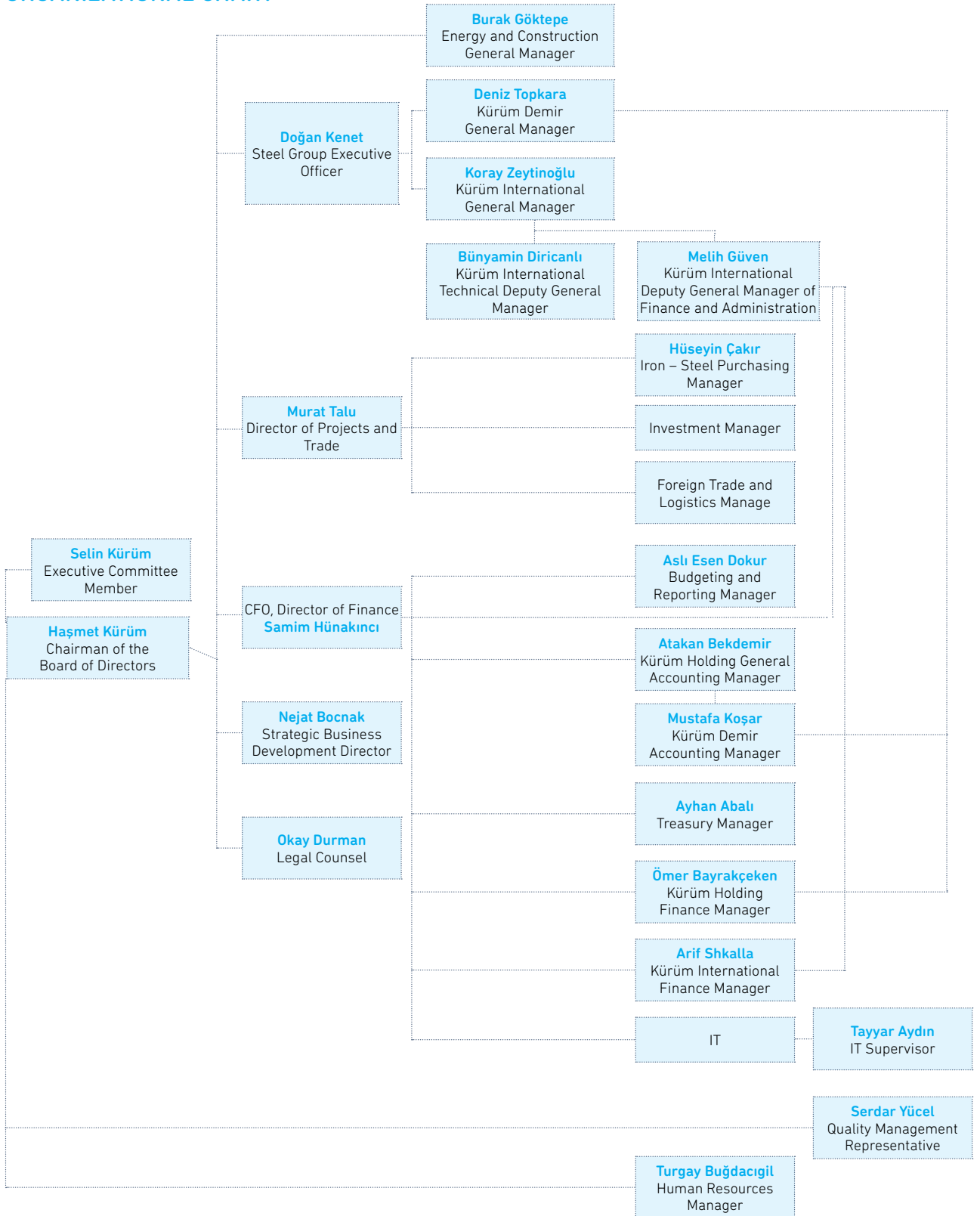
Kürüm Holding also has certain departments that are not run by a director at present, but rather have managers in charge. Executive Officers and Directors report to the CEO; the CEO and these senior executives comprise the Executive Committee.

The Holding is organized under main departments with subordinate units to create an effective and efficient working environment.

**Kürüm Holding also has certain departments that are not run by a director at present,** but rather have managers in charge. Executive Officers and Directors report to the CEO; the CEO and these senior executives comprise the Executive Committee



## ORGANIZATIONAL CHART





## EXECUTIVE COMMITTEE



(1)

### **Haşmet Bedii Kürüm (1)** **Chairman of the Board**

Born in 1960, Haşmet Bedii Kürüm is the majority shareholder and the Chairman of the Board of Directors. He began his professional career in 1970s in iron and steel products marketing. In 1995, he turned to manufacturing – his first enterprise in industry. To date, Mr. Kürüm has made significant investments in Albania and Kosovo. He is fluent in English.

### **Doğan Kenet (2)** **Iron-Steel Group Executive Officer**

Born in 1955 in Istanbul, Doğan Kenet graduated from Istanbul Technical University, Department of Metallurgical and Materials Engineering in 1978. After his graduation he served in managerial positions at Çolakoğlu Metalurji, İÇDA Ş, and MMK Metalurji. Mr. Kenet is fluent in English.



(2)

### **Murat Talu (3)** **Director of Projects and Trade**

Born in 1959, Murat Talu received his BSc from Middle East Technical University, Department of Metallurgy and his MSc from Istanbul Technical University, in Metallurgical and Materials Engineering. He served at TOPRAK Holding and CER Çelik as Senior Manager. He is fluent in English.

### **Deniz Topkara (4)** **Kürüm Demir General Manager**

Born in 1948, Deniz Topkara began his career at İktisadi Sınai Demir-Çelik Fabrikası. Having worked there for 15 years, he joined Hisar Demir-Çelik, where he served as General Manager for five years.



(3)



(4)

### **Koray Zeytinoğlu (5)** **Kürüm International General Manager**

Born in 1977, Koray Zeytinoğlu graduated from Çukurova University, Department of Civil Engineering. From 1999 to 2001, he worked at Alarko and NCKY as a field engineer and worksite supervisor. Mr. Zeytinoğlu is fluent in Albanian and English.

### **Selin Kürüm (6)** **Executive Committee Member**

Born in 1988, Selin Kürüm received her BSc in Business Studies from City University London, Cass Business School and her MSc in Development Studies from London School of Economics. She served in internships in the Accounting Department at Turkish Bank London and in the Mergers and Acquisitions Department at Rothschild Paris. She joined Kürüm Holding in 2011. Ms. Kürüm is fluent in English and French.



(5)



(6)

(7)

(8)

(9)

(10)

(11)

**Ahmet Burak Göktepe (7)**  
**Energy and Construction**  
**General Manager**

Born in 1970, Associate Prof. Dr. A. Burak Göktepe earned his bachelor's, master's and doctoral degrees in civil engineering from Istanbul Technical University. Dr. Göktepe has assumed senior positions in medium to largescale construction projects for over 22 years. Having also worked as a lecturer at Ege University and Istanbul University for three years, Dr. Göktepe joined Kürüm Holding in 2013.

**Nejat Namık Bocnak (8)**  
**Strategic Business**  
**Development Director**

Born in 1965, Nejat Namık Bocnak received his BA from Istanbul University, Department of Economics, and studied design and programming languages at Toronto School of Business. He held senior management positions in finance, human resources and administration departments at Dominion Spring, Osmanlı Bank, Tekstilbank, ICI, Zeneca Turkey, Syngenta and ITD. Mr. Bocnak is fluent in English.

**Samim Hünakıncı (9)**  
**CFO, Financial Affairs Director**

Born in 1956 in Ankara, Samim Hünakıncı graduated from Middle East Technical University, Department of Business Administration. He held senior management positions in the finance departments at Henkel, Polat Holding, Vestel Group of Companies, Zorlu Holding and Garanti Koza İnşaat. Mr. Hünakıncı is fluent in English.

**Av. Okay Durman (10)**  
**Legal Counsel**

Born in 1976, Okay Durman graduated from Istanbul University, Department of Law. He earned his master's and doctoral degrees from Istanbul University, Institute of Social Sciences, Faculty of Law. Mr. Durman also obtained a master's degree from the University of East London (UK). During his professional career, he has worked as legal counsel for Global Yatırım Holding, and as a lecturer at Istanbul University, Yeditepe University and Doğuş University. Mr. Durman is fluent in English and German.

**Turgay Buğdacıgil (11)**  
**Human Resources Manager**

Born in 1956 in Antakya, Turgay Buğdacıgil received his BA and MA from Middle East Technical University, Department of Public Administration. He began his professional career as manager in the logistics and production departments of Coca-Cola Ankara. He held management positions in the human resources departments of Söktaş, Abn Amro Bank, Kerevitaş, Hüppe Turkey and the Automotive Group of Koç Holding, respectively. Mr. Buğdacıgil is fluent in English.



## HUMAN RESOURCES AND TRAINING

KÜRÜM HOLDİNG RESERVES A SIGNIFICANT BUDGET FOR PROFESSIONAL AND PERSONAL TRAINING PROGRAMS AND PROVIDES TRAINING OPPORTUNITIES FOR ITS STAFF TO IMPROVE THEIR KNOWLEDGE AND SKILLS, INCREASE THEIR PERFORMANCE AND FACILITATE THEIR CAREER DEVELOPMENT.

Considering its human resources as one of the most crucial elements for sustaining its corporate development, Kürüm Holding reserves a significant budget for professional and personal training programs and provides training opportunities for its staff to improve their knowledge and skills, increase their performance and facilitate their career development.

The Human Resources Policies developed by the Department of Human Resources in line with Kürüm Holding's fundamental policies and strategies include the following:

### Kürüm Holding;

- Respects labor, knowledge, and skills;
- Values each employee individually;
- Ensures that working conditions comply with universal human rights and the laws of the countries in question while generating maximum benefit and satisfaction for employees;
- Does not under any circumstances allow discrimination based on religion, language, race, gender or ethnic background;
- Provides support and create opportunities for career development to its employees;
- Strives to create an atmosphere of trust and harmony;
- Rewards those who express conduct in line with the core values it embraces, extraordinary talent, high performance and accomplishment;
- Believes in teamwork and acts with a collective awareness.

**Human resources processes at Kürüm Holding begin with the establishment of systems** and the definition of competencies. First, the recruitment process is defined and the function of administrative affairs is organized. Then, job definitions and position-based evaluations are made to generate the compensation system based on these results. Finally, the training plan is specified.



In accordance with these human resources policies, the Department carries out the following activities on a regular basis:

- Planning staff requirements,
- Sourcing and recruitment,
- Analysis and implementation of training requirements,
- Performance management,
- Career planning,
- Ensuring employee satisfaction

Human resources processes at Kürüm Holding begin with the establishment of systems and the definition of competencies. First, the recruitment process is defined and the function of administrative affairs is organized. Then, job definitions and position-based evaluations are made to generate the compensation system based on these results. Finally, the training plan is specified.

At Kürüm Holding, on-the-job training is a dual process. In addition to the various trainings programs provided to personnel, each employee is expected to take responsibility for their own development. Those employees, who receive training or who obtain knowledge, skills or experience, are encouraged to share these with other employees by conducting in-house trainings and to contribute to the training activities.

**At Kürüm Holding, on-the-job training is a dual process.**

In addition to the various trainings programs provided to personnel, each employee is expected to take responsibility for their own development. Those employees, who receive training or who obtain knowledge, skills or experience, are encouraged to share these with other employees by conducting in-house trainings and to contribute to the training activities.

## RISK MANAGEMENT

KÜRÜM HOLDİNG, AIMS TO HAVE A SUSTAINABLE AND ROBUST CAPITAL STRUCTURE AND AN OPTIMAL DEBT/EQUITY BALANCE BASED ON RELIABLE RESOURCES, TO PROTECT AND DEVELOP THE HOLDING'S ASSETS, FUNDS AND LIABILITIES EFFECTIVELY AGAINST ALL TYPES OF RISKS THROUGH A DYNAMIC RISK MANAGEMENT SYSTEM.

**Kürüm Holding's fundamental priorities in risk management are as follows:**

### Key Financial Principles:

- To have a sustainable and robust capital structure and an optimal debt/equity balance based on reliable resources,
- To protect and develop the Holding's assets, funds and liabilities effectively against all types of risks through a Dynamic Risk Management System,
- To form long-term and ongoing financial relationships with banks that enjoy high credibility and a robust partnership structure both in Turkey and abroad and that offer high-quality, good-value services, and through resources secured with such relationships, to provide customers high-quality with a broad product and service range at competitive prices.

### Kürüm Holding;

- Considers financial institutions as its strategic partners.
- Strives to form mutually beneficial, long-term relationships with its strategic partners (shareholders, banks, customers, suppliers and employees); it conducts these relations in an ethical and collaborative manner based on mutual trust and transparency while remaining steadfastly committed to its principles under all circumstances.
- Prefers to do business with financial institutions that provide high-quality, full services.
- Complies with all written or oral commitments undertaken toward third parties, especially financial institutions.

### The risk management strategy of Kürüm Holding is:

- a) an integral part of its corporate strategy and policies,
- b) dynamic,
- c) the fundamental source of the Company's daily business culture.

### **Kürüm Holding's fundamental priorities in risk management to form long-term and ongoing**

financial relationships with banks that enjoy high credibility and a robust partnership structure both in Turkey and abroad and that offer high-quality, good-value services, and through resources secured with such relationships, to provide customers high-quality with a broad product and service range at competitive prices.

Kürüm Holding is aware that it is crucial for enterprises today to set realistic targets in the face of global economic risks and to revise traditional profitability targets under certain conditions. In this respect, the Holding prefers categorizing the risks it has to manage. The fundamental aim is to protect existing facilities against all kinds of risk to achieve optimal profitability through sustainable growth. Steadily enhancing the market value of each of its subsidiaries is crucial at this point. Harnessing the economies of scale and the synergy between subsidiaries and shareholders, Kürüm Holding conducts business with a focus on customer, quality and competitiveness and achieves considerable success in reaching its targets.

The Holding identifies the basic means to reach this goal as follows:

**Corporate Governance:** To achieve its fundamental vision, Kürüm Holding considers corporate governance as an integral and indispensable part of its dynamic corporate management approach and culture and strictly abides by this principle in all its operations.

**Investment in Human Resources:** Kürüm Holding considers human resources as its most important asset. It focuses on the recruitment, training, performance assessment and career planning of a well-qualified workforce based on a medium-term plan.

**Investment in Technology and Systems:** All kinds of technology, including production and MRP and ERP automation systems constitute the basis of Holding's competitive and prudent corporate strategy.

**Establishment of the Risk Management System of the Holding:** Dynamic risk management is an essential and central part of Kürüm Holding's strategic and routine governance system.

**Kürüm Holding's Risk Management System is based on the following key principles:**

- a) Determination
- b) Continuity and Dynamism
- c) Centralization
- d) Scalability
- e) Controllability
- f) Compensability
- g) Cost Awareness

**The Internal Auditing Department:** Reporting directly to the Chairman of the Board of Directors, the Department inspects and reports on the compliance of the Holding's subsidiaries and their departments with the relevant regulations, corporate principles and decisions; the effectiveness and the functioning of the risk management system; and the conduct of daily operations.

**Kürüm Holding is aware that it is crucial for enterprises today to set realistic targets** in the face of global economic risks and to revise traditional profitability targets under certain conditions. In this respect, the Holding prefers categorizing the risks it has to manage.





**KÜRÜM GROUP OF  
COMPANIES COMBINED  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT  
AUDITORS' REPORT  
AS OF 31 DECEMBER 2014**



**KÜRÜM GROUP OF COMPANIES  
INDEPENDENT AUDITOR'S REPORT  
AS OF 31 DECEMBER 2014**

To the Shareholders and the Board of Directors of  
Kürüm Group of Companies  
Istanbul

1. We have audited the accompanying combined financial statements of Kürüm Group of Companies ("The Group") which comprise the combined balance sheet as at 31 December 2014 and the combined statements of income, changes in equity and cash flow for the year ended, and a summary of significant accounting policies and other notes to the combined financial statements.

**Management's Responsibility for the Financial Statements**

2. Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 the 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 financial statements.

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

**Opinion**

6. In our opinion, the financial statements present fairly, in all material respects, the combined financial position of Kürüm Group of Companies as of 31 December 2014 and its combined financial performance and its combined cash flows for the year ended in accordance with International Financial Reporting Standards.

EREN Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.  
Member Firm of Grant Thornton International



Nazım Hikmet, YMM, FCCA  
Partner

Istanbul, 23 March 2015



**KÜRÜM GROUP OF COMPANIES**  
**COMBINED BALANCE SHEETS**  
**AS OF 31.12.2014 AND 31.12.2013**  
(CURRENCY-EURO)

<b>ASSETS</b>	<b>Note</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>CURRENT</b>			
Cash and Cash Equivalents	4	3.739.322	12.204.060
Trade Receivables,net	5	182.044.780	150.196.363
Inventories	6	68.551.311	45.228.575
Other Current Assets	7	37.400.087	29.692.144
<b>Total Current Assets</b>		<b>291.735.500</b>	<b>237.321.142</b>
<b>NON-CURRENT</b>			
Trade Receivables	5	2.981	2.881
Investments	8	943.662	908.734
Property, Plant and Equipment	9	166.581.232	156.642.963
Intangible Assets	9,1	25.986.660	32.842.451
Other Non-Current Assets	7	2.267.028	9.728.437
Deferred Tax Asset	14	296.506	193.093
<b>Total Non-Current Assets</b>		<b>196.078.069</b>	<b>200.318.559</b>
<b>TOTAL ASSETS</b>		<b>487.813.569</b>	<b>437.639.701</b>

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

**KÜRÜM GROUP OF COMPANIES**  
**COMBINED BALANCE SHEETS**  
**AS OF 31.12.2014 AND 31.12.2013**  
**(CURRENCY-EURO)**

<b>LIABILITIES</b>	<b>Note</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>CURRENT</b>			
Financial Liabilities	10	123.668.173	219.227.938
Trade Payables	11	49.968.775	21.970.501
Taxation on Income	14	1.640.518	1.251.270
Other Liabilities	13	8.651.116	10.377.427
<b>Total Short Term Liabilities</b>		<b>183.928.582</b>	<b>252.827.136</b>
<b>NON-CURRENT</b>			
Financial Liabilities	10	116.843.473	18.136.880
Reserve for Employee Termination Benefits	15	1.901.433	1.652.758
Deferred Tax Liability	14	376.889	394.319
<b>Total Long Term Liabilities</b>		<b>119.121.795</b>	<b>20.183.957</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	16	62.960.402	62.388.335
Capital Advances		12.865.274	12.357.935
Translation Difference	-	25.080	(523.959)
General Reserves	17	90.564.319	79.456.253
Net Profit for the Period		18.348.117	10.950.044
<b>Total Shareholders' Equity</b>		<b>184.763.192</b>	<b>164.628.608</b>
Commitments and Contingencies	12	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>487.813.569</b>	<b>437.639.701</b>

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

**KÜRÜM GROUP OF COMPANIES**  
**COMBINED STATEMENTS OF INCOME**  
**FOR THE YEAR ENDED 31.12.2014 AND 2013**  
(CURRENCY-EURO)

<b>INCOME STATEMENT</b>	<b>Note</b>	<b>01.01-31.12.2014</b>	<b>01.01-31.12.2013</b>
Net Sales	18	556.545.553	623.043.321
Cost of Sales	19	(502.308.885)	(578.601.592)
<b>GROSS PROFIT</b>		<b>54.236.668</b>	<b>44.441.729</b>
Operating Expenses	20	(10.113.839)	(11.260.418)
<b>BASIC OPERATING PROFIT</b>		<b>44.122.829</b>	<b>33.181.311</b>
Other Income/ (Expenses), net		2.155.398	(3.889.127)
Financing Income/ (Expense), net	21	(26.368.749)	(16.977.551)
<b>PROFIT BEFORE TAX FOR THE YEAR</b>		<b>19.909.478</b>	<b>12.314.633</b>
Tax	14	(1.640.518)	(1.354.926)
Deferred tax income/ (charge)	14	79.157	(9.663)
<b>NET PROFIT FOR THE YEAR</b>		<b>18.348.117</b>	<b>10.950.044</b>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3	52.937.335	40.966.438

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

**KÜRÜM GROUP OF COMPANIES**  
**COMBINED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31.12.2014 AND 2013**  
(CURRENCY-EURO)

	Share Capital	Capital Advances	General Reserves	Net Profit for the Period	Total Equity
<b>Balance, 01.01.2013</b>	<b>41.837.386</b>	-	<b>79.256.891</b>	<b>7.424.693</b>	<b>128.518.970</b>
Translation difference (Note 2)	(3.449.051)	-	(7.293.086)	-	(10.742.137)
Capital advances	-	12.357.935	-	-	12.357.935
Capital increase for Kürüm International SHA	24.000.000	-	-	-	24.000.000
First time acquisition effect	-	-	(469.989)	-	(469.989)
Actuarial gains/loss	-	-	13.785	-	13.785
Transfer to general reserves	-	-	7.424.693	(7.424.693)	-
Net profit for the year	-	-	-	10.950.044	10.950.044
<b>Reported Balance, 31.12.2013</b>	<b>62.388.335</b>	<b>12.357.935</b>	<b>78.932.294</b>	<b>10.950.044</b>	<b>164.628.608</b>
	<b>62.388.335</b>	<b>12.357.935</b>	<b>78.932.294</b>	<b>10.950.044</b>	<b>164.628.608</b>
Balance, 01.01.2014	572.067	507.339	1.186.038	-	2.265.444
Translation difference (Note 2)	-	-	(372.248)	-	(372.248)
Revaluation reserve decrease (note 9)	-	-	18.612	-	18.612
Deferred tax effect of revaluation reserve	-	-	-	-	-
Actuarial gains/loss	-	-	(125.341)	-	(125.341)
Transfer to general reserves	-	-	10.950.044	(10.950.044)	-
Net profit for the year	-	-	-	18.348.117	18.348.117
<b>Balance, 31.12.2014</b>	<b>62.960.402</b>	<b>12.865.274</b>	<b>90.589.399</b>	<b>18.348.117</b>	<b>184.763.192</b>

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



**KÜRÜM GROUP OF COMPANIES**  
**COMBINED STATEMENTS OF CASH FLOW**  
**FOR THE YEAR ENDED 31.12.2014 AND 2013**  
**(CURRENCY-EURO)**

	01.01-31.12.2014	01.01-31.12.2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax for the period	19.909.478	12.314.633
Adjustment to reconcile net profit to net cash:		
Depreciation and amortization expenses	8.814.506	7.785.127
(Profit)/loss on disposal of tangible and intangible assets	(2.225.812)	(156.162)
Provision for employment termination benefits	123.334	465.358
Provision for vacation eligibility	20.822	20.169
Provision for doubtful receivables	408.861	5.000
Unearned interest on receivables and payables, net	56.733	24.516
Unrealised foreign exchange (gains)/ losses on loans	(1.073.617)	18.416.139
Operating cash flows provided before changes in working capital	26.034.305	38.874.780
Changes in operating assets and liabilities:		
Trade receivables	(32.339.631)	(54.918.015)
Inventories	(23.322.736)	41.141.045
Other assets	(7.957.438)	9.491.992
Trade payables	28.023.794	(26.870.790)
Other liabilities	(1.770.207)	4.313.711
Tax paid	(1.251.270)	(1.258.170)
Net Cash Flows Generated from /(Used in) Operating Activities	(12.583.183)	10.774.553
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase/ decrease in financial liabilities	4.220.445	85.174.635
Capital increase for Kürüm International SHA	-	24.000.000
Capital advances for Kürüm Demir Sanayi ve Tic. A.Ş.	-	12.357.935
Due from /(due to) related parties, net	249.495	(878.740)
Net Cash Flows Generated From Financing Activities	4.469.940	120.653.830
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Investments, net	(34.928)	7.806.782
Acquisitions of tangible fixed assets, net	(14.349.273)	(8.435.213)
Acquisitions of intangible fixed assets , net	(1.544)	(32.768.321)
Proceeds from sales of tangible assets	5.020.835	168.610
First time acquisition effect	-	(76.149.319)
Advance payments for tangible fixed assets	7.461.409	(9.619.065)
Net Cash Flows Used in Investment Activities	(1.903.501)	(118.996.526)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(10.016.744)</b>	<b>12.431.857</b>
Translation Differences	1.552.006	(6.325.783)
Cash and Cash Equivalents at Beginning of Period	12.204.060	6.097.986
<b>Cash and Cash Equivalents at the End of Period</b>	<b>3.739.322</b>	<b>12.204.060</b>

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

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

**1. General**

The combined entities comprised the following:

- Kürüm Holding A.Ş.
- Kürüm Demir Sanayi Dış Ticaret A.Ş.
- Kürüm International SH.A

The operations of the combined entities are summarized below:

[Kürüm Holding A.Ş.](#)

Kürüm Holding A.Ş. ("Kürüm Holding") was established to invest in Kürüm Group companies and to participate in their management with the aim of solving finance and organization problems before they arise and coordinating the Group's trade activities.

The Company's registered office address is Küçük Organize Sanayi Bölgesi Turgut Özal Caddesi, 1. Yol. No:1 İkitelli / Küçükçekmece, İstanbul.

Average number of personnel employed during the period ended 31 December 2014 was 10 (31 December 2013: 14).

[Kürüm Demir Sanayi Dış Ticaret A.Ş.](#)

Kürüm Demir Otomotiv Gıda Tekstil Elektronik Petrol ve Danışmanlık San. Dış Tic. A.Ş. (the old Company) was established in 1988 in İstanbul. The old Company had partial division decision in May 2006 and completed division procedures of two entities, named as Kürüm Holding A.Ş. and Kürüm Demir Sanayi Dış Ticaret A.Ş (the company).

The Company is one of Turkey's leading hot rolled construction iron producer. The main office and its mill are in Gebze, Kocaeli. The annual production capacity of the facilities totals 444,600 tones. Kürüm Demir produces and sells Ø8 mm-Ø40 mm plain bar and rolled construction iron and once-folded rebar, as well as 12 m rods.

Kürüm Demir's registered office address is Küçük Organize San. Turgut Özal Cad. 1. Yol No:1 İkitelli Küçükçekmece, İstanbul.

Average number of personnel employed during the period ended 31 December 2014 was 171 (31 December 2013: 209).

[Kürüm International SH.A](#)

Kürüm International SH.A (the Company) was established in 1999 in Albania. Initially, Haşmet Bedii Kürüm acquired the operational right of the melt shop and hot rolled deformed steel bars production plant from the Albania Ministry of Public Economy and Privatization (note 9). In September 2009, Kürüm International SH.A purchased the land over which the production plant is located, from the Albania Ministry of Public Economy and Privatization. The production plant occupies 219,410 m<sup>2</sup> open area including 88,410 m<sup>2</sup> closed area which is the largest production facility of its kind in the Balkans with an annual production capacity of 700,000 tones of steel bars.

Kürüm Gelqere SH. A. (Kürüm Lime) was established in 2002 in Albania to produce lime. The Lime factory started its operations in the end of the year 2002. The factory is the only lime production facility that uses modern equipments and technology in Albania. The lime processing facility has the capacity of 72,000 tons/year. Kürüm Gelqere SH. A. has the capacity to meet 70% of Albania's lime needs.

On 01.08.2008 Kürüm Gelqere SH. A. was merged with Kürüm International SH. A. having the same shareholding structure.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

Four units hydroelectric power plants had been acquired from Albanian Government through privatization in 2012. Merging process has been completed in 2013.

The Company's registered office address is Blv. "Deshmoret e Kombit", Twin Towers, Floor: 10 No: 2, Tiran, Albania.

Average number of personnel employed during the period ended 31 December 2014 was 700 (31 December 2013: 748).

## **2. Basis of Presentation of Financial Statements**

### **Kürüm Holding A.Ş. and Kürüm Demir Sanayi Dış Tic. A.Ş.**

Kürüm Holding A.Ş. and Kürüm Demir Sanayi Dış Tic. A.Ş. maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with Turkish Commercial Code, tax legislation and Uniform Chart of Accounts issued by the Ministry of Finance. The TL financial statements prepared from the statutory records (which are maintained under the historical cost convention) are modified with certain out-of-book adjustments, reclassifications and restatements to comply with International Financial Reporting Standards.

### **Kürüm International SH.A**

Kürüm International SH.A maintains its books of account and prepares its statutory financial statements in Lek in accordance with Albanian Commercial Code and tax legislation. The Lek financial statements prepared from the statutory records (which are maintained under the historical cost convention) are modified with certain out-of-book adjustments, reclassifications and translations to comply with International Financial Reporting Standards.

### **Measurement Currency and Reporting Currency**

The reporting currency used in the accompanying financial statements is EURO.

The measurement currency of Kürüm Demir and Kürüm Holding which operate in Turkey is TL.

The measurement currency of Kürüm International SH.A which operates in Albania is LEKE.

### **Translation of financial statements for the year ended 31 December 2014 and 2013 functional currency to reporting currency**

Translation of financial statements from functional currency to reporting currency is done as follows:

- Assets and liabilities for each balance sheet presented at 31 December 2014 and 2013 are translated at respective closing buying rates.
- Income and expenses for each income statement for the year ended at 31 December 2014 and 2013 are translated at respective annual average rates; Kürüm International SH.A 2014 (LEKE : EURO 139.93) and 2013 (LEKE: EURO 139.76), Kürüm Holding (1 TL: 2.9060 EURO) and 2013 (1 TL: 2.5600 EURO) , Kürüm Demir 2014 (1 TL: 2.9060 EURO) and (1 TL: 2.5274 EURO) .
- Equity items (including share capital) are translated at the closing buying rate at 31 December 2014.

All resulting exchange differences are recognized as a separate item of translation difference in the "General Reserves" account.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
 (CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

The year end rates used for EURO/ LEKE, EURO/ TL and EURO/ USD are shown below:

	31.12.2014	31.12.2013
TL	2.8207	2.9365
LEK	140.14	140.20
USD	1.2164	1.3759

**Comparative Information and Correcting The Financial Statements of The Previous Period**

Comparative information is reclassified where necessary, in terms of ensuring compliance with the presentation of financial statements for the current period.

**Adoption of new and revised International Financial Reporting Standards**

The Group has applied new standards, amendments and interpretations to existing standards published by IASB and IFRIC that are effective as at 1 January 2014 and are relevant to the Group's operations.

a) Standards, changes and interpretations effective from 1 January 2014:

- IAS 32 (Amendment), "Financial Instruments: Presentation-Offsetting Financial Assets and Financial Liabilities"
- IFRS 10, IFRS 12 and IAS 27 (Amendments), "Consolidated Financial Statements" for investment entities
- IAS 36 (Amendment), "Impairment of Assets-Recoverable Amount Disclosures for Non Financial Assets"
- IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement-Novation of Derivatives and Continuation of Hedge Accounting"
- IAS 19 (amendment), "Defined benefit plans"
- Annual improvements 2010-2012
- Annual improvements 2011-2013

Application of the above Standards and Interpretations had no effect on reported results of the Company or the financial situation.

b) Standards, changes and interpretations not effective on 31 December 2014:

- IFRS 11 (amendments), "Joint Arrangements",
- IFRS 15, "Revenue from contracts with customers",
- IFRS 9 (amendments), "Financial instruments"-classification and measurement
- IFRS 14, "Regulatory deferral accounts"
- IFRS 9 Financial Instruments-Classification and Measurement
- IAS 16 and IAS 38 (amendments), "Tangible Assets", "Intangible Assets"
- IAS 27 (amendments), "Separate financial statements"
- IFRS 10 "Consolidated financial statements" and IAS 28 Investments in associates and joint ventures" (amendments),

These amendments and interpretations have no significant effect on the financial statements.



**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

### **3. Principles of Combination and Summary of Significant Accounting Policies**

#### **3.1. Principles of Combination:**

As of 31 December 2014, the combined financial statements comprise the financial statements of Kürüm Holding A.Ş., Kürüm Demir Sanayi Dış Tic. A.Ş. and Kürüm International SH.A controlled by the common shareholders of the combined entities.

In preparing the combined financial statements, the financial statements of the combined entities have been combined on a line-by-line basis by adding together like items of assets, liabilities, equity, income and expenses. The carrying amount of the investment and the portion of equity between the combined entities have been eliminated. All significant intra-group balances and intra-group transactions including inter-company profits and unrealized profits and losses have been eliminated in full. Combined financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

#### **3.2. Other Significant Accounting Policies:**

The principal accounting policies followed in the preparation of the accompanying combined financial statements are set forth below:

##### **Related parties**

For the purpose of the accompanying financial statements, key personnel in management and board of directors, their family and controlled or dependent companies, participations and subsidiaries of the Group are referred to as related parties.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, bank deposits and short-term investments, which can easily be converted into cash for a known amount, has high liquidity with maturities of 3 months or less. The amounts paid under the reverse repurchase agreements are included in the cash and cash equivalents. Recorded value is estimated market value of other cash and bank deposits on the balance.

##### **Trade receivables and allowance for doubtful receivables**

Trade receivables and notes receivable are recognized at original invoice amount and discounted to present value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. In case the provision decreases as a result of an event that occurs after write off, the amount is reflected on the income statement in the current year.

Based on an evaluation of its trade portfolio such as volume, character of outstanding loans, past loan experience and general economic conditions management provides a general reserve that it believes is adequate to cover possible losses and uncollectible amounts in the Group's receivables, in addition to specific reserves provided for receivables in legal follow-up.

##### **Trade payables**

Trade payables are stated at their nominal values, discounted to present value as appropriate.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

#### Inventory

Inventories are valued on the basis of the weighted average cost method by considering the cost or the net realizable value, whichever is the lowest. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. The cost of inventories cover all purchasing costs, conversion costs and other expenses made to bring the inventories into their current state and condition.

#### Finance leases

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property after tax advantages or incentives have been deducted, or the present value of the minimum lease payments. Principal lease payments are recorded as a payable and are reduced as paid; the interest element is charged to the statement of income as expense during the lease period. Property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset.

#### Property, plant and equipment and related depreciation

Property, plant and equipment (except land and buildings) are carried at acquisition cost, less any accumulated depreciation and any impairment loss. Profit and loss arising out of the sale of property, plant and equipment are included in the other income and expense accounts. In cases when the carrying value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Repair and maintenance expenditure related to property, plant and equipment is expensed as incurred.

The Group's land and buildings were revalued based on an Real Estate Expert Valuation Report dated 31.12.2012 prepared by Ekspertur Gayrimenkul Değerleme ve Danışmanlık A.Ş. The revaluation surplus (after deduction of deferred tax) between the revalued amount (according to the Real Estate Expert Valuation Report) and the book value amount is recorded as "Fair Value Reserve" in shareholders' equity in the accompanying financial statements.

Depreciation is provided on straight-line basis over the useful lives of the assets. The estimated useful lives of property, plant, equipment are as follows:

	Year
Land and land improvements	50
Machinery and equipment	7-10
Furniture, fixtures and office equipment	5-10
Motor vehicles	5-10
Leasehold improvements	3-5

#### Intangible assets and related amortization

An intangible asset is recognized if it meets the identifiably criterion of intangibles, control exists over the asset; it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the costs can be measured reliably. Intangible assets are carried at cost less accumulated amortization and impairment. Amortization of intangible assets is allocated on a systematic pro-rata basis using the straight-line method. Intangible assets including acquired rights, information systems and computer software are amortized using the pro-rata method over their estimated useful economic lives of 10 years.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

#### Impairment of assets

Assets that have indefinite useful lives, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### Financial Instruments

##### (i) Financial assets

Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories as 'at fair value through profit or loss', 'held to maturity investments', 'available for sale financial assets' and 'loans and receivables'.

##### Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Debt instruments that are held to maturity, are available for sale, or are loans and receivables recognize in income on an effective interest rate basis.

##### 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 that exactly discounts estimated future cash receipts through the expected life of the financial assets or where appropriate a shorter period.

##### Financial assets held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Groups' management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

Financial assets available-for-sale

Available-for-sale securities are those that are not (a) held-to-maturity investments, or (b) securities held for trading. Subsequent to acquisition, available for sale securities are valued at their fair value if reliably measurable. Otherwise, they are accounted for at the amortized cost. Unrealized gains or losses arising from changes in the fair value of securities classified as available for sale are deferred in equity until the financial asset is sold, collected or otherwise is disposed of when available for sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement. All investment securities are initially recognized at cost. Transaction costs are included in the initial measurement of debt securities. Available for sale securities are measured at fair value.

Fair value of available for sale monetary assets denominated in foreign currency is determined in that foreign currency and converted using the spot rate at the reporting date. Change in fair value attributable to conversion differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market, not held for trading, and not designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Loans and receivables are measured at amortized cost using the effective interest method.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.



**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

**(ii) Financial liabilities**

Financial liabilities and equity instruments issued by the Group are classified according to substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set below.

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recorded at fair value upon initial measurement and re-measured to fair value at each reporting period. Changes in the fair values are accounted in the income statement. Net gains and losses accounted for in the income statement includes interest paid expense incurred on the financial liability.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a considerable time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned by the temporary investment of the part of the borrowing not yet used is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation and deferred income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

## KÜRÜM GROUP OF COMPANIES

### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### AS OF 31 DECEMBER 2014 AND 2013

(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

#### Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax related to the equity items is carried under the equity and not reflected to income statement. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred 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 tax asset to be utilized.

Deferred 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.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly.

#### Employee Benefits/ Retirement Pay Provision

Under the Turkish law and union agreements, severance payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 (revised) "Employee Benefits" ("IAS 19"). The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

#### Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

#### Revenue recognition

Revenue involves the goods and service sales invoiced value. Revenues are recognized on an accrual basis at the time deliveries of goods and services or acceptances are made, the transfer of risks and benefits related to good are realized, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. The significant risks and benefits in sales are transferred when the goods are delivered or legal proprietorship is transferred to the customer. Interest income and expenses are recognized in the income statement on an accrual basis. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes.

Sale of goods: Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services: Revenue earned from rendering of services is recognized by using a reference to the stage of completion of the contract.

Interest revenue: 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.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

#### Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

#### Foreign currency transactions

Transactions in foreign currencies during the periods have been translated at the exchange rates prevailing at the dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. The foreign exchange gains and losses are recognized in the income statement.

The year end rates are as follows:

	31.12.2014	31.12.2013
USD/ TL	2.3189	2.1343
EURO/ USD	1.2164	1.3759
EURO/ TL	2.8207	2.9365
EURO/ LEKE	140.14	140.20

#### Provisions

Provisions are recognized when, and only when the Group has a present obligation as a result of a past event and it is probable 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. Provisions are recognized by the amortized amount as of balance sheet date in case that the monetary loss is material. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### Commitments and contingencies

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non-occurrence of certain future events, unless the expected performance is remote. Accordingly, contingent losses are recognized in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

#### Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect 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. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

#### Cash flow statement

Cash and cash equivalents include cash and deposits with banks.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

#### EBITDA

EBITDA is defined as earnings before interest expense, income tax expense (benefit), depreciation and amortization. This information should be read with the statements of cash flow contained in the accompanying financial statements.

#### 4. Cash and Cash Equivalents

	31.12.2014	31.12.2013
Cash in hand	46,321	136,334
Cash at banks		
-Demand deposits	3,693,001	12,067,726
	<b>3,739,322</b>	<b>12,204,060</b>

#### 5. Trade Receivables

Current Trade Receivables	31.12.2014	31.12.2013
Trade receivables		
-Current accounts	180,241,570	142,873,572
-Post dated checks and notes receivables	146,159	5,141,304
Trade receivables from related parties (Note 23)		
-Current accounts	2,175,629	2,165,744
Deposits and guarantees given	218,062	255,976
Unearned interest on receivables (-)	(188,583)	(106,330)
Allowance for doubtful receivables (-)	(548,057)	(133,903)
	<b>182,044,780</b>	<b>150,196,363</b>

Non-Current Trade Receivables	31.12.2014	31.12.2013
Deposits and guarantees given	2,981	2,881
	<b>2,981</b>	<b>2,881</b>

As of 31 December 2014 and 2013, maturity breakdown of post dated checks and notes receivable were as follows:

	31.12.2014	31.12.2013
Up to 3 months	146,159	5,140,963
Between 3 months and 6 months	-	341
	<b>146,159</b>	<b>5,141,304</b>

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

The movement of the allowance for doubtful receivables is as follows:

	<b>31.12.2014</b>	<b>31.12.2013</b>
Opening balances at 1 January	133,903	161,990
Reversal of provisions and collections received (-)	(205)	(826)
Increase in provisions	408,861	5,000
Translation difference	5,498	(32,261)
<b>Ending balance</b>	<b>548,057</b>	<b>133,903</b>

**6. Inventories**

	<b>31.12.2014</b>	<b>31.12.2013</b>
Raw materials and supplies	21,991,277	28,494,721
Work in process and semi finished goods	10,190,580	433,087
Finished goods	29,255,620	10,933,925
Merchandises	6,115,527	4,802,823
Other inventories	998,307	564,019
	<b>68,551,311</b>	<b>45,228,575</b>

**7. Other Assets**

<b>Other Current Assets</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Prepaid expenses	42,498	572,069
Due from related parties (Note 23)	31,127	280,622
Advances given to suppliers	23,797,349	15,223,199
VAT receivables and guarantees given to tax office	11,827,065	11,484,704
Prepaid taxes	1,508,333	1,673,467
Due from personel	3,191	-
Advances given to personel	2,304	12,515
Advances given for business purposes	22,178	7,989
Other	166,042	437,579
	<b>37,400,087</b>	<b>29,692,144</b>
<b>Other Non-current Assets</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Advance payments for tangible fixed assets	2,267,028	9,728,437
	<b>2,267,028</b>	<b>9,728,437</b>



**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
 (CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

**8. Investments**

	<b>31.12.2014</b>	<b>%</b>	<b>31.12.2013</b>	<b>%</b>
Sicred Pensions Sha (Tirana-Albania) <sup>(*)</sup>	27,878	25	27,867	25
Illirya Resources	5,709	40	5,706	40
E-Sigorta Aracılık Hizmetleri Ltd. Şti.	15,953	90	15,324	90
Kürüm Steel Georgia <sup>(**)</sup>	869,147	100	834,873	100
Kurum Industrial Gases	24,975	100	24,964	100
	<b>943,662</b>		<b>908,734</b>	

<sup>(\*)</sup> The Group has participation in Sicred Pensions Sha incorporated in Tirana, Albania for the purpose of managing pension fund.

<sup>(\*\*)</sup> Kürüm Steel Georgia is established in Batum, the company's investment in iron and steel production facility is currently at a hold.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

**9. Property, Plant and Equipment**

Cost	31.12.2013	Additions	Disposals	Transfer	Transfer		31.12.2014	
					From Goodwill <sup>(*)</sup>	Revaluation reserve decrease <sup>(**)</sup>		
Land and buildings	75,148,582	42,986	(496,331)	198,966	6,850,000	(372,248)	647,220	82,019,175
Leasehold improvements	77,352	-	(59,918)	-	-	-	3,175	20,609
Machinery and equipment	112,332,802	656,988	(1,780,674)	16,295,105	-	-	446,703	127,950,924
Motor vehicles	2,929,324	120,655	(867,046)	-	-	-	52,304	2,235,237
Furniture, fixtures and office equipment	3,656,099	113,333	(4,711)	142,211	-	-	27,499	3,934,431
Construction in progress	3,334,375	13,415,311	(60,156)	(16,636,282)	-	-	2,384	55,632
	197,478,534	14,349,273	(3,268,836)	-	6,850,000	(372,248)	1,179,285	216,216,008
<b>Accumulated Depreciation</b>								
Buildings	(3,282,359)	(1,470,186)	-	-	-	-	(45,527)	(4,798,072)
Leasehold improvements	(22,371)	(8,517)	25,779	-	-	-	(921)	(6,030)
Machinery and equipment	(33,278,789)	(6,440,674)	4,680	-	-	-	(381,010)	(40,095,793)
Motor vehicles	(2,087,148)	(262,030)	441,124	-	-	-	(38,027)	(1,946,081)
Furniture, fixtures and office equipment	(2,164,904)	(606,285)	2,230	-	-	-	(19,841)	(2,788,800)
	(40,835,571)	(8,787,692)	473,813	-	-	-	(485,326)	(49,634,776)
<b>Net Book Value</b>	<b>156,642,963</b>							<b>166,581,232</b>

<sup>(\*)</sup> This is due to sale of a land during 2014.

<sup>(\*\*)</sup> Transfer has been from Goodwill (note 9.1).

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**

(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

	31.12.2012	Additions	Disposals	Transfer	First time acquisition effect	Translation Differences	31.12.2013
<b>Cost</b>							
Land and buildings	34,789,290	65,703	-	(639,439)	44,768,009	(3,834,981)	75,148,582
Leasehold improvements	92,041	3,641	-	-	-	(18,330)	77,352
Machinery and equipment	79,730,526	3,531,787	(9,415)	1,007,926	30,799,134	(2,727,156)	112,332,802
Motor vehicles	3,120,154	646,694	(158,117)	(391,316)	53,561	(341,652)	2,929,324
Furniture, fixtures and office equipment	2,621,908	1,101,906	(548)	23,411	58,626	(149,204)	3,656,099
Construction in progress	257,002	3,085,482	(530)	(582)	-	(6,997)	3,334,375
	120,610,921	8,435,213	(168,610)	-	75,679,330	(7,078,320)	197,478,534
<b>Accumulated Depreciation</b>							
Buildings	(1,776,319)	(1,443,945)	-	(313,136)	-	251,041	(3,282,359)
Leasehold improvements	(17,226)	(8,578)	-	-	-	3,433	(22,371)
Machinery and equipment	(29,619,086)	(5,440,354)	1,883	(304,362)	-	2,083,130	(33,278,789)
Motor vehicles	(2,679,525)	(322,057)	153,731	525,880	-	234,823	(2,087,148)
Furniture, fixtures and office equipment	(1,818,158)	(547,161)	548	91,618	-	108,249	(2,164,904)
	(35,910,314)	(7,762,095)	156,162	-	-	2,680,676	(40,835,571)
<b>Net Book Value</b>	<b>84,700,607</b>						<b>156,642,963</b>

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

Property, plant and equipment have been insured for EUR 101,504,483.

The depreciation (in relation to property, plant and equipment) and amortization (in relation to intangible assets) charges for the years ended 31 December 2014 and 2013 are set out below:

	01.01-31.12.2014	01.01-31.12.2013
Cost of sales	8,479,795	7,346,606
Marketing, selling and distribution expenses	39,603	45,088
General administrative expenses	295,108	393,433
	<b>8,814,506</b>	<b>7,785,127</b>

### 9.1 Intangible Assets

	31.12.2013	Additions	Transfer <sup>(*)</sup>	Translation Differences	31.12.2014
<b>Cost</b>					
Rights	270,611	1,544	-	11,109	283,264
Goodwill <sup>(*)</sup>	32,709,076	-	(6,850,000)	14,004	25,873,080
	<b>32,979,687</b>	<b>1,544</b>		<b>25,113</b>	<b>26,156,344</b>
Accumulated amortization	(137,236)	(26,814)	-	(5,633)	(169,684)
<b>Net Book Value</b>	<b>32,842,451</b>				<b>25,986,660</b>

<sup>(\*)</sup> Goodwill arose from the acquisition of four units of hydroelectric power plants.

<sup>(\*\*)</sup> Transfer has been made to Land and Buildings (note 9).

### 10. Financial Liabilities

	31.12.2014	31.12.2013
Short-term bank loans	53,267,050	192,039,860
Current portion of long-term bank loans	67,614,075	22,656,885
Finance lease liabilities, net	339,675	333,006
Interest expense accruals	2,447,373	4,198,187
Total short-term bank loans	123,668,173	219,227,938
Long-term bank loans	116,361,856	17,411,193
Finance lease liabilities, net	481,617	725,687
Total long-term bank loans	116,843,473	18,136,880
<b>Total bank loans</b>	<b>240,511,646</b>	<b>237,364,818</b>

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

**Average interest rate (31.12.2014)**

USD	3.5%-6.%
EURO	3.5%-8%
TL	10%-12.5%

Bank loans are secured by the personal guarantee of Kürüm Demir's shareholders.

Short-term and long-term financial liabilities are summarized below:

	31.12.2014		31.12.2013	
	Foreign Currency	EURO Balance	Foreign Currency	EURO Balance
<b>Short term:</b>				
TL Loans	52,135,102	18,483,037	53,045,001	18,064,022
USD Loans	9,568,712	7,866,447	33,859,830	24,609,922
EURO Loans	-	95,014,064	-	172,022,803
Finance lease payables, net				
-USD	413,104	339,675	413,104	300,134
-EURO	-	-	-	32,872
Interest expense accruals	-	1,964,950	-	4,198,185
<b>Total short term financial liabilities</b>		<b>123,668,173</b>		<b>219,227,938</b>
<b>Non-current:</b>				
-TL Bank Loans	15,850,072	5,619,198	-	-
-USD Bank Loans	14,436,958	11,869,277	2,690,203	1,954,523
-EUR Bank Loans	-	98,873,381	-	15,456,670
Finance lease liabilities, net				
-USD	585,731	481,617	998,835	725,687
<b>Total long term financial liabilities</b>		<b>116,843,473</b>		<b>18,136,880</b>

Repayment schedule for long term bank loans were as follows:

	USD	EURO	TL	EURO Equivalent
Payable in 1-2 years	14,436,958	40,444,181	15,850,072	57,932,656
Payable in 2-3 years	-	11,668,320	-	11,668,320
Payable in 3-4 years	-	11,668,320	-	11,668,320
Payable in 4-5 years	-	35,092,560	-	35,092,560
	<b>14,436,958</b>	<b>98,873,381</b>	<b>15,850,072</b>	<b>116,361,856</b>



**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

**11. Trade Payables**

	31.12.2014	31.12.2013
Trade payables		
-Third parties	49,194,890	19,663,601
-Checks and notes payables	808,987	2,322,907
Trade payables from related parties (Note 23)		
-Current accounts	32,902	26,477
Unearned interest on payables (-)	(68,004)	(42,484)
	<b>49,968,775</b>	<b>21,970,501</b>

As of 31 December 2014 and 2013, maturity breakdown of post dated checks and notes payable were as follows:

	31.12.2014	31.12.2013
Up to 3 months	808,987	2,322,907
	<b>808,987</b>	<b>2,322,907</b>

**12. Commitments and Contingencies**

**Kürüm Holding A.Ş.**

a) As of 31 December 2014, based on the representation obtained from the Company's legal counsel, there are certain lawsuits filed by the Company amounting to TL 10,000 and there are certain lawsuits filed against the Company amounting to TL 155,214 and USD 150,000. These lawsuits have not concluded until the report date hence there is not any correction made.

b) As of 31 December 2014, letters of guarantee and other guarantees obtained from several banks to give various institutions are as follows:

	Guarantee Amount	
	Foreign Currency	TL
TL		124,073
EUR	200,000	564,140
ABD\$	7,000,000	16,232,300
		<b>16,920,513</b>

c) Loans of Kürüm Demir Sanayi Dış Ticaret Anonim Şirketi and Kürüm International SH.A are secured by Kürüm Holding A.Ş.

**Kürüm Demir Sanayi Dış Ticaret A.Ş.**

a) As of 31 December 2014, based on the representation obtained from the Company's legal counsel, there are certain lawsuits filed by the Company amounting to TL 170,978. These lawsuits have not concluded until the report date hence there is not any correction made.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

b) As of 31 December 2014, letters of guarantee and other guarantees obtained from several banks to give various institutions are as follows:

Type of guarantee	Guarantee amount
TL	5,504,727
USD	41,550

c) Some of loans are secured by group company/companies and/or personal guarantee of Haşmet Bedii Kürüm.

**Kürüm International SH.A**

a) As of 31 December 2014, based on the representation obtained from the Company's legal counsel, there are certain lawsuits filed against the Company amounting to LEK 3,420,000. These lawsuits have not concluded until the report date hence there is not any correction made.

**13. Other Current Liabilities**

	31.12.2014	31.12.2013
Taxes payable	163,380	1,559,460
Social security premiums payable	140,145	139,986
Advances received	7,620,494	7,969,140
Due to related parties and shareholders (Note 23)	1,012	1,012
Deferred income	920	3,691
Vacation eligibility provision	94,291	69,968
Due to personel	614,331	498,290
Other	16,543	135,880
	<b>8,651,116</b>	<b>10,377,427</b>

**14. Taxation on Income**

**Kürüm Holding A.Ş. and Kürüm Demir Sanayi Dış Tic. A.Ş.**

The corporation tax rate on the profits for the calendar year 2014 is 20% (2013: 20%). Taxable profits are calculated by addition of tax disallowed expenses to and deduction of tax exemptions (investment income exemption) and deductions (investment incentive deductions) from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

Advance (prepaid) corporation taxes are payable on quarterly profits at the rate of 20% (2014: 20%). Such taxes after deduction of the taxes prepaid quarterly must be declared by the 14th of the second month following any tax period and paid by the 17th. Advance corporation tax may be offset against others debts to the government.

Dividends paid to non-resident corporations which have a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

Tax losses that are reported in the Corporation Tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing, during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

**Kurum International SH.A**

Kurum International SH.A is subject to Albanian income withholding taxes on its taxable income. The rate is 15% (31.12.2013: 10%).

	<b>31.12.2014</b>	<b>31.12.2013</b>
Included in the balance sheet:		
Corporation and income taxes	1,640,518	1,354,926
Prepaid taxes (-)	-	(103,656)
<b>Tax provision in balance sheet</b>	<b>1,640,518</b>	<b>1,251,270</b>
Deferred tax asset	(296,506)	(193,093)
Deferred tax liability	376,889	394,319
	<b>01.01-31.12.2014</b>	<b>01.01-31.12.2013</b>
Included in the income statement:		
Corporation and income taxes	(1,640,518)	(1,354,926)
Deferred tax income	79,157	(9,663)
<b>Taxation in the statement of income</b>	<b>(1,561,361)</b>	<b>(1,364,589)</b>

The breakdown deferred tax assets/ (liabilities) are as follows:

	<b>31 Aralık 2014</b>	<b>31 Aralık 2013</b>
Beginning of the period	(201,226)	(188,117)
Deferred tax income/expense for the period	79,157	(9,663)
Deferred tax in the equity	41,686	(3,446)
<b>Deferred tax assets/ (liabilities), net</b>	<b>(80,383)</b>	<b>(201,226)</b>

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

The Group recognizes deferred tax assets and liabilities based upon the temporary differences between its financial statements as reported in accordance with IFRS and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes. The breakdown of cumulative temporary differences and the resulting deferred tax assets / (liabilities) are as follows:

	Cumulative temporary difference		Deferred tax	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Deferred tax asset</b>				
Capitalized borrowing expenses	74,637	200,603	14,929	40,121
Retirement pay provision	493,139	454,657	98,628	90,932
Unearned interest on receivables	188,583	106,330	37,717	21,266
Vacation eligibility provision	94,293	69,968	18,858	13,994
Provision for doubtful receivables	405,343	133,903	109,611	26,780
Interest accrual	83,821	-	16,763	-
			296,506	193,093
<b>Deferred tax liability</b>				
Interest expense	-	90,558	-	18,112
Unearned interest on payables	68,005	42,484	13,601	8,497
Changes in fair value reserve	7,176,199	7,250,776	358,810	362,539
Other	22,391	25,861	4,478	5,171
			376,889	394,319
<b>Deferred tax assets/ (liability), net</b>			<b>(80,383)</b>	<b>(201,226)</b>

Tax rates used for deferred tax assets and liabilities calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method is 20% (31.12.2013: 20%).

### 15. Employee Termination Benefits

As described in Note 3, in the accompanying financial statements, the Group reflected a liability for termination benefits.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

**16. Share Capital**

	31.12.2014		31.12.2013	
	Share		Share	
	Amount	%	Amount	%
Kürüm Holding A.Ş.	13,975,102	30.63	13,423,998	30.63
Kürüm International SH.A	48,985,300	45.82	48,964,337	45.82
Kürüm Demir Sanayi Dış Ticaret A.Ş.	10,743,147	23.55	10,319,496	23.55
Share capital	73,703,549	100.00	72,707,831	100.00
Intercompany elimination (-)				
-Kürüm Demir Sanayi Dış Ticaret A.Ş.	(10,743,147)		(10,319,496)	
<b>Total</b>	<b>62,960,402</b>		<b>62,388,335</b>	

Shares in capital of the combined financial statements belong to Haşmet Bedii Kürüm.

**17. General Reserves**

General reserves comprise statutory reserves, fair value reserve and retained earnings.

Statutory reserves, which are appropriated based on statutory profits and dividend distribution, are not available for distribution unless they exceed 50% of share capital. However, they may be used to offset losses in the event that the other reserves are exhausted.

Retained earnings are available for distribution. If this reserve is distributed as dividends, a further statutory reserve is required equal to 10% of dividends declared, less an amount equal to 5% of share capital.

Fair value reserve arises from the restatement of land and building based on fair values established by real estate expert valuation report.

**18. Sales**

	01.01-31.12.2014	01.01-31.12.2013
Kürüm Demir	361,573,368	399,278,876
Kürüm International	194,935,119	223,522,244
Kürüm Holding	37,066	242,201
	<b>556,545,553</b>	<b>623,043,321</b>



**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

**19. Cost of Sales**

	<b>01.01-31.12.2014</b>	<b>01.01-31.12.2013</b>
Direct material cost	298,295,801	366,630,074
Direct labor cost	1,691,641	1,894,490
General production overheads	47,483,400	45,535,228
Depreciation in general overhead	8,409,176	7,310,449
I. Cost of goods sold	355,880,018	421,370,241
II. Cost of services rendered <sup>(*)</sup>	510,817	705,150
III. Cost of merchandises sold	134,153,315	147,270,689
IV. Cost of other sales	11,764,735	9,255,512
<b>Cost of Sales (I+II+III+IV)</b>	<b>502,308,885</b>	<b>578,601,592</b>

<sup>(\*)</sup> As of 31.12.2014, there is depreciation charge in relation to cost of services rendered amounting to EURO 70,619 (31.12.2013: EURO 36,157).

**20. Operating Expenses**

Breakdown of operating expenses are as follows:

	<b>01.01-31.12.2014</b>	<b>01.01-31.12.2013</b>
Personnel expenses	3,538,350	4,097,775
Depreciation expenses	334,711	438,521
Motor vehicle expenses	711,714	704,709
Communication expenses	157,264	154,635
Transportation and cargo expenses	2,052,891	3,050,254
Repair and maintenance expenses	23,201	7,675
Rent expenses	230,063	211,079
Office expenses	494,442	329,688
Taxes and dues	273,154	85,419
Insurance expenses	64,265	67,953
Advertising expenses	184,417	132,604
Vacation eligibility provision	20,822	20,169
Advisory and audit fees	35,564	397,464
Traveling expenses	151,223	114,380
Import and export expenses	885,016	722,853
Security expenses	512,586	226,164
IT systems expenses	44,398	43,638
Other	399,758	455,435
	<b>10,113,839</b>	<b>11,260,418</b>

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**

(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

**21. Financing Income/ (Expenses), net**

	<b>01.01-31.12.2014</b>	<b>01.01-31.12.2013</b>
Foreign exchange gains/ (losses), net	(11,479,415)	(2,463,532)
Interest income	921,311	631,412
Unearned interest income/ (expense), net	(52,523)	(37,585)
Interest expense	(15,326,592)	(14,463,809)
Interest expense related to employee termination benefit	(41,957)	(47,253)
Letters of guarantee expenses	(44,168)	(119,206)
Bank commission and other financing expenses	(345,405)	(477,578)
	<b>(26,368,749)</b>	<b>(16,977,551)</b>

**22. The Nature and the Level of Risks Arising From Financial Instruments**

Supplementary Disclosures on financial instruments

(a) Capital Management Policies and Procedures

The risk related with each of the capital class and capital cost is considered by the top management of the Group. The primary objective of the Group's capital management objectives is to ensure that it maintains a healthy capital structure in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may obtain new loans, repay existing loans; make cash and non cash (bonus shares) dividend payments to shareholders, issue new shares based on Management's evaluation. The Group manages the capital structure so as to ensure the Group's ability to continue as a going concern; and maximize its profitability by maintaining an adequate capital to overall financing structure ratio.

The Group monitors capital using a gearing ratio, which is net financial debt divided by total financing used. The Group includes within net financial debt, borrowings, trade letters of credit, less cash and cash equivalents. Financing used is the sum of total equity and net financial debt.

The following table sets out the gearing ratios as of 31 December 2014 and 2013:

	<b>31.12.2014</b>	<b>31.12.2013</b>
Total financial liabilities	240,511,646	237,364,818
Less: cash and cash equivalents	(3,739,322)	(12,204,060)
Net financial debt	236,772,324	225,160,758
Total equity	184,763,192	164,628,608
Total financing used	421,535,516	389,789,366
<b>Gearing Ratio (net financial debt to overall financing used ratio)</b>	<b>56.17%</b>	<b>57.76%</b>

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

(b) Financial instruments and categories

	31.12.2014	31.12.2013
<b>Financial assets</b>		
Cash and cash equivalents	3,739,322	12,204,060
Trade receivables	182,047,761	150,199,244
<b>Financial liabilities</b>		
Financial payables	240,511,646	237,364,818
Trade payables	49,968,775	21,970,501

(c) Market Risk

The Group is exposed to financial risks arising from changes in currency rate (paragraph d), interest rate (paragraph e) and price risk (paragraph f) which arise directly from its operations.

The market risks that the Group is exposed to are measured on the basis of sensitivity analysis.

(d) Foreign currency risk

The Group may have transactional currency exposure from foreign currency denominated transactions.

The Group is exposed to foreign currency risk arising from the translation of foreign currency denominated assets and liabilities. The foreign currency denominated assets and liabilities mainly include bank deposits, bank borrowings and trade payables and trade receivables.

(e) Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Certain parts of the interest rates related to borrowings are based on market interest rates; therefore the Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

The majority of the Group's financial obligations consist of fixed and variable interest rate borrowings.

(f) Price risk

The Group may be exposed to price risk arising from decreases in prices. This is a combination of currency, interest and market risks. However the Group tries to reflect such losses to customers. Accordingly, market risk is closely monitored by the management using the available market information and appropriate valuation methods.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**  
(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

(g) Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties and continually assessing the creditworthiness of the counterparties. The Group monitors credit risks by establishing credit limits for each customer who wish to trade on credit terms and obtaining sufficient collateral. Trade receivables are evaluated by management in the light of the Group's procedure and policies and are carried in the balance sheet net of bad debt provision.

(h) Liquidity risk management

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Group manages its liquidity needs by regularly planning its cash flows or by maintaining sufficient funds and borrowing sources by matching the maturities of liabilities and assets. Prudent liquidity risk management implies maintaining sufficient cash, securing availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions. The Group's carrying amount of financial instruments is estimated to reflect their fair value.

(i) Fair values

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange. The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

i) Financial Assets: The fair values of certain financial assets carried at cost in the combined financial statements, including cash and cash equivalents plus the respective accrued interest and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of trade receivables along with the related allowance for unearned income and uncollectibility are estimated to be their fair values. The financial assets which are denominated in foreign currencies are evaluated by the foreign exchange rates prevailing on the date of balance sheet which approximate to market rates.

ii) Financial Liabilities: Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of loans and bank borrowings. The fair value of bank borrowings are considered to state their respective carrying values since the interest rate applied to bank loans and borrowings are updated periodically by the lender to reflect active market price quotations. The carrying value of trade payables along with the related allowance for unrealized cost is estimated to be their fair values. The financial liabilities which are denominated in foreign currencies are evaluated by the foreign exchange rates prevailing on the date of balance sheet which approximate to market rates. As of 31 December 2014 the Group does not have off – balance sheet financial derivatives.

**KÜRÜM GROUP OF COMPANIES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2014 AND 2013**

(CURRENCY AMOUNTS ARE EXPRESSED IN EURO UNLESS OTHERWISE STATED)

**23. Related Party Disclosures**

	31.12.2014	31.12.2013
<b>Trade receivables (Note 5)</b>		
Kürüm Industrial Gases Sh.A	2,150,629	2,154,435
Kürüm Steel Georgia Ltd.	-	11,309
Kosova Ere	25,000	-
	<b>2,175,629</b>	<b>2,165,744</b>
<b>Short term non trade receivables (Note 7)</b>		
E-Sigorta Aracılık Hizmetleri Ltd.Şti.	2,869	3,529
Haşmet Bedii Kürüm	28,258	277,093
	<b>31,127</b>	<b>280,622</b>
	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Trade payables (Note 11)</b>		
E-Sigorta Aracılık Hizmetleri Ltd. Şti.	32,902	26,477
	<b>32,902</b>	<b>26,477</b>
	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Due to related parties (Note 13)</b>		
Sicred Pensions Sha.	1,012	1,012
	<b>1,012</b>	<b>1,012</b>



**KÜRÜM GROUP OF COMPANIES**  
**COMBINED BALANCE SHEET**  
**AS OF 31 DECEMBER 2014**  
(CURRENCY-EURO)

**ASSETS AS OF 31 DECEMBER 2014**

	Kürüm Holding	Kürüm Demir	Kürüm International	Total	Elimination	Report
<b>CURRENT</b>						
Cash and Cash Equivalents	2,910,983	391,524	436,815	3,739,322	-	3,739,322
Trade Receivables	960,893	142,423,742	79,569,512	222,954,147	(40,909,367)	182,044,780
Inventories	-	6,569,345	61,981,966	68,551,311	-	68,551,311
Other Current Assets	1,822,807	17,512,355	19,808,489	39,143,651	(1,743,564)	37,400,087
<b>Total Current Assets</b>	<b>5,694,683</b>	<b>166,896,966</b>	<b>161,796,782</b>	<b>334,388,431</b>	<b>(42,652,931)</b>	<b>291,735,500</b>
<b>NON-CURRENT</b>						
Trade Receivables	2,837	144	-	2,981	-	2,981
Investments	11,628,247	-	58,562	11,686,809	(10,743,147)	943,662
Property, Plant and Equipment	106,633	14,537,418	151,937,181	166,581,232	-	166,581,232
Intangible Assets	51,700	61,880	25,873,080	25,986,660	-	25,986,660
Other Non-Current Assets	67,998	-	2,199,030	2,267,028	-	2,267,028
Deferred Tax Asset	91,381	205,125	-	296,506	-	296,506
<b>Total Non-Current Assets</b>	<b>11,948,796</b>	<b>14,804,567</b>	<b>180,067,853</b>	<b>206,821,216</b>	<b>(10,743,147)</b>	<b>196,078,069</b>
<b>TOTAL ASSETS</b>	<b>17,643,479</b>	<b>181,701,533</b>	<b>341,864,635</b>	<b>541,209,647</b>	<b>(53,396,078)</b>	<b>487,813,569</b>

**KÜRÜM GROUP OF COMPANIES**  
**COMBINED BALANCE SHEET**  
**AS OF 31 DECEMBER 2014**  
**(CURRENCY-EURO)**

**LIABILITIES AS OF 31 DECEMBER 2014**

	Kürüm Holding	Kürüm Demir	Kürüm International	Total	Elimination	Report
<b>CURRENT</b>						
Financial Liabilities	-	72,569,479	51,098,694	123,668,173	-	123,668,173
Trade Payables	42,188	10,905,950	79,930,077	90,878,215	(40,909,440)	49,968,775
Taxation on Income	-	121,268	1,519,250	1,640,518	-	1,640,518
Other Payables	75,658	9,379,731	939,218	10,394,607	(1,743,491)	8,651,116
<b>Total Short Term Liabilities</b>	<b>117,846</b>	<b>92,976,428</b>	<b>133,487,239</b>	<b>226,581,513</b>	<b>(42,652,931)</b>	<b>183,928,582</b>
<b>NON-CURRENT</b>						
Financial Liabilities	-	38,084,892	78,758,581	116,843,473	-	116,843,473
Reserve for Employee Termination Benefits	33,354	459,785	1,408,294	1,901,433	-	1,901,433
Deferred Tax Liability	8	376,881	-	376,889	-	376,889
<b>Total Long Term Liabilities</b>	<b>33,362</b>	<b>38,921,558</b>	<b>80,166,875</b>	<b>119,121,795</b>	<b>-</b>	<b>119,121,795</b>
<b>SHAREHOLDERS' EQUITY</b>						
Share Capital	13,975,102	10,743,147	48,985,300	73,703,549	(10,743,147)	62,960,402
Capital Advance	-	12,865,274	-	12,865,274	-	12,865,274
Translation Difference	(13,872)	56,977	(27,712)	15,393	9,687	25,080
General Reserves	3,906,578	24,378,820	62,278,921	90,564,319	-	90,564,319
Net Profit for the Year	(375,537)	1,759,329	16,974,012	18,357,804	(9,687)	18,348,117
<b>Total Shareholders' Equity</b>	<b>17,492,271</b>	<b>49,803,547</b>	<b>128,210,521</b>	<b>195,506,339</b>	<b>(10,743,147)</b>	<b>184,763,192</b>
<b>TOTAL LIABILITIES</b>	<b>17,643,479</b>	<b>181,701,533</b>	<b>341,864,635</b>	<b>541,209,647</b>	<b>(53,396,078)</b>	<b>487,813,569</b>

**KÜRÜM GROUP OF COMPANIES**  
**COMBINED INCOME STATEMENT**  
**AS OF 31 DECEMBER 2014**  
(CURRENCY-EURO)

**INCOME STATEMENT AS OF 31 DECEMBER 2014**

	Kürüm Holding	Kürüm Demir	Kürüm International	Total	Elimination	Report
Net Sales	1,084,875	367,923,148	194,935,119	563,943,142	(7,397,589)	556,545,553
Cost of Sales	(983,772)	(344,613,638)	(164,266,088)	(509,863,498)	7,354,613	(502,508,885)
<b>GROSS PROFIT</b>	<b>101,103</b>	<b>23,309,510</b>	<b>30,669,031</b>	<b>54,079,644</b>	<b>(42,976)</b>	<b>54,036,668</b>
Operating Expenses	(346,302)	(4,404,661)	(5,689,229)	(10,440,192)	326,353	(10,113,839)
<b>BASIC OPERATING PROFIT</b>	<b>(245,199)</b>	<b>18,904,849</b>	<b>24,979,802</b>	<b>43,639,452</b>	<b>283,377</b>	<b>43,922,829</b>
Other Income/ (Expenses), net	(374,442)	989,899	1,539,941	2,155,398	-	2,155,398
Financial Income/ (Expense), net	160,753	(18,009,957)	(8,026,481)	(25,875,685)	(293,064)	(26,168,749)
<b>PROFIT BEFORE TAX FOR THE YEAR</b>	<b>(458,888)</b>	<b>1,884,791</b>	<b>18,493,262</b>	<b>19,919,165</b>	<b>(9,687)</b>	<b>19,909,478</b>
Tax	-	(121,268)	(1,519,250)	(1,640,518)	-	(1,640,518)
Deferred tax income/ (charge)	83,351	(4,194)	-	79,157	-	79,157
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>(375,537)</b>	<b>1,759,329</b>	<b>16,974,012</b>	<b>18,357,804</b>	<b>(9,687)</b>	<b>18,348,117</b>
<b>NET PROFIT FOR THE YEAR</b>	<b>(375,537)</b>	<b>1,759,329</b>	<b>16,974,012</b>	<b>18,357,804</b>	<b>(9,687)</b>	<b>18,348,117</b>





[www.kurum.com.tr](http://www.kurum.com.tr)