

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDIT REPORT AND
FINANCIAL STATEMENTS FOR THE PERIOD
BETWEEN 1 JANUARY - 31 DECEMBER 2010**

(originally issued in Turkish)

INDEPENDENT AUDIT REPORT

To The Board of Directors of
Çelik Halat ve Tel Sanayii A.Ş.

We have audited the accompanying balance sheet of Çelik Halat ve Tel Sanayii A.Ş. (the “Company”) as at 31 December 2010 and the related statement of income, the statement of comprehensive income, the statement of changes in shareholders’ equity and the statement of cash flows for the year ended 31 December 2010, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards endorsed by the Capital Market Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards issued by the Capital Market Board. 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.

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.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Çelik Halat ve Tel Sanayii A.Ş as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards issued by the Capital Markets Board.

Other subject

The financial statements of the Company as of 31 December 2009 were audited by another independent audit firm. The previous independent audit firm expressed an unqualified opinion in its audit report, dated 10 March 2010, on the financial statements as of 31 December 2009.

İstanbul, 8 March 2011

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Saim Üstündağ
Partner

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

FINANCIAL STATEMENTS AND NOTES AS OF 31 DECEMBER 2010

CONTENTS		PAGES
BALANCE SHEETS		1-2
STATEMENTS OF COMPREHENSIVE INCOME		3
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY		4
STATEMENTS OF CASH FLOW		5
NOTES TO THE FINANCIAL STATEMENTS		6-49
NOTE 1	ORGANISATION AND NATURE OF OPERATIONS	6
NOTE 2	BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	6-18
NOTE 3	CASH AND CASH EQUIVALENTS	19
NOTE 4	FINANCIAL INVESTMENTS.....	19
NOTE 5	BORROWINGS.....	20
NOTE 6	TRADE RECEIVABLES AND PAYABLES.....	21-22
NOTE 7	OTHER RECEIVABLES AND PAYABLES.....	22-23
NOTE 8	OTHER FINANCIAL LIABILITIES	23
NOTE 9	OTHER SHORT TERM LIABILITIES.....	23
NOTE 10	INVENTORIES	23-24
NOTE 11	PROPERTY PLANT AND EQUIPMENT	24-25
NOTE 12	INTANGIBLE ASSETS	26
NOTE 13	PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	26-28
NOTE 14	PROVISION FOR EMPLOYMENT BENEFITS	28-29
NOTE 15	OTHER CURRENT/NON CURRENT ASSETS AND OTHER CURRENT/NON-CURRENT LIABILITIES	29
NOTE 16	EQUITY.....	30-31
NOTE 17	SALES AND COST OF SALES.....	32
NOTE 18	MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES.....	33
NOTE 19	EXPENSES BY NATURE	33
NOTE 20	OTHER INCOME AND EXPENSES.....	34
NOTE 21	FINANCIAL INCOME.....	34
NOTE 22	FINANCIAL EXPENSES.....	35
NOTE 23	TAX ASSETS AND LIABILITIES	35-37
NOTE 24	EARNINGS/ (LOSS) PER SHARE	38
NOTE 25	RELATED PARTY TRANSACTIONS	38-39
NOTE 26	FINANCIAL INSTRUMENTS FINANCIAL RISK MANAGEMENT.....	39-49
NOTE 27	SUBSEQUENT EVENTS.....	49
NOTE 28	DISCLOSURE OF OTHER MATTERS	49

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

BALANCE SHEETS AS OF 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

	Notes	<i>Audited</i> 31 December 2010	<i>Restated</i> <i>Audited</i> 31 December 2009
ASSETS			
CURRENT ASSETS		47.439.360	39.625.474
Cash and cash equivalents	3	6.939.824	5.993.966
Trade receivables	6	23.835.233	17.932.982
Other receivables			
- Due from related parties	25	1.292	1.377
- Other receivables	7	2.951.575	2.259.052
Inventories	10	12.837.154	12.970.248
Other current assets	15	874.282	467.849
NON-CURRENT ASSETS		30.745.807	34.194.264
Other receivables	7	244.531	145.436
Financial investments (net)			
- Available for sale financial assets	4	132.974	184.386
Property, plant and equipment (net)	11	29.519.748	31.416.305
Intangible assets (net)	12	51.355	52.443
Deferred tax assets	23	797.199	1.321.913
Other non-current assets	15	-	1.073.781
TOTAL ASSETS		78.185.167	73.819.738

The financial statements as of and for the year ended 31 December 2010 have been approved by the Board of Directors at 8 March 2011.

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

BALANCE SHEETS AS OF 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (TL) except stated otherwise)

		<i>Audited</i> <i>31 December</i> 2010	<i>Restated</i> <i>Audited</i> <i>31 December</i> 2009
	Notes		
LIABILITIES			
SHORT TERM LIABILITIES		41.592.939	31.739.075
Borrowings	5	23.918.705	7.108.456
Other financial liabilities	8	2.150.250	1.918.842
Trade payables (net)	6	13.639.844	21.250.835
Other payables			
- Due to related parties (net)	25	190.104	21.595
- Other payables	7	1.087.994	884.570
Current income tax liabilities	23	-	-
Provisions for borrowing	13	240.563	292.671
Other current liabilities	9	365.479	262.106
LONG TERM LIABILITES		4.071.491	11.194.686
Borrowings	5	2.256.768	9.369.478
Trade payables (net)	6	279.094	282.236
Provision for employment benefits	14	1.535.629	1.542.972
SHAREHOLDERS' EQUITY		32.520.737	30.885.977
Share capital	16	16.500.000	16.500.000
Adjustment to share capital	16	8.642.368	8.642.368
Restricted reserves	16	221.524	221.524
Retained earnings		5.522.085	8.809.875
Net income /(loss) for the year		1.634.760	(3.287.790)
TOTAL LIABILITES AND EQUITY		78.185.167	73.819.738

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS 1 JANUARY- 31 DECEMBER 2010 AND 2009**

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

	Notes	Audited 2010	Audited 2009
CONTINUING OPERATIONS			
Sales revenue (net)	17	98.498.025	75.895.622
Cost of sales (-)	17	(88.226.574)	(72.951.335)
GROSS PROFIT		10.271.451	2.944.287
Marketing, selling and distribution expenses(-)	18	(5.277.551)	(3.665.328)
General administrative expenses (-)	18	(5.224.096)	(4.083.313)
Other operating income	20	3.467.482	2.524.371
Other operating expenses (-)	20	(394.118)	(873.591)
OPERATING PROFIT/(LOSS)		2.843.168	(3.153.574)
Financial income	21	6.577.723	6.240.998
Financial expenses (-)	22	(7.261.417)	(6.997.244)
PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUED OPERATIONS		2.159.474	(3.909.820)
Tax (expenses) / income from continued operations		(524.714)	622.030
- Current income tax expense for the period	23	-	-
- Deferred tax (expense)/income	23	(524.714)	622.030
NET INCOME/(LOSS) FOR THE PERIOD		1.634.760	(3.287.790)
Other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME (AFTER TAX)		-	-
TOTAL COMPREHENSIVE INCOME / (LOSS)		1.634.760	(3.287.790)
Earnings / (loss) per share		0,10	(0,20)

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY- 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

	Notes	Share capital	Inflation adjustment on share capital	Restricted reserves	Retained earnings	Net (loss) / profit for the period	Total equity
1 January 2009		15.000.000	8.642.368	-	5.172.643	5.358.756	34.173.767
Transfers		1.500.000	-	221.524	3.637.232	(5.358.756)	-
Total comprehensive loss		-	-	-	-	(3.287.790)	(3.287.790)
31 December 2009	16	16.500.000	8.642.368	221.524	8.809.875	(3.287.790)	30.885.977
1 January 2010		16.500.000	8.642.368	221.524	8.809.875	(3.287.790)	30.885.977
Transfers		-	-	-	(3.287.790)	3.287.790	-
Total comprehensive income		-	-	-	-	1.634.760	1.634.760
31 December 2010	16	16.500.000	8.642.368	221.524	5.522.085	1.634.760	32.520.737

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2010 AND 2009

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

	Notes	2010	2009
Operating activities:			
Profit /(loss)for the period		1.634.760	(3.287.790)
Adjustments to reconcile net profit for the period to net cash provided by operating activities:			
Provision for the doubtful receivables	6	-	316.224
Impairment provision on inventories	10	41.888	76.815
Accrued expenses		53.410	147.505
Provision for legal claims	13	120.000	172.450
Provision for impairment on available for sale financial assets	4	51.412	-
Provisions for employee termination benefits	14	613.809	450.802
Depreciation and amortization	19a	3.574.126	2.903.856
Profit / (loss) from sales of property,plant and equipment	20	-	33.930
Reversal of provisions	20	(347.961)	(433.193)
Accrual for unused vacation	20	50.705	16.951
Interest income	21	(126.626)	(151.581)
Interest expense	22	822.270	1.202.740
Tax expense / (income)		524.714	(622.030)
Net cash flow before changes in operating assets and liabilities		7.012.507	826.679
Trade receivables		(5.800.891)	6.129.537
Inventories		164.957	(3.055.833)
Other receivables and other current assets		(191.751)	6.439.204
Trade payables		(7.614.133)	347.878
Receivables from related parties		29	(1.377)
Payables to related parties		181.845	(654.886)
Provisions, other payables and liabilities		421.496	(387.007)
Taxes paid		67.537	(442.290)
Employee termination benefits paid	14	(621.152)	(282.926)
Net cash (used in) /provided from operating activities		(6.379.556)	8.918.979
Investment activities:			
Purchase of property,plant and equipment	11,12	(1.676.481)	(7.931.084)
Interest received		120.533	151.073
Increase in time deposits		-	(15.412)
Net cash used in investing activities		(1.555.948)	(7.795.423)
Financing activities:			
Proceeds from bank borrowings		16.686.634	36.874.614
Repayment of bank loans		(7.442.258)	(32.335.729)
Interest paid		(369.107)	(1.217.503)
Net cash provided from financing activities		8.875.269	3.321.382
Net increase in cash and cash equivalents		939.765	4.444.938
Cash and cash equivalents at the beginning of the period	3	5.992.942	1.548.004
Cash and cash equivalents at the end of the period	3	6.932.707	5.992.942

The accompanying notes form an integral part of these financial statements

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

The operations of Çelik Halat ve Tel Sanayii Anonim Şirketi (“the Company” or “Çelik Halat”), is to manufacture products as single and multiple strand ropes, galvanized wire, bead wire, spring wire, concrete strand, concrete wire, to meet the investment and semi finished goods demands of mining, construction, tire, bead, energy, fishery and other various manufacturing industries. The Company was established in 1962 and is registered in Turkey. The Company is the subsidiary of Doğan Şirketler Grubu Holding A.Ş. (“Doğan Holding”) which owns majority of its shares. The Company’s parent company is Doğan Holding. The number of employees of the Company for the period 1 January-31 December 2010 is 335. (1 January – 31 December 2009: 319)

The registered address of the Company is as follows:

İstiklal Cad. No: 2 Uzunçiftlik,
P.K. 102 41180
İzmit

The Company is registered with the Capital Markets Boards and its shares have been quoted on the Istanbul Stock Exchange market (ISE) since 1987. As of 31 December 2010, the shares quoted on the ISE represent 37,56% of the total shares (Note 16).

Çelik Halat is operating in production of steel wire and energy sectors.

NOTES 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Principles for preparation of financial statements

The Capital Markets Board of Turkey (“CMB”) regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”). This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25 “The Financial Reporting Standards in the Capital Markets”. According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards (“IAS/IFRS”) endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board (“IASB”) are announced by Turkish Accounting Standards Board (“TASB”), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/ Turkish Financial Reporting Standards (“TAS/TFRS”) issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, the Company did not apply IAS 29 “Financial Reporting in Hyperinflationary Economies” issued by IASB in its financial statements for the accounting period starting from 1 January 2005.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010**

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1.1 Principles for preparation of financial statements (cont'd)

Within the scope of CMB's Communiqué No: XI-29 and its announcements clarifying this communiqué the consolidated financial statements have been prepared in accordance with the CMB's Financial Reporting Standards which are based on IAS/IFRS, as the differences of IAS/IFRS, adopted by the European, from those published by IASB have not yet been announced by TASB as of the date of these financial statements. The financial statements and accompanying notes to them have been presented in accordance with the CMB's Communiqué No: XI-29 and its regulations with regard to preparation of financial statements by including the mandatory information. The Company maintains their books of account and prepares their statutory financial statements ("Statutory Financial Statements") in TL in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

2.1.2 New and Revised International Financial Reporting Standards

The following new and revised Standards and Interpretations have been adopted and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no impact on the financial statements are set out below.

a) New and revised standards affecting presentation and explanations of disclosures of the Company;

- IAS 1 Presentation of Financial Statements (as part of improvements in issued IFRS at 2010);
The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Company chosen early adoption to changes. Changes will be applied retroactively

b) Standards, changes to existing standards and interpretations that are effective as of the year 2010 but not related with the Company's operations:

IFRS 3 (revised), "Business Combinations" and IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively for business combinations where the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

IAS 28 Investment in associates regarding transactions when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss. This is not currently applicable to the Company since the Company has no investments in subsidiaries.

IFRIC 17 "Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Company, as it has not made any non-cash distributions.

IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Company, as it has not received any assets from customers.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010**

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1.2 New and Revised International Financial Reporting Standards (Cont'd)

b) Standards, changes to existing standards and interpretations that are effective as of the year 2010 but not related with the Company's operations (cont'd);

“Additional exemptions for first-time adopters” (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Company, as it is an existing IFRS preparer.

IFRS 2, “Share-based Payments – Group Cash-settled Share Payment Arrangements” is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Company, as the Company does not have share-based payment plans.

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRSs issued in 2008) clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Company is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Company will retain a non-controlling interest in the subsidiary after the sale.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover main standards/interpretations as follows: IFRS 2 *Share-based Payments*, IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 8 *Operating Segments*, IAS 1 *Presentation of Financial Statements*, IAS 7 *Statement of Cash Flows*, IAS 17 *Leases*, IAS 18 *Revenue*, IAS 36 *Impairment of Assets*, IAS 38 *Intangible Assets*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRIC 9 *Reassessment of Embedded Derivatives*, IFRIC 16 *Hedges of Net Investment in a Foreign Operation*. The effective dates vary standard by standard but most are effective 1 January 2010.

c) Standards, changes to existing standards and Interpretations that are not yet effective as of the year 2010 and have not been early adopted by the Company:

IFRS 1 (amendments) *First-time Adoption of IFRS – Additional Exemptions*

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December, IFRS 1 is amended to; provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs , provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendment above will be effective for annual periods beginning on or after 1 July 2011.

These amendments are not relevant to the Company, as it is an existing IFRS preparer.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010**

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1.2 New and Revised International Financial Reporting Standards (Cont'd)

c) Standards, changes to existing standards and Interpretations that are not yet effective as of the year 2010 and have not been early adopted by the Company (cont'd);

IFRS 7 “Financial Instruments: Disclosure”

In October 2010, IFRS 7 *Financial Instruments: Disclosures* is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued by the International Accounting Standards Board (IASB). IFRS 9 will ultimately replace IAS 39 *Financial Instruments: Recognition and Measurement*. The standard requires an entity to classify its financial assets on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Company has not had an opportunity to consider the potential impact of the adoption of this standard.

IAS 12 “Income Taxes”

In December 2010, IAS 12 “Income Taxes” standard is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 24 (Revised 2009) Related Party Disclosures

In November 2009, IAS 24 “Related Party Disclosures” was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010**

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1.2 New and Revised International Financial Reporting Standards (Cont'd)

c) Standards, changes to existing standards and Interpretations that are not yet effective as of the year 2010 and have not been early adopted by the Company (cont'd);

IAS 32 (Amendments) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Company has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

IFRIC 14 (Amendments) Pre-payment of a Minimum Funding Requirement

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Company does not expect any impact of the adoption of this amendment on the financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Company has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/interpretations as follows: IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 3 *Business Combinations*; IFRS 7 *Financial Instruments: Disclosures*; IAS 27 *Consolidated and Separate Financial Statements*; IAS 34 *Interim Financial Reporting* and IFRIC 13 *Customer Loyalty Programmes*. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments are allowed. The Company has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1.3 Comparative Informations

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The Company prepared its balance sheet at 31 December 2010 on a comparative basis with balance sheet at 31 December 2009; and statements of comprehensive income/(loss), cash flow and equity for the period between 1 January-31 December 2010 on a comparative basis with the financial statements for the period between 1 January - 31 December 2009.

The presentation and reclassification of financial statement items are changed therefore the Company has reclassified prior period financial statements in order to provide comparability. There are no effects of these changes to prior period equity and net profit / (loss). These reclassifications are as follows:

-Restricted deposit amounted to TL 180.687 that was accounted under “Financial investments” in the balance sheet at 31 December 2009 has been classified under “Other current assets”.

-Electricity accrual and unused vacation accrual amounted to TL 262.106 that was accounted under “Provisions” in the balance sheet at 31 December 2009 has been classified under “Other current liabilities”.

-Transferred trade receivables amounted to TL 1.918.842 accounted under “Trade Receivables” and “Other Financial Liabilities” separately in the balance sheet at 31 December 2009.

2.1.4 Netting/ofsetting

All significant accounts in terms of content and amount is shown separately in financial statements even the items are similar. Immaterial items are disclosed totally in accordance with their nature and function. Measuring assets net of valuation allowances and the offsetting of transactions due to the substance of the transaction is not regarded as a contravention to the offsetting. Revenues for the entity, in the course of the Company’s ordinary activities, except for the ones defined under “Revenue Recognition” section, are presented net when this presentation reflects the substance of the transaction or other event.

2.2 Accounting Policies ,Errors and Changes in Accounting Estimates

Material changes in accounting policies or material errors are corrected, retrospectively; restating the prior period financial statements. Effect of changes in accounting estimates affecting current period is recognized in the current period; effect of changes in accounting estimates affecting current and future periods is recognized in the current period and also in future periods. Effects of changing in accounting policies are explained above (Note 2.1.3).

2.2.1 Estimates of Significant Accounting Policies and Assumptions

Preparation of the financial statements requires the usage of the estimates and judgments affecting the amounts of the assets and liabilities as of the balance sheet date and the income and expenses recorded through the year and explanations of contingent assets and liabilities. Estimations and assumptions can differ from actual results even though these estimations and assumptions are based on Company management’s best knowledge.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010**

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2.1 Estimates of Significant Accounting Policies and Assumptions (Cont'd)

Provision for employment termination benefits

Present values of employment termination liabilities are specified according to specific assumptions on actuarial basis. These assumptions are used to specify the net expenses of employee termination liabilities and contain the discount rate. Any changes occurred on these assumptions affect the booked value of employee termination liability. Actuarial gains and losses are accounted for in the income statement in the period they are incurred.

The Company sets out the proper discount rate for every year end. This rate is used for calculating the present values of possible future outflow of cash that is required for fulfilling employee termination liabilities (Note 14).

2.3 Summary of Significant Accounting Policies

The principal accounting policies, consistently applied with prior years, adopted in the preparation of these financial statements are set out below:

Revenue and Income

Revenues are recognized on accrual basis at the time the Company sells product to the customers, the significant risks and rewards of ownership of the goods is transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of trading goods sold less sales returns, discount and commissions.

Other revenues such as interest income is recognized on an accrual basis using the effective interest rate method, dividend income is recognized when the right to receive dividend is established

Finance Income / Expenses on Due Date Differences

Finance income/expenses on due date differences are incurred from purchases and sales on credit terms. These kinds of income and expenses are treated as finance income and expenses from purchases and sales done on credit terms and they are recognized under finance income and expenses through their term of maturities.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories comprise total purchase costs and other costs incurred in bringing the inventories to their present location and condition. The unit cost of inventories is determined on the moving weighted average basis on product group level. Net realizable value is the estimated selling price in the ordinary course of business, less the expected costs of completion and selling expenses (Note 10).

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Depreciation is provided on the amounts of property, plant and equipment on a straight-line basis based on the estimated useful lives of the assets (Note 11). Land is not depreciated as it is deemed to have an indefinite life.

The estimated useful lives of property, plant and equipment are as follows:

Land improvements	5-50 years
Buildings	10-50 years
Machinery and equipments	5-20 years
Vehicles	5-10 years
Furniture and fixtures	4-20 years

Expenditure incurred to replace a component of an item of tangible assets together with the repair and maintenance expenditure is capitalized if it increases the future economic benefits embodied in the item of tangible assets. All other expenditure is recognized in the statement of income as an expense as incurred. Gains or losses on disposals of property, plant and equipment are included in the other income and expense accounts, as appropriate.

Intangible Assets

Intangible assets comprise energy production license and information technology systems. Intangible assets are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of 3 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 12).

Impairment of Assets

The Company assesses at each reporting date whether there is any indication that an asset, except for deferred tax asset is impaired. If any such indication exists, the recoverable amount of the asset would be estimated. Impairment is recognized in income statement as expense.

An impairment loss recognized in prior periods for an asset is reversed, not exceeding the previously recognized impairment loss amount, if there is a subsequent increase in the recoverable amount due to an event occurred since the last impairment loss was recognized.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

Borrowing Costs

Bank borrowings are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. As the Company has early adopted IAS 23, the portion of interest expense on borrowings which is directly attributable to the acquisition, construction or production of qualifying asset is capitalized while the remaining portion is accounted under the income statement.

Financial Instruments

Financial assets are classified in accordance with the intention at acquisition. Company management determines appropriate classification of its investments at the time of purchase and re-evaluates these classifications in each financial year-end. The Company has classified its financial instruments accordingly:

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides liquid funds, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade receivables, time deposits and other receivables in the balance sheet.

b) Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or not classified in any of the other categories, are classified as available-for-sales. These are included in non-current assets unless management has the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. If there is any impairment on available for sale financial assets, the Company reflects these assets to the financial statements after deduction of impairment from their costs.

All financial assets are initially recognized at cost of purchase plus transaction costs, which is the fair value of the asset. Available for sale financial assets that have quoted market prices in active markets and whose fair value can be reliably measured are subsequently carried at fair value.

Available-for-sale equity investments in which the Company, has an interest below 20% and that do not have quoted market price in active markets and whose fair values cannot be measured reliably, are carried at cost, less any provision for diminution in value (Note 4). The Company accounts for gains and losses from available-for-sale investments, directly in equity until those investments are liquidated.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

c) Derivative financial instruments

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. According to entity's risk management policies, forward contracts for hedging are evaluated as available for sale derivative transactions in financial statements because of non providing of IAS 39 (Financial Instruments Valuation) hedge accounting conditions. Derivative financial instruments are recorded with market value of the signed date of the derivative contracts and subsequently revaluated with market values. Gains and losses that arising from increase or decrease in the fair values of derivative financial instruments are directly associated with income statement. Fair values are determined by discounted cash flows and option pricing models unless are not determined by current market prices in active markets. A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability in balance sheet. The company has no derivative financial instruments as of 31 December 2010.

Foreign currency transactions

Income and expenses arising in foreign currencies have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the statement of income.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies (cont'd)

Earnings/(loss) per share

Earnings/(loss) per share is determined by dividing the net income/loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year (Note 24).

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

Segment reporting

As explained in Note 1, in addition to its major operating segments, the Company has right to produce and sell energy through its auto-producer license. The Company produces energy solely for its own usage and has not sales to third parties. In this context, the Company’s management is not considering energy production for internal usage as a separate operating segment. In this respect, the Company has only one reportable segment and accordingly segment reporting is not applicable.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. These provisions also shown in financial statements.

In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to honor the liability. The rate used to discount provisions to their present values is determined taking into account the interest rate in the related markets and the risk associated with the liability. This discount rate does not consider risks associated with future cash flow estimates and should be pre-tax.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognize contingent assets and liabilities in the financial statements.

Related Parties

For the purpose of these financial statements, Company’s shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties (Note 25).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010**

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTES 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policy (cont'd)

Taxes on income

Taxes on income included in statement of comprehensive income comprise current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Tax bases of assets and liabilities reflect the amounts affecting the future tax bases under the current tax legislation. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Significant temporary differences are composed of the employee termination benefits, the differences between the carrying value of property, plant and equipment, intangible assets, inventories, trade receivables and other liabilities and their tax bases.

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will reverse. Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, if current tax assets can be offset against current tax liabilities (Note 23).

Provision for employment termination benefits

According to the enacted laws, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct, as stated in Labor Law. The provision for employment termination benefits is calculated as the present value of future probable obligation arising from the retirement of the employees using actuarial assumptions (Note 14) and is reflected in financial statements. The Company recognises the increases and payments during the year under the personnel expenses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010**

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTES 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Summary of Significant Accounting Policies(cont'd)

Statements of cash flows

The statements of cash flows reports cash flows during the year classified by operating, investing and financing activities.

Cash flows from operating activities are derived from the principal revenue producing activities of the Company.

Cash flows related to investing activities represent cash flows generated from and used in the investing activities (fixed assets and financial investments) of the Company.

Cash flows related to financing activities represent cash flows generated from Company's financing activities and re-payment of such generated cash-in flows.

Cash and cash equivalents include cash and bank deposits.

Trade Receivables

Trade receivables that are created by the Company by way of providing service or goods directly to a debtor are carried at amortized cost discounted using the effective interest rate.

A risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

Share capital and dividends

Ordinary shares are classified as capital. Dividends distributed over ordinary shares are recorded by deducting from retained earnings within the period in which they are declared.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTES 3 – CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009
Cash	288	274
Banks		
- Demand deposits	1.724.333	1.059.368
- Time deposits	5.215.203	4.934.324
	6.939.824	5.993.966

As of 31 December 2010, the average effective annual interest rates for TL and EUR time deposits are %6,50 and %3,00, respectively (31 December 2009: TL: %6,50, Euro:%0,93 and US Dollar:% 2,25).

As of 31 December 2010, the original maturities of time deposits are less than two months (31 December 2009: less than one month). As of 31 December 2010, the Company has restricted cash amounting to TL 128 (31 December 2009: TL 128).

The cash and cash equivalents included in the statements of cash flows at 31 December 2010, 31 December 2009, and 31 December 2008 are as follows:

	31 December 2010	31 December 2009	31 December 2008
Cash and banks	6.939.824	5.993.966	1.548.520
Less: interest accruals	(7.117)	(1.024)	(516)
	6.932.707	5.992.942	1.548.004

NOTE 4 - FINANCIAL INVESTMENTS

Available-for- sale financial assets:

	Share(%)	31 December 2010	Share(%)	31 December 2009
Doğan Organik Ürünler San. Tic. A.Ş.	Less than 1	158.773	Less than 1	158.773
Kocaeli Serbest Bölgesi Kurucu ve İşleticisi A.Ş.	Less than 1	20.087	Less than 1	20.087
Çelik Enerji Üretim A.Ş.	Less than 1	5.526	Less than 1	5.526
		184.386		184.386
Less: provision for impairment (-) (*) (Note 20)		(51.412)		-
		132.974		184.386

* The provision for impairment is related to Doğan Organik which is not traded in stock market and also described as available for sale financial assets.

The nature and level of risks in financial assets are disclosed in Note 26.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 5 - BORROWINGS

Short-term bank borrowings

	Original currency		Weighted average effective interest rate p.a (%)		TL equivalent	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
TL	235.532	205.254	-	12,5	235.532	205.254
USD	2.020.311	-	2,93	-	3.123.401	-
Euro	10.033.562	3.195.483	4,79	4,1	20.559.772	6.903.202
					23.918.705	7.108.456

Long term bank borrowings

	Original currency		Weighted average effective interest rate p.a (%)		TL equivalent	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Euro	1.101.346	4.337.119	2,09	3,19	2.256.768	9.369.478
					2.256.768	9.369.478

Payment schedule of long term bank borrowings as of 31 December 2010 is shown below:

	2010	2009
2011	-	6.990.241
2012	752.256	793.079
2013	752.256	793.079
2014	752.256	793.079
	2.256.768	9.369.478

Fair value of long term bank borrowings as of 31 December 2010 is TL 2.222.757 (31 December 2009: TL 9.333.256)

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 6 – TRADE RECEIVABLES AND TRADE PAYABLES

	31 December 2010	31 December 2009
Trade Receivables:		
Debtors	21.783.377	17.161.204
Cheques and notes receivable	3.849.383	2.554.371
	25.632.760	19.715.575
Unearned financial income (-)	(204.214)	(87.921)
Provision for doubtful receivables (-)	(1.593.313)	(1.694.672)
Trade receivables-net	23.835.233	17.932.982

The maturities of cheques and notes receivables are less than three months as of 31 December 2010 (31 December 2009: less than six months). The weighted average annual effective interest rates for TL, EUR, and USD denominated trade receivables of the Company are; %11, %0,51 and %0,37 as of 31 December 2010 (31 December 2009: TL:%7, Euro:%43, USD:%0,39 and GBP: %0,57)

During the period, entity transferred TL 2.150.250 (31 December 2009: TL 1.918.842) of trade receivables to an entity which is not a related party. As part of the transfer, the entity provided the transferee a credit guarantee over the expected uncollectibility risk of those receivables. Accordingly, the entity continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (Note 8). As of the reporting date, the carrying amount of the transferred short-term receivables is TL 2.150.250 and the carrying amount of the associated liability is TL 2.150.250. The same presentation is performed for 31 December 2009 financial statements.

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

	2010	2009
1 January	(1.694.673)	(1.711.222)
Increase during the period (Note 20)	-	(316.224)
Collections (Note 20)	97.726	327.624
Reversal of provision (Note 20)	3.634	5.150
As of 31 December	(1.593.313)	(1.694.672)

The nature and level of risks in trade receivables are disclosed in Note 26.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 6 – TRADE RECEIVABLES AND TRADE PAYABLES (Cont'd)

Short Term Trade Payables:

	31 December 2010	31 December 2009
Suppliers	13.689.069	21.307.911
Unrealized financial expenses (-)	(49.225)	(57.076)
Short Term Trade Payables-net	13.639.844	21.250.835

The weighted average maturity of trade payables as of 31 December 2010 is less than 6 months. (31 December 2009: less than 6 months). The annual effective interest rates for TL, EUR and USD denominated trade payables of the Company are 11%, 0,74 and,0,42% respectively (31 December 2009: TL: 6,79%, EURO: 0,53% and USD: 0,43%).

Long term trade payables

	31 December 2010	31 December 2009
Other trade payables	307.003	307.003
Unrealized financial expenses (-)	(27.909)	(24.767)
Long term trade payables-net	279.094	282.236

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

a) Other short term receivables:

	31 December 2010	31 December 2009
Advances given (*)	2.925.675	2.239.485
Personnel advances	25.750	17.091
Other receivables	94	2.476
	2.951.519	2.259.052

(*) The Company has paid in advance for raw material purchases from foreign countries.

b) Other long term receivables:

	31 December 2010	31 December 2009
Deposits and guarantees given	244.531	143.205
Advances given for tangible assets	-	2.231
	244.531	145.436

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 7 – OTHER RECEIVABLES AND PAYABLES (Cont'd)

c) Other short term payables:

	31 December 2010	31 December 2009
Advances received	251.154	204.115
Payables to personnel	286.157	282.292
Social security premiums	248.073	219.215
Taxes and funds payables	267.515	170.842
Other	35.095	8.106
	1.087.994	884.570

NOTE 8 – OTHER FINANCIAL LIABILITIES

	31 December 2010	31 December 2009
Factoring liabilities	2.150.250	1.918.842
	2.150.250	1.918.842

Secured borrowings of TL 2.150.250 (31 December 2009: TL 1.918.842) is secured by a specific part of the Company's trade receivables. (Note 6).

NOTE 9 – OTHER SHORT TERM LIABILITIES

	31 December 2010	31 December 2009
Provision for unused vacation	167.627	116.921
Accrual for electricity expenses	197.852	145.185
	365.479	262.106

NOTE 10 – INVENTORIES

	31 December 2010	31 December 2009
Direct raw materials and supplies	7.766.117	8.307.036
Work in progress	1.371.797	1.726.131
Finished goods	3.453.921	2.119.899
Goods in transit	299.832	874.680
Other	-	28.878
	12.891.667	13.056.624
Provision for impairment of raw materials and supplies (-)	-	(26.699)
Provision for impairment of finished goods (-)	(54.513)	(59.677)
	12.837.154	12.970.248

The cost of inventories recognized as expense and included in cost of goods sold in the current year, amounted to TL 63.396.577 (31 December 2009: TL 54.311.808) (Note 17.b).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 10 – INVENTORIES (Cont'd)

The movements of provision for impairment of inventories during the periods are as follows:

	2010	2009
1 January	(86.376)	(108.940)
Reversal of provision (Note 20)	73.751	99.379
Increase in period (Note 20)	(41.888)	(76.815)
As of 31 December	(54.513)	(86.376)

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2010	Additions	Disposal	Transfers(*)	31 December 2010
<u>Cost</u>					
Land	992.168	-	-	-	992.168
Land improvement	670.592	16.673	-	-	687.265
Buildings	15.699.985	27.152	-	-	15.727.137
Machinery and equipment	74.354.695	1.274.477	-	-	75.629.172
Motor vehicles	268.487	-	(60.273)	-	208.214
Furniture and fixtures	7.203.545	258.937	-	-	7.462.482
Construction in progress	57.553	45.143	-	-	102.696
	99.247.025	1.622.382	(60.273)	-	100.809.134
<u>Accumulated depreciation</u>					
Land improvement	(623.702)	(4.028)	-	-	(627.730)
Buildings	(10.606.420)	(335.511)	-	-	(10.941.931)
Machinery and equipments	(50.721.470)	(3.031.192)	-	-	(53.752.662)
Motor vehicles	(214.365)	(21.023)	60.273	-	(175.115)
Furniture and Fixtures	(5.664.763)	(127.185)	-	-	(5.791.948)
	(67.830.720)	(3.518.939)	60.273	-	(71.289.386)
Net book value	31.416.305				29.519.748

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	1 January 2009	Additions	Disposals	Transfers(*)	31 December 2009
<u>Cost</u>					
Land	992.168	-	-	-	992.168
Land improvement	670.592	-	-	-	670.592
Buildings	15.693.056	6.929	-	-	15.699.985
Machinery and equipment	66.616.535	274.533	-	7.463.627	74.354.695
Motor vehicles	268.487	-	-	-	268.487
Furniture and fixtures	7.187.351	200.967	(184.773)	-	7.203.545
Construction in progress	462.826	7.430.309	(371.955)	(7.463.627)	57.553
	91.891.015	7.912.738	(556.728)	-	99.247.025
Provision for impairment (-)	(371.955)	-	371.955	-	-
	91.519.060	7.912.738	(184.773)	-	99.247.025
<u>Accumulated depreciation</u>					
Land improvement	(620.479)	(3.223)	-	-	(623.702)
Buildings	(10.269.273)	(337.147)	-	-	(10.606.420)
Machinery and equipment	(48.339.457)	(2.382.013)	-	-	(50.721.470)
Motor vehicles	(189.505)	(24.860)	-	-	(214.365)
Furniture and fixtures	(5.582.572)	(105.636)	23.445	-	(5.664.763)
	(65.001.286)	(2.852.879)	23.445	-	(67.830.720)
Net book value	26.517.774				31.416.305

(*) Transfers represent accomplished investments of machines and equipments in the periods.

Amortization expenses for the period ended 31 December 2010 are reflected as follows: TL 2.511.748 (31 December 2009: TL 1.990.949) is reflected to cost of goods sold (Note 17), TL 537.090 (31 December 2009: TL 454.143) is reflected to operating expenses (Note 18), TL 470.101 is reflected to (31 December 2009: TL 407.787) inventories (Note 19).

There is no collateral on property, plant and equipment as of 31 December 2010 (31 December 2009: None).

There is no capitalized cost of borrowings on the fixed assets as of the period 1 January – 31 December 2010 in accordance with IAS 23 (Note 2.4)

The Company does not have any fixed assets acquired through financial leasing agreements (31 December 2009 : None).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 12 – INTANGIBLE ASSETS

	1 January 2010	Additions	Disposals	31 December 2010
Energy production license	5.549	-	-	5.549
Information systems	757.008	54.099	-	811.107
Accumulated amortization	(710.114)	(55.187)	-	(765.301)
Net Book Value	52.443			51.355

	1 January 2009	Additions	Disposals	31 December 2009
Energy production license	5.549	-	-	5.549
Information technology	738.662	18.346	-	757.008
Accumulated amortization	(659.137)	(50.977)	-	(710.114)
Net Book Value	85.074			52.443

As of 31 December 2010, total amount of amortization is reflected to accounts as follows: TL 40.798 (31 December 2009: TL 35.575) is reflected to cost of goods sold (Note 17), TL 7.673 (31 December 2009: TL 8.115) is reflected to operating expenses (Note 18), TL 6.716 (31 December 2009: TL 7.287) is reflected (Note 19) to inventories.

NOTE 13 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2010	31 December 2009
Provision for pending litigations (1)	237.500	290.350
Other	3.063	2.321
	240.563	292.671

- (1) There are various on-going lawsuits where the Company is litigant or defendant. These lawsuits are mainly related to labor cases and receivables. At the end of each period, the management evaluates the possible causes and financial impacts of these lawsuits and the necessary provisions are provided based on the estimation of the management regarding the possible gains and losses. The provision as of 31 December 2010 is TL 237.500 (31 December 2009: TL 290.350).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 13 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

a) Provisions (Cont'd)

The movement of provision for pending litigations during the period is as follows:

	2010	2009
1 January	290.350	135.340
Increase during the period (Note 20) *	120.000	172.450
Payments during the period (Note 20)	-	(16.400)
Reversal of provisions (Note 20) **	(172.850)	(1.040)
As of 31 December	237.500	290.350

* These lawsuits are mainly related to labor cases.

** TL 143.350 amount of reversal of provisions consists of reversal of prior period provisions that are booked for cases which are resulted in favour of the Company.

The lawsuit amounting to TL 769.916 against the Company is commenced by “Türkiye Taşkömürü Kurumu Genel Müdürlüğü” in year 2001 for material compensation. Since the probable loss at the end of this case is within the scope of product liability insurance, no provision is accounted for in these financial statements by the management.

b) The detail of the collateral, pledges and mortgages “CPM” given by Company are as follows;

	31 December 2010	31 December 2009
A CPM’s given in the name of its own legal personality (*)	2.515.605	2.345.844
B CPM’s given on behalf of fully consolidated companies	-	-
C CPM’s given on behalf of third parties for ordinary course of business	-	-
D Total amount of other CPM’s	-	-
i) Total amount of CPM’s given on behalf of the majority shareholder	-	-
ii) Total amount of CPM’s given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPM’s given on behalf of third parties which are not in scope of C,	-	-
	2.515.605	2.345.844

(*) There is no mortgage given in the name of the Company’s own legal personality (31 December 2009: None).

All guarantees are given on the behalf of the Company’s own legal personality. The ratio of other CPM’s given to the equity of the Company is %0,0 as of 31 December 2010 (31 December 2009: %0,0).

Original foreign currency amounts of CPMs given on the behalf of the Company’s own legal personality are TL 1.039.656, USD 706.599 (TL 1.092.402) and EUR 187.178 (TL 383.547).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 13 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

c) Contingent Assets and Liabilities

The Company's contingent assets and liabilities, for which significant debt and loss are not expected, are summarized below:

	31 December 2010	31 December 2009
Letter of guarantee received	1.964.469	3.652.250
Guarantee notes received	1.925.648	2.024.132
Guarantee cheques received	420.901	427.131
Mortgages	1.161.500	2.061.500
	5.472.518	8.165.013

As of 31 December 2010, the Company has letter of credit agreements related to “raw material purchase” amounting to TL 7.034.686 (31 December 2009: TL 15.841.368) and raw material purchase loan agreement amounting to TL 8.509.977, (31 December 2009: TL 14.062.142). In addition, the Company has not any agreement for “fixed asset purchase” (31 December 2009: TL 144.740) (EUR 67.000).

NOTE 14 – PROVISION FOR EMPLOYMENT BENEFITS

Provision for employment termination benefits

	31 December 2010	31 December 2009
Provision for employment termination benefits	1.535.629	1.542.972

There are no agreements for pension commitments other than the legal requirements as explained below.

In accordance with Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or achieves the retirement age (58 for women and 60 for men). The amount payable consists of one and a half month's salary for employments under labor agreements and one month's salary for the remaining personnel and the ceiling applied in the computations of such liability is TL 2.623,23 (31 December 2009: TL 2.427,03).

Provision for termination indemnities is not funded in respect of laws.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

CMB Accounting Standards requires actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 14 – PROVISION FOR EMPLOYEMENT BENEFITS (Cont'd)

	31 December 2010	31 December 2009
Discount Rate	%4,66	%5,92
Turnover rate to estimate the probability of retirement	%94	%96

The principal assumption is that the maximum liability, which is TL 2.623,23 as of 1 January 2011 (31 December 2009: TL 2.427,03), for each year of service will increase in line with inflation. As a result of this, applied discount rate represents the real value that has been filtered from expected inflation effect.

The movements of the provision for employment termination benefits are as follows:

	2010	2009
1 January	1.542.972	1.375.096
Increase in 2010 period	613.809	450.802
Payments	(621.152)	(282.926)
As of 31 December 2010	1.535.629	1.542.972

NOTE 15 - OTHER CURRENT/NON-CURRENT ASSETS AND CURRENT/NON-CURRENT LIABILITIES

Other current assets:

	31 December 2010	31 December 2009
VAT receivables	554.176	172.502
Restricted deposits	191.526	180.687
Prepaid taxes and funds (Note 23)	67.537	11.584
Prepaid expenses	33.878	40.702
Job advances	-	26.998
Incentive revenue from Social Security Premium	27.165	25.851
Other receivables	-	9.525
	874.282	467.849

Total amount of the restricted deposits of the Company is TL 191.526 (31 December 2010: TL180.687) of which TL 2.788 consists of interest accrual as of 31 December 2010 (31 December 2009: TL 2.596). Annually effective interest rates applied to restricted deposits is %7 and original maturity period is shorter than two months.

Other non-current assets

	31 December 2010	31 December 2009
VAT receivables	-	1.073.781

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 16 - EQUITY

a) Paid in-capital

The Company's registered share capital amounts to TL 25.000.000 as of 31 December 2010.

The composition of the Company's statutory paid-in capital at 31 December 2010 and 31 December 2009 are as follows:

	%	31 December 2010	%	31 December 2009
Doğan Holding	62,44	10.302.600	62,44	10.302.600
Quoted in ISE	37,56	6.197.400	37,56	6.197.400
Capital	100,00	16.500.000	100,00	16.500.000
Adjustment to share capital		8.642.368		8.642.368
Total		25.142.368		25.142.368

As of 31 December 2010 the shareholding rate of Doğan Holding has increased to 78,69% as a result of share purchases from ISE. The main shareholder of the Company is Dogan Holding and the ultimate shareholder is Dogan Family.

The Company has 16.500.000 units of shares with a face value of TL 1 each (31 December 2009: TL 16.500.000 units). The Company does not have privileged shares.

Adjustment to share capital represents the total previous restatement effect of cash contributions to share capital.

b) Restricted reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

In accordance with Communiqué No. XI-29 and related announcements of the CMB, effective from 1 January 2008, Legal Reserves are classified as "Restricted Reserves"; amounting to TL 221.524 as of 31 December 2010 (31 December 2009: TL 221.524).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 16 – EQUITY (Cont'd)

c) Net period profit / Retained earnings

The quoted companies are subject to dividend requirements regulated by the CMB as follows:

In accordance with the decision of the CMB dated 27 January 2010 numbered 02/51; it has been concluded that there should be no minimum set for publicly held corporations' dividend distribution for operations of the financial year 2009. In accordance with Communiqué No. IV-27, distribution of the profit would be realized on the basis set in the Articles of Association of the entity and based on the dividend distribution policies of the entity.

Since 31 December 2009 financial statements has resulted in a net loss of TL 3.287.790, in Annual General Meeting of 2009 it has been decided not to distribute dividend.

As a result of restated of the financial statements in accordance with inflation, equity items; "Capital, Emission Premiums, Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves" are stated in their book values in the equity at balance sheet. Equity inflation adjustment differences could have been utilised only in offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in cash dividend distribution and offsetting accumulated losses.

The CMB's requires the disclosure of total amount of net profit after deduction of accumulated losses in the statutory records and other resources which may be subject to distribution in the financial statements prepared in accordance with Communiqué Serial XI, No: 29. As of the balance sheet date, the Company's gross amount of resources that may be subject to the profit distribution based on the statutory records amounts to TL 5.405.401 from which first and second reserve will be appropriated.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 17 – SALES AND COST OF SALES

a) Sales Revenues:

	2010			2009		
	Domestic sales	Foreign sales	Total	Domestic sales	Foreign sales	Total
Wire rope	12.592.356	15.300.621	27.892.977	11.251.198	12.767.177	24.018.375
Bead wire	15.146.293	7.538.218	22.684.511	10.942.297	7.290.252	18.232.549
Prestressed concrete strand	21.347.664	11.774.738	33.122.402	13.236.352	2.849.711	16.086.063
Single strand	1.668.213	-	1.668.213	5.110.811	581.607	5.692.418
Concrete wire	2.750.950	-	2.750.950	4.324.410	-	4.324.410
Spring wire	10.249.628	14.055	10.263.683	7.129.933	26.089	7.156.022
Galvanized wire	2.742.061	2.791	2.744.852	2.344.238	-	2.344.238
Other	39.736	-	39.736	474.634	-	474.634
Gross sales	66.536.901	34.630.423	101.167.324	54.813.873	23.514.836	78.328.709
Sales returns and discounts (-)	(2.549.947)	(119.352)	(2.669.299)	(2.362.221)	(70.866)	(2.433.087)
	63.986.954	34.511.071	98.498.025	52.451.652	23.443.970	75.895.622

The Company performs foreign sales to Europe by % 44 (2009: %64), to USA by %44 (2009: %24) and to Asia by %9 (2009:%9).

b) Cost of Sales:

	2010	2009
Cost of raw material (Note 10)	63.396.577	54.311.808
General production expenses	13.274.727	9.255.667
Labour cost (Note 19.b)	9.002.724	7.357.336
Depreciation and amortization cost (Note 11 and 12)	2.552.546	2.026.524
	88.226.574	72.951.335

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 18 – MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATION EXPENSES

	1 January - 31 December 2010			1 January - 31 December 2009		
	Sales and marketing expenses	General administrative expenses	Total	Sales and marketing expenses	General administrative expenses	Total
Personnel expenses	561.282	1.681.254	2.242.536	554.652	1.487.124	2.041.776
Advertisement and marketing expenses	3.412.443	-	3.412.443	2.151.794	-	2.151.794
Service costs	721.719	1.455.868	2.177.587	445.713	1.031.040	1.476.753
Depreciation and amortization expenses (Notes 11 and 12)	259.347	285.416	544.763	175.968	286.291	462.259
Remuneration of key management personnel (Note 25.ii.c.)	-	851.874	851.874	-	687.604	687.604
Travel and transportation expenses	85.341	97.153	182.494	259.534	112.234	371.768
Lawsuit, tax, official and fee expenses	13.258	138.670	151.928	2.617	150.521	153.138
Donations and grants	-	-	-	-	570	570
Other	224.161	713.861	938.022	75.050	327.929	402.979
	5.277.551	5.224.096	10.501.647	3.665.328	4.083.313	7.748.641

NOTE 19 – EXPENSES BY NATURE

a) The allocation of depreciation and amortization expenses of the Company is as follows:

	2010	2009
Cost of sales (Note 17.b)	2.552.546	2026.524
Inventories (Notes 11 and 12)	476.817	286.291
Sales and marketing expenses (Note 18)	259.347	415.073
General administrative expenses (Note 18)	285.416	175.968
	3.574.126	2.903.856

b) Personnel expenses distribution of the Company is as follows:

	2010	2009
General production expenses (Note 17.b)	9.002.724	7.357.336
General administrative expenses (Note 18)	2.533.128	2.174.728
Sales and marketing expenses (Note 18)	561.282	554.652
	12.097.134	10.086.716

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 20 – OTHER OPERATING INCOME AND EXPENSES

Other operating income and profits:

	2010	2009
Scrap sales income	1.537.993	1.034.830
Indemnity compensation from insurance	614.356	95.724
Reversal of provisions (Notes 6, 10 and 13)	347.961	433.193
Incentive for Social Security Premium	232.771	297.246
Factoring income	115.153	170.196
Transportation income	77.634	55.874
Price difference and penalty income	-	329.101
Other	541.614	108.207
Total	3.467.482	2.524.371

Other operating expenses and losses:

	2010	2009
Provision for pending litigations (Note 13)	(120.000)	(172.450)
Factoring expenses	(115.153)	(169.663)
Provision for inventory impairment (Note 10)	(41.888)	(76.815)
Provisions for impairment in financial assets available for sale (Note 4)	(51.412)	-
Accrual for unused vacation	(50.705)	(16.951)
Provisions for doubtful receivables (Note 6)	-	(316.224)
Loss on sale of fixed assets	-	(33.930)
Other	(14.960)	(87.558)
Total	(394.118)	(873.591)

NOTE 21 – FINANCIAL INCOME

	2010	2009
Foreign exchange gains	6.376.692	5.336.813
Interest income	126.626	151.581
Interest income on due dated sales	58.568	738.031
Other	15.837	14.573
Total	6.577.723	6.240.998

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 22 – FINANCIAL EXPENSES

	2010	2009
Foreign exchange losses	(6.259.266)	(5.205.188)
Interest expenses	(822.270)	(1.202.740)
Interest expense on due dated purchases	(179.881)	(414.650)
Other	-	(174.666)
Total	(7.261.417)	(6.997.244)

NOTE 23 – TAX ASSETS AND LIABILITIES

	31 December 2010	31 December 2009
Corporate and income tax payables	-	-
Prepaid taxes (Note 15)	(67.537)	(11.584)
Current income tax liability	(67.537)	(11.584)

Tax income /(loss) for the periods ended 31 December 2010 and 2009 are detailed below:

	2010	2009
Current period tax expense	-	-
Deferred tax (expense) /income	(524.714)	622.030
Total tax (expense)/income - net	(524.714)	622.030

The Corporate Tax Law was amended by Law No.5520 dated 13 June 2006. Most of the articles of the new Corporate Tax Law, No.5520, have come into force effective from 1 January 2006. According to this law, corporate tax rate in Turkey is %20 (2009: %20).

Corporation tax rate is applied to the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption) and corporate income tax deductions (like research and development expenses deduction). No further tax is payable unless the profit is distributed.

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.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 23 – TAX ASSETS AND LIABILITIES (cont'd)

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by the 14th and payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

There is no such application for the reconciliation of tax payables with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the fourth month following the month when the accounting year ends.

In tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. However, Tax losses cannot be carried back to offset profits from previous periods

There are numerous exemptions in the Corporate Tax Law concerning corporations. Those exemptions which are related to the Company have been taken into consideration in the calculation of corporate tax.

In determination of corporate tax base, deductions which are specified in Corporate Tax Law 8,9 and 10 and with the article 40 Income Tax Law are also taken into consideration.

Deferred taxes

The Company recognizes deferred income tax assets and liabilities based on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements by using the currently enacted tax rates. The currently enacted tax rate for temporary differences is %20 (31 December 2009: %20).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 23 – TAX ASSETS AND LIABILITIES (cont'd)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) at 31 December 2010 and 31 December 2009 is as follow:

	Temporary difference		Deferred tax and Liabilities	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Carry forward tax losses	(3.213.458)	(4.475.488)	642.692	895.098
Provisions for employment termination benefits	(1.535.629)	(1.542.972)	307.126	308.594
Accrual for unused vacations	(167.627)	(116.922)	33.525	23.384
Provision for pending litigations	(237.500)	(290.350)	47.500	58.070
Inventories	(54.515)	(175.853)	10.903	35.171
Differences between the tax base and carrying value of property, plant and equipment and intangible assets	1.542.735	40.612	(308.547)	(8.122)
Provision doubtful receivables	(29.616)	(33.248)	5.923	6.650
Sales cut-off and its effect on inventory-net	(267.469)	(14.967)	53.494	2.993
Provision for impairment on financial assets available for sale	51.412	-	10.282	-
Deferred accounts receivable and payable income and expenses-net	12.689	4.410	(2.538)	(882)
Other	15.805	(4.792)	(3.161)	957
			797.199	1.321.913

Expiration schedule of carryforward tax losses is as follows:

	31 December 2010	31 December 2009
End at the year 2014	3.213.458	4.475.488

Deferred tax assets' movements in the periods are as follows:

	2010	2009
1 January	1.321.913	699.883
Deferred tax (expenses) / income	(524.714)	622.030
31 December	797.199	1.321.913

The reconciliation of tax expense of current period is as follow:

	2010	2009
Income / (Loss) before taxation on income (in accordance with CMB accounting standards)	2.159.272	(3.909.820)
Tax (income)/expense calculated with current tax rate %20 (2009: %20)	(431.895)	781.964
Tax effect:		
-No deductible expenses	(253.888)	(255.359)
-Deductible income	135.547	167.312
-Other, net	25.522	(71.887)
Current period tax (expense) /income– net	(524.714)	622.030

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 24 – EARNINGS /(LOSS) PER SHARE

Earnings/(loss) per share stated in the statement of income are calculated by dividing the net income /(loss) by the weighted average number of ordinary shares outstanding during the year.

Companies in Turkey can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders from statutory retained earnings and statutory revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares in existence during the year has been adjusted in respect of bonus share issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Basic earnings/(loss) per share are calculated by dividing the net income/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue.

	2010	2009
Net profit /(loss) attributable to shareholders	1.634.760	(3.287.790)
Weighted average number of ordinary shares in issue	16.500.000	16.500.000
Earning /(loss) per share (in full TL for per share)	0,10	(0,20)

NOTE 25 – RELATED PARTY TRANSACTIONS

The main shareholder of the company is Dogan Holding and ultimate shareholder is Dogan Family. Çelik Enerji, Doğan Organik and Kocaeli Serbest Bölge is described as available for sale financial assets and other group companies controlled by Doğan Holding are defined as Company’s related party. Related party balances and transactions are listed below.

i) Balances with related parties:

a) **Other payables:**

	31 December 2010	31 December 2009
Doğan Holding	320	2.618
Doğan Factoring Hizmetleri A.Ş.	116.093	-
Bağımsız Gazeteciler Yayıncılık A.Ş.	61.064	-
Milta Turizm İşletmeleri A.Ş. (“Milta”)	12.296	3.047
Petrol Ofisi A.Ş. (*)	-	15.599
Other	331	331
	190.104	21.595

(*)Dogan Holding has transferred its shares of Petrol Ofisi A.Ş to OMV on 22 December 2010, therefore during the preparation of the balance sheet dated 31 December 2010, it is not considered as related party.

b) **Other Receivables:**

	31 December 2010	31 December 2009
Doğan İletişim Elektronik Servis Hizmetleri ve Yayıncılık A.Ş.	1.292	1.377

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 25 – RELATED PARTY TRANSACTIONS (Cont'd)

ii) Transactions with related parties:

a) Purchases from related parties:

	2010	2009
Doğan Holding (1)	1.005.378	612.540
Milta Turizm İşletmesi A.Ş.(2)	313.885	200.411
Petrol Ofisi A.Ş. (3)	229.506	160.201
Doğan Faktoring Hizmetleri A.Ş.	22.434	22.809
Other	-	1.651
Total	1.571.203	997.612

(1) Purchases from Doğan Holding consist of consulting and technical support for services provided.

(2) Purchases from Milta were related to vehicle rent, ticketing and accommodation arrangements organized by Milta.

(3) Petrol Ofisi, which was owned by Dogan Holding, is sold to OMV at 22 December 2010 and it is considered as related party until this date. TL 229.506 consists of fuel purchases until disposal date.

b) Dividend income from related parties

	2010	2009
Kocaeli Serbest Bölge	15.837	13.178

c) Remuneration of key management personnel (Note 18):

	2010	2009
Short term employee benefits	814.884	656.265
Other long term benefits	36.990	31.339
Total	851.874	687.604

d) Guarantees given and received:

The Company received a guarantee from Doğan Holding amounting to EUR 2.675.800 (31 December 2009: EUR 3.237.515) related with its long-term bank borrowing. The Company does not have any guarantees given to the related parties.

NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks. These risks are market risk (foreign currency risk, fair value interest rate risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Foreign currency risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities, resulted from the commercial activities in foreign markets. These risks are monitored and limited by analysis of the foreign currency position. The management limits the foreign currency position of the Company through analyzing it.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 26 – NATURE AND THE LEVEL OF RISK FROM FINANCIAL RISK (Cont'd)

a) Market Risk

The amounts of foreign currency denominated assets and liabilities in TL as of 31 December 2010 and 31 December 2009 are as follows:

	2010			
	TL	USD	EUR	GBP
Trade receivables	8.560.244	2.845.197	1.953.868	66.105
Monetary financial assets (Including cash and banks accounts)	5.102.681	80.612	2.429.386	-
Current assets	13.662.925	2.925.809	4.383.254	66.105
Total assets	13.662.925	2.925.809	4.383.254	66.105
Trade payables	4.758.086	20.014	2.306.937	-
Borrowings (Note 5)	23.683.173	2.020.311	10.033.562	-
Other monetary liabilities	2.256.768	-	1.101.346	-
Other non-monetary payables	147.746	2.860	69.945	-
Short term liabilities	30.845.773	2.043.185	13.511.790	-
Borrowings (Note 5)	2.256.768	-	1.101.346	-
Long term liabilities	2.256.768	-	1.101.346	-
Total liabilities	33.102.541	2.043.185	14.613.136	-
Total amount of hedged assets (*)				
Total amount of hedged liabilities(*)	-	-	-	-
	-	-	-	-
Net Assets/(Liabilities) position of Off-Balance Sheet Derivative Financial Instruments	-	-	-	-
Net Foreign Currency (Liabilities)/ Asset Position	(19.439.616)	882.624	(10.229.882)	66.105
Net Foreign Exchange (Liability)/ Assets Monetary Items	(19.291.870)	885.484	(10.159.937)	66.105
Export (Note 17)	34.511.071	7.765.565	10.916.016	243.416
Import	53.237.702	35.420	26.744.803	-

(*) The Company has no forward agreement to avoid currency risk as of 31 December 2010 (31 December 2009: 4 forward contracts, commitments to sell as amounted to EUR 1.211.348 to purchase as amounted USD 1.749.118 and these contracts' weighted maturity is 4 months).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010**

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

**NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

	2009			
	TL	USD	EURO	GBP
Trade receivables	7.354.610	940.635	2.797.081	56.088
(Including cash and banks accounts)	4.819.013	500.010	1.882.214	-
Current assets	12.173.623	1.440.645	4.679.295	56.088
Total assets	12.173.623	1.440.645	4.679.295	56.088
Trade payables	18.478.489	49.892	8.518.551	310
Borrowings (Note 5)	6.903.202	-	3.195.483	-
Other monetary financial liabilities	1.918.842	-	998.513	-
Other non-monetary payables	146.951	5.003	64.536	-
Short term liabilities	27.447.484	54.895	12.777.083	310
Borrowings (Note 5)	9.369.478	-	4.337.119	-
Long term liabilities	9.369.478	-	4.337.119	-
Total liabilities	36.816.962	54.895	17.114.202	310
Total amount of hedged assets (*)	2.616.875	-	1.211.348	-
Total Amount of hedged liabilities (*)	(2.633.646)	(1.749.118)	-	-
Net Assets /(Liabilities) of Off-Balance Sheet Derivative Financial Instrument	(16.771)	(1.749.118)	1.211.348	-
Net Foreign Currency (Liabilities)/Asset Position	(24.643.339)	1.385.750	(12.434.907)	55.778
Net Monetary Foreign Currency (Liability) /Asset Position	(24.496.388)	1.390.753	(12.370.371)	55.778
Export (Note 17)	23.443.970	4.159.885	7.679.733	179.913
Import	39.032.696	1.862.138	16.808.381	-

As of 31 December 2010, the following exchange rates used for revaluation: TL 1,5460 = US\$ 1, TL 2,049 = EUR 1, TL 2,3886 = GBP 1 (31 December 2009: TL 1,5057 = US\$ 1, TL 2,1603 = EUR 1, TL 2,3892 = GBP 1).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 26 – NATURE AND THE LEVEL OF RISK FROM FINANCIAL RISK (Cont'd)

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 31 December 2010 and 2009 under the assumption of the appreciation and depreciation of TL against other currencies by 5% with all other variables held constant, is as follows:

	2010			
	Profit/Loss		Equities	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
Had TL appreciate /depreciate by %5 against USD				
Profit/Loss from USD				
net asset position	68.227	(68.227)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net Effect of USD	68.227	(68.227)	-	-
Had TL appreciate /depreciate by %5 against EUR				
Profit/Loss from EUR				
net assets position	(1.048.103)	1.048.103	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net effect of EUR	(1.048.103)	1.048.103	-	-
Total net effect	(979.876)	979.876	-	-

	2009			
	Profit/Loss		Equities	
	Profit/Loss Appreciation of Foreign Currency	Depreciation of Foreign Currency	Equities Appreciation of Foreign Currency	Depreciation of Foreign Currency
Had TL appreciate /depreciate by %5 against USD				
Profit/Loss from USD				
net asset position	104.326	(104.326)	-	-
Hedged amount against USD risk(-)	-	-	-	-
Net Effect of USD	104.326	(104.326)	-	-
Had TL appreciate /depreciate by %5 against EUR				
Profit/Loss from EUR				
net assets position	(1.343.156)	1.343.156	-	-
Hedged amount against EUR risk(-)	-	-	-	-
Net effect of EUR	(1.343.156)	1.343.156	-	-
Total net effect	(1.238.830)	1.238.830	-	-

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Price Risk

As the equity investments classified under financial assets of the Company are not quoted in an active market, the Company is not exposed to price risk.

Cash flow and fair value interest rate risk

The Company has interest-bearing debt with variable and fixed interest rate. The Company is exposed to cash flow interest rate risk due to variable interest rate loans. In addition, fixed interest rate loans are subject to fair value interest rate risk. As of 31 December 2010, if the variable interest rate loans on TL basis were 100 base points higher/lower and all other variables remained constant, effect of change is amounting to TL 136.001 (31 December 2009: TL 25.746)

Financial instruments with variable interest rates	Interest position table	
	31 December 2010	31 December 2009
Financial liabilities	(20.362.859)	(10.803.547)
	(20.362.859)	(10.803.547)

b) Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company prefers to work with banks having high credit notes. The credit notes of the banks in which the Company has time deposit and demand deposit are BB-. The Company assesses the credit quality of the customers by assessing the financial position of the customers, past experiences and other factors as a part of its credit risk management programme. The Company management manages these risks by limiting the average risk to any individual counterparty, by obtaining guarantees where necessary and management does not expect any losses from non-performance by any counterparty as of the balance sheet date. The Company management evaluates the over-due trade receivables to a certain time in terms of current market conditions and accounts them as net in its balance sheet after booking necessary doubtful receivable provision.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010**

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The Company's maximum exposure to credit risk as of 31 December 2010 and 31 December 2009 is as follow:

	2010			
	Trade receivable	Other receivable	Bank Deposits	Available for sale financial assets
Amount exposed to maximum credit risk:	23.835.233	3.197.398	7.131.350	132.974
- The secured part of the maximum credit risk by guarantee letter etc. (*)	2.070.328	-	-	-
Net book value of financial assets which are undue or not impaired	20.654.821	-	-	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired	-	-	-	-
Net book value of due dated but not impaired assets	3.180.412	-	-	-
- The secured part with guarantee letter etc. (*)	2.020.300	-	-	-
Net book value of impaired assets				
- Due dated (Gross book value)	1.593.313	-	-	-
- Provision (-)	(1.593.313)	-	-	-
- The secured part of the net value by guarantee letter etc. (*)	-	-	-	-
-Undue (Gross book value)	-	-	-	-
- Provision (-)	-	-	-	-
- The secured part of the net book value by guarantee letter etc. (*)	-	-	-	-
Off-Balance sheet items exposed to credit risk	-	-	-	-

(*) The factors, increasing the credit reliability and the guarantees received are taken into consideration during the calculation of the amount.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TL) except stated otherwise.)

NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	2009			
	Trade Receivable	Other Receivable	Bank Deposits	Available for sale financial assets
Amount exposed to maximum credit risk:	17.932.982	2.405.865	6.174.653	184.386
- The secured part of the maximum credit risk by guarantee letter etc. (*)	2.306.745	-	-	-
Net book value of financial assets which are undue or not impaired	15.155.224	-	-	-
Net book value of restructured financial assets, otherwise that, will be considered as due dated or impaired	-	-	-	-
Net book value of due dated but not impaired assets	2.777.758	-	-	-
- The secured part with guarantee letter etc. (*)	854.364	-	-	-
Net book value of impaired assets				-
- Due dated (Gross book value)	1.694.672	-	-	-
- Provision (-)	(1.694.672)	-	-	-
- The secured part of the net book value by guarantee letter etc. (*)	1.024	-	-	-
- Undue (Gross book value)	-	-	-	-
- Provision (-)	-	-	-	-
- The secured part of the net book value by guarantee letter etc. (*)	-	-	-	-
Off-Balance sheet items exposed to credit risk	-	-	-	-

(*) The factors, increasing the credit reliability and the guarantees received are taken into consideration during the calculation of the amount.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TRY) unless otherwise stated.)

NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Aging of assets that are overdue but not subjected to impairment as of 31 December 2010 and 31 December 2009 are shown below:

	2010		
	Receivables	Other	Bank Deposits
	Trade	Receivables	
	Receivables		
Past due 1- 30 days	1.184.395	-	-
Past due 1-3 months	757.295	-	-
Past due 3-12 months	1.238.722	-	-
Past due 1-5 years	-	-	-
Past due more than 5 years	-	-	-
Total past due	3.180.412	-	-
Amount secured by collaterals (*)	2.020.300	-	-
	2009		
	Receivable	Other	Bank Deposits
	Trade	Receivables	
	Receivables		
Past due 1- 30 days	2.326.260	-	-
Past due 1-3 months	381.634	-	-
Past due 3-12 months	69.864	-	-
Past due 1-5 years	-	-	-
Past due more than 5 years	-	-	-
Total due	2.777.758	-	-
Amount secured by collaterals (*)	854.364	-	-

(*) Collaterals consist of the guarantee letters received, guarantee notes and mortgages from customers.

c) Liquidity Risk

Liquidity risk is managed by maintaining cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010**

(Amounts expressed in Turkish Lira (TRY) unless otherwise stated.)

NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Undiscounted cash flows of liabilities into relevant maturity groupings as of 31 December 2010 and 31 December 2009 are disclosed as follows:

	2010					
	Carrying Value	1 – 3 Months	3 Months to 1 Year	1 – 6 Years	No maturity	Total contractual cash outflows
Borrowings (Note 5)	26.175.473	5.633.325	20.166.361	2.340.703	-	28.140.389
Trade payables (Note 6)	13.918.938	13.614.246	318.087	-	-	13.932.333
Payables to related parties (Note 25)	203.440	239.270	-	-	-	239.270
Other payables (Note 7)	1.074.658	1.074.658	-	-	-	1.074.658
Other financial liabilities (Note 8)	2.150.250	2.150.250	-	-	-	2.150.250
Nonderivative Financial Liabilities	43.522.759	22.711.749	20.484.448	2.340.703	-	45.536.900
	2009					
	Carrying Value	1 – 3 Months	3 Months to 1 Year	1 – 6 Years	No maturity	Total contractual cash outflow
Borrowings (Note 5)	16.477.934	2.109.076	4.890.447	10.430.918	-	17.430.441
Trade payables (Note 6)	21.533.071	12.564.785	8.743.125	307.003	-	21.614.913
Payables to related parties (Note 25)	21.595	21.887	-	-	-	21.887
Other payables (Note 7)	884.570	884.570	-	-	-	884.570
Other financial liabilities (Note 8)	1.918.842	1.918.842	-	-	-	1.918.842
Nonderivative Financial Liabilities	40.836.012	17.499.160	13.633.572	10.737.921	-	41.870.653

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TRY) unless otherwise stated.)

NOTE 26 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is determined as total payables (including financial, trade, other payables and due to related parties as shown in the balance sheet) less cash and cash equivalents.

The gearing ratios at 31 December 2010 and 31 December 2009 were as follows:

	31 December 2010	31 December 2009
Total debts	43.888.238	41.098.118
Less: cash and cash equivalents (Note 3)	(6.939.824)	(5.993.966)
Net debt	36.948.414	35.104.152
Total equity	32.520.737	30.885.977
Gearing ratio (Net debt/equity)	1,14	1,14

Fair value estimation

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 Company using available market information and appropriate valuation methodologies. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company 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 practical to estimate fair value:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying value.

The fair values of certain financial assets carried at amortized cost, including cash and cash equivalent are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

(Amounts expressed in Turkish Lira (TRY) unless otherwise stated.)

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

Financial liabilities

Trade payables, which are measured at amortized cost, are considered to approximate their carrying value.

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Foreign currency denominated long-term borrowings that are translated to TL using year-end exchange rates, are considered to approximate their carrying value.

NOTE 27 – SUBSEQUENT EVENTS

The financial statements which are prepared as of 31 December 2009 are approved by the Board of Directors at 8 March 2011. The shareholders and other parties do not have right to amend the financial statements. financial statements will be finalized after approval of General Assembly Board.

NOTE 28 - DISCLOSURE OF OTHER MATTERS

None (31 December 2009: None).