ÇELİK HALAT VE TEL SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2008

(ORIGINALLY ISSUED IN TURKISH)

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers
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Beşiktaş 34357 İstanbul-Turkey
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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT OF ÇELİK HALAT VE TEL SANAYİİ A.Ş.

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

1. We have audited the accompanying financial statements of Çelik Halat ve Tel Sanayii A.Ş. (the "Company") which comprise the balance sheet as of 31 December 2008 and the statement of income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements that have been prepared in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). 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

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the CMB. 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 judgement, 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

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Çelik Halat ve Tel Sanayii A.Ş. as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB.

Additional paragraph for convenience translation into English.

5. As of 31 December 2008, the financial reporting standards described in Note 2 (defined as “CMB Financial Reporting Standards”) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements are not intended to present the financial position and results of operating in accordance with IFRS.

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

Mert Tüten, SMMM
Partner

Istanbul, 13 March 2009

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2008 AND NOTES

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

BALANCE SHEETS
AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

	Notes	31 December 2008	31 December 2007
ASSETS			
CURRENT ASSETS		**41.558.834**	**28.608.043**
Cash and cash equivalents	3	1.548.520	2.868.823
Trade receivables	6	22.127.127	13.827.750
Other receivables	7	6.377.692	4.996.487
Financial assets (net)			
- Time deposits	4	165.275	-
Inventories	8	9.908.673	6.492.525
Other current assets	14	1.431.547	422.458
NON-CURRENT ASSETS		**29.296.006**	**20.484.037**
Other receivables	7	2.262.762	906.167
Financial assets (net)			
- Available for sale financial assets	4	184.386	1.609.077
Property, plant and equipment (net)	9	26.517.774	17.161.825
Intangible assets (net)	10	85.074	103.595
Deferred tax assets	23	246.010	703.373
TOTAL ASSETS		**70.854.840**	**49.092.080**

The financial statements as of and for the year ended 31 December 2008 were approved and signed by the Board of Directors on 13 March 2009.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

BALANCE SHEETS
AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

	Notes	31 December 2008	31 December 2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES		**30.187.294**	**16.141.261**
Financial liabilities (net)			
- Due to related parties	25	-	211.783
- Other financial liabilities	5	7.176.321	3.941.852
Trade payables (net)	6	20.844.008	10.187.480
Other Payables			
- Due to related parties (net)	25	676.477	602.386
- Other payables	7	691.250	725.728
Provisions	12	799.238	472.032
NON-CURRENT LIABILITIES		**6.493.779**	**4.108.309**
Financial liabilities (net)			
- Due to related parties	25	-	307.610
- Other financial liabilities	5	4.777.498	1.891.434
Trade payables (net)	6	341.185	454.593
Provisions for employee termination benefits	13	1.375.096	1.454.672
SHAREHOLDERS' EQUITY		**34.173.767**	**28.842.510**
EQUITY ATTRIBUTABLE TO PARENT COMPANY		**34.173.767**	**28.815.011**
Share capital	16	15.000.000	7.460.439
Inflation adjustment to shareholders' equity	16	8.642.368	16.181.929
Retained earnings		5.172.643	4.559.574
Net profit for the year		5.358.756	613.069
Minority Interest	**15**	**-**	**27.499**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**70.854.840**	**49.092.080**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

INCOME STATEMENTS
FOR THE PERIODS BETWEEN 1 JANUARY – 31 DECEMBER 2008 AND 2007

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

	Notes	31 December 2008	31 December 2007
CONTINUING OPERATIONS			
Sales (net)	17	101.115.638	71.326.950
Cost of Sales (-)	17	(84.717.250)	(64.186.641)
GROSS OPERATING PROFIT		**16.398.388**	**7.140.309**
Marketing and Selling Expenses (-)	18	(4.310.147)	(3.605.022)
General Administrative Expenses (-)	18	(4.007.037)	(3.422.358)
Other Operating Income	20	2.923.889	1.378.570
Other Operating Expenses (-)	20	(1.490.355)	(1.175.814)
OPERATING PROFIT		**9.514.738**	**315.685**
Financial Income	21	7.440.456	4.363.511
Financial Expenses (-)	22	(10.237.925)	(3.916.021)
CONTINUING OPERATIONS PROFIT BEFORE TAXATION		**6.717.269**	**763.175**
Continuing Operations Taxation on Income		**(1.361.805)**	**(148.414)**
- Current period tax expense	23	(935.907)	(289.679)
- Deferred tax income/(expense)	23	(425.898)	141.265
Net income for the period		**5.355.464**	**614.761**
Net income attributable to:			
Minority Interest	15	3.292	(1.692)
Parent Company		5.358.756	613.069
Earnings per Share	24	0,41	0,05

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2008 AND 2007

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

	Notes	Share capital	Inflation adjustment shareholders' equity	Retained Earnings	Net income for the year	Total shareholders' equity
1 January 2007		**7.460.439**	**16.181.929**	**2.030.651**	**2.528.923**	**28.201.942**
Transfers		-	-	2.528.923	(2.528.923)	-
Net income for the year		-	-	-	613.069	613.069
31 December 2007	**16**	**7.460.439**	**16.181.929**	**4.559.574**	**613.069**	**28.815.011**
1 January 2008		**7.460.439**	**16.181.929**	**4.559.574**	**613.069**	**28.815.011**
Transfers	16	7.539.561	(7.539.561)	613.069	(613.069)	-
Net income for the year		-	-	-	5.358.756	5.358.756
31 December 2008	**16**	**15.000.000**	**8.642.368**	**5.172.643**	**5.358.756**	**34.173.767**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS
FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2008 AND 2007

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

	Notes	31 December 2008	31 December 2007
Cash flow from operating activities:			
Net income for the year		5.358.756	613.069
Adjustments to reconcile net profit to net cash provided by operating activities:			
Provision for the doubtful receivables	6	786.742	728.774
Impairment provision for assets	8	108.940	32.157
Provision for electricity and water expense	12	140.682	178.694
Provision for legal claims	12	56.000	160.000
Provision for employment termination benefits	13	262.899	360.335
Minority interest	15	(3.292)	1.692
Depreciation and amortisation	19a	1.973.352	1.754.699
(Gain)/loss from sales of property, plant and equipment	20	(325.132)	42.303
Terminated provisions	20	(295.010)	(92.338)
Gain on sale of available for sale financial investment	20	(166.083)	-
Provision for unused vacation	20	8.632	91.338
Interest income	21	(725.586)	(542.579)
Interest expense	22	1.084.975	589.503
Tax expense	23	1.361.805	148.414
Loss on sale of shares of subsidiary		369.366	-
Net cash flow before changes in operating asset and liabilities		**9.997.046**	**4.066.061**
Increase/(decrease) in trade receivables		(9.045.293)	2.006.985
Decrease in due from related parties		921.214	37.851
Increase in inventories		(3.388.977)	(4.492.720)
(Increase)/decrease in other receivables and in other current assets		(2.777.950)	333.570
Increase in trade payables		10.785.745	913.440
Decrease in due to related parties		(444.696)	(130.882)
Increase/(decrease) in provisions and in other current liabilities		437.114	(209.980)
Taxes paid		(1.969.423)	(481.529)
Employee termination benefits paid	13	(342.475)	(248.626)
Change in advances received		-	21.869
Net cash provided from operating activities		**4.172.305**	**1.816.039**
Cash flow from investing activities:			
Capital expenditures		(14.192.875)	(1.822.854)
Proceeds from sale of available for sale financial assets	4	1.595.033	-
Increase in available for sale financial assets		-	(312.450)
Proceeds from sales of property, plant and equipment		1.509.365	1.599
Increase in time deposits		(160.041)	-
Interest received		719.836	545.099
Net cash used in investing activities		**(10.528.682)**	**(1.588.606)**
Cash flow from financing activities:			
Proceeds from bank borrowings		27.510.308	2.654.684
Repayment of bank borrowings		(21.727.822)	(3.642.821)
Interest paid		(746.928)	(638.998)
Net cash provided from/(used in) financing activities		**5.035.558**	**(1.627.135)**
Net decrease in cash and cash equivalents		**(1.320.819)**	**(1.399.702)**
Cash and cash equivalents at the beginning of the period	3	2.868.823	4.268.525
Cash and cash equivalents at the end of the period	**3**	**1.548.004**	**2.868.823**

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

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 wire, to meet the investment and semi finished goods demands of mining, construction, 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 2008 is 322 (1 January-31 December 2007: 307).

The registered address of the Company is as follows:

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

The Company is quoted in Istanbul Stock Exchange since 1987. The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE"). As of 31 December 2008, the shares quoted on the ISE represent 37,56% of the total shares (Note 16).

Çelik Halat has continued its operations in steel wire and energy sectors.

The Company has sold 98,75% of its shares belonging to Çelik Enerji Üretim A.Ş. ("Çelik Enerji") to Doğan Enerji Yatırımları San. ve Tic. A.Ş. ("Doğan Enerji") on 25 June 2008 (Note 4).

The Company's available-for-sale investments are accounted under the financial assets constitutes Doğan Organik Ürünler Sanayi ve Ticaret A.Ş. ("Doğan Organik"), Kocaeli Serbest Bölgesi Kurucusu ve İşleticisi A.Ş. ("Kocaeli Serbest Bölge") and Çelik Enerji (Note 4).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Principles for preparation of financial statements

The statutory books and financial statements of the Company have been recorded and prepared in accordance with the accounting principals defined by Turkish Commercial Code ("TCC") and tax legislations.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB has not been announced by TASB as of date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with CMB Financial Reporting Standards which is based on IAS/IFRS. The financial statements and the related notes are presented in accordance with the formats recommended by the CMB with the promulgation dated 14 April 2008 including the compulsory disclosures. The rule related to Financial Instruments and Financial Risk Management are presented in accordance with the format recommended by the weekly bulletin No. 2009/2 dated 05 January - 09 January 2009. Within this context, the previous years' financial statements have been revised (Note 2.1.2) and compulsory disclosures were explained comparatively with the previous period.

The financial statements are prepared in New Turkish Lira ("TRY") based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

(a) Standards, amendment and interpretations effective in 2008

IFRIC 13, "Customer loyalty programmes" (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Company's operations because the Company does not operate any loyalty programmes.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

IFRIC 14, "IAS 19 - The limit on a defined benefits asset, minimum funding requirements and their interaction" (effective from 1 October 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14 is not relevant to the Company's operations because the Company does not have defined benefit plans.

IFRIC 11, "IFRS 2 - Group and treasury share transactions", provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. IFRIC 11 is not relevant to the Company's operations.

IFRIC 12, "Service concession arrangements", IFRIC 12 is implemented to service concession arrangements whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure assets. IFRIC 12 is not relevant to the Company's operations.

(b) Interpretations early adapted by the Company

IAS 23 "Borrowing costs"- The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company decided to early adopt IAS 23 and accounted in the financial statements of 31 December 2008. With the application of this standard, net income and tangible assets of the Company are increased with an amount of TRY101.397. Since this standard does not have any effect on previous years, the financials of the previous years are not changed retrospectively.

(c) Standards, amendments and interpretations to existing standards that are relevant to the Company's operations and are not yet effective and have not been early adopted by the Company in 2008

The following standards amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning or after 1 January 2009, but the Company has not early adopted them.

- IAS 1 (Revised), "Presentation of financial statements" will be applied from 1 January 2009. It is not expected to have a material impact on the Company's financial statements.
- IAS 19 (Amendment), "Employee benefits" will be applied from 1 January 2009.
- IAS 36 (Amendment), "Impairment of assets" will be applied from 1 January 2009.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- IAS 38 (Amendment), "Intangible assets" will be applied from 1 January 2009. Since the Company does not have any prepayments that may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services, it is not expected to have a material impact on the financial statements of the Company.
- IAS 39 (Amendment), "Financial instruments: Recognition and measurement" will be applied from 1 January 2009. However, it is not expected to have an impact on the income statement of the Company.

d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Company's operations in 2008

The following interpretations and amendments to existing standards have published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 but are not relevant for the Company's operations. As no impact of these standards and interpretations is expected on the financial statements of the Company, no detailed analysis was made.

- IAS 16 (Amendment), "Property, plant and equipment" (and consequential amendment to IAS 7, 'Statement of cash flows'),
- IAS 20 (Amendment), "Accounting for government grants and disclosure of government assistance",
- IAS 27 (Amendment), "Consolidated and separate financial statements",
- IAS 28 (Amendment), "Investments in associates" (and consequential amendments to IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures"),
- IAS 29 (Amendment), "Financial reporting in hyperinflationary economies",
- IAS 31 (Amendment), "Interests in joint ventures" (and consequential amendments to IAS 32 and IFRS 7),
- IAS 32 (Amendment), "Financial instruments: Presentation",
- IAS 38 (Amendment), "Intangible assets",
- IAS 40 (Amendment), "Investment property" (and consequential amendments to IAS 16),
- IAS 41 (Amendment), "Agriculture",
- IFRS 2 (Amendment), "Share-based payment",
- IFRIC 15, "Agreements for construction of real estates",
- IFRIC 16, "Hedges of a net investment in a foreign operation".

2.1.2 Comparatives and Restatement of Prior Periods' Financial Statements

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 2008 on a comparative basis with balance sheet at 31 December 2007; and statements of income, cash flow and shareholders' equity for the period between 1 January-31 December 2008 on a comparative basis with the financial statements for the period between 1 January-31 December 2007. Required classifications to the previous periods' financial statements have been performed in order to make current year financial statements to be comparable according to formats recommended by the CMB with the promulgation dated 14 April 2008.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Trade receivables: “Cheques received” amounted to TRY87.006 that was accounted under “Cash and cash equivalents” in balance sheet at 31 December 2007 has been classified under “Trade receivables” in the balance sheet that is prepared comparative with 31 December 2008.

Other receivables: “Stock advances given” amounted to TRY4.966.378 that was accounted under “Inventories” in balance sheet dated at 31 December 2007 has been classified under “Other receivables” in the balance sheet that is prepared comparative with 31 December 2008.

Other long-term receivables: “Advances given” amounted to TRY840.298 that was accounted under “Plant, property and equipment” in balance sheet at 31 December 2007 has been classified under “Other receivables” in the balance sheet that is prepared comparative with 31 December 2008.

Financial liabilities to related parties: “Due to related parties” amounted to TRY211.783 that was accounted under “Payables to related parties” in balance sheet dated as 31 December 2007 has been classified under “Financial liabilities to related parties” in the balance sheet that is prepared comparative with 31 December 2008.

Other payables: “Order advances received” amounted to TRY109.601 that was accounted under “Advances received” in balance sheet at 31 December 2007 has been classified under “Other payables” in the balance sheet that is prepared comparative with 31 December 2008.

Other financial liabilities: “Short-term portions of long-term financial liabilities” amounted to TRY1.046.255 was accounted under balance sheet at 31 December 2007 has been classified under “Other financial liabilities” in the balance sheet that is prepared comparative with 31 December 2008.

Sales: Transactions amounted to TRY19.576 accounted under “Other operating income/expense” in the income statement for the year ended 31 December 2007 has been classified under “Sales” in the income statement that is prepared comparative with 31 December 2008.

2.1.3 Offsetting

All material items are disclosed separately in the financial statements. 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 Consolidation Principles

a) The consolidated financial statements include the accounts of the parent company, Çelik Halat and its Subsidiary (collectively referred to as the “Group”) on the basis set out in sections (b) and (c) below. The financial statements of the companies included in the consolidation are based on the accounting principles and presentation basis applied by the Group in accordance with CMB Accounting Standards.

Çelik Halat has not prepared consolidated financial statements since 25 June 2008.

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

b) Subsidiaries are companies in which Çelik Halat has the power to control the financial and operating policies for the benefit of Çelik Halat either through the power to exercise more than 50% of voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and companies whereby Çelik Halat exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them and through the exercise of actual dominant influence over the financial and operating policies. Proportion of ownership interest represents the effective shareholding of the Group through the shares held directly by Çelik Halat and indirectly by its Subsidiaries.

The table below sets out the Company's controlling interest at 31 December 2008 and 31 December 2007:

Company name	**31 December 2008**	**31 December 2007**
Çelik Enerji	less than 1%	99%

The Subsidiary has been consolidated on a line by line full consolidation basis from the date of foundation to 25 June 2008. The intercompany transactions between Çelik Halat and the Subsidiary up to 25 June 2008 were eliminated during the consolidation. The carrying value of Çelik Halat has been accounted under available-for-sale financial assets from the date after 25 June 2008.

Accounting policies for subsidiary have been changed to ensure consistency with the policies adopted by the Group, where necessary.

The minority interest in the income statement for the year ended 31 December 2008 is related with Çelik Enerji which was consolidated until 25 June 2008.

c) The available-for-sale investments in which the Company has interest below 20%, or over which the Company does not exercise a significant influence, or which are immaterial, that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost and restated to the equivalent purchasing power, for the existing items it is reflected as less any provision for diminution in value to the financial statements (Note 4).

2.3 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.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3.1 Estimates of significant accounting policies and assumptions

Preparation of the financial statements requires the usage of the estimates and judgements 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 in spite of these estimations and assumptions are based on Company management’s best knowledge.

Provision for employment termination benefits

Present values of employee 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 contains the discount rate. Any changes occurred on these assumptions affect the booked value of employee termination liability.

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. In order to set the discount rate, the Company considers the inflation rate with the longest maturity date announced by Central Bank of Republic of Turkey and the interest rates specified for an average of 20 years for TRY.

Had the discount rate be different by 15% than the management estimate, the book value of employee termination liability would be TRY82.611 lower or TRY91.650 higher.

2.3.2 Significant accounting judgements

Income tax

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductable temporary difference can be utilised. The book value of deferred tax asset should be deducted to the extent that deferred income tax will not be utilised. Deferred tax asset is provided on the temporary differences arising from deferred tax losses, unused tax incentives and other differences.

The Company has recognised deferred tax assets as of 31 December 2008, since it is probable that future taxable profit will be available against which the temporary differences would be utilised

2.4 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:

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Revenue recognition

Revenues are recognised on an accrual basis at the time the Company sells a product to the customer, 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 recognised on an accrual basis using the effective interest rate method, dividend income is recognised when the right to receive dividend is established.

Inventories

Inventories are valued at the lower of cost or net realisable 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 (Note 17). Net realisable value is the estimated selling price in the ordinary course of business, less the expected costs of completion and selling expenses (Note 8).

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 9). 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 equipment	5-20 years
Motor vehicles	5-10 years
Furniture and fixture	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 consolidated 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.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Intangible Assets

Intangible assets comprise of energy production license and information technology systems. Intangible assets are recorded at acquisition cost and amortised 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 10).

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 recognised in income statement as expense.

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

Borrowing Costs

Bank borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortised 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) <u>Loans and receivables</u>

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 money, 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.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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-sale. 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.

All financial assets are initially recognised at cost of purchase plus transaction costs, which is the fair value of the asset. Available for-sale investments 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 shareholders' equity until those investments are liquidated.

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.

Earnings per Share

Earnings 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 and for each earlier year.

Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 Group 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).

Taxes on Income

Taxes on income included in statement of 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 realised 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 utilised. 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).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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 13) and is reflected in financial statements. The Company recognises the increases and payments during the year under the personnel expenses.

Statements of Cash Flow

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 in hand, bank deposits and other short-term highly liquid investments with original maturities of 3 months or less.

Trade Receivables and Provision for Impairment of 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. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

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.

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 December 2008	31 December 2007
Cash	518	832
Banks		
- demand deposits	327.485	2.537.849
- time deposits	1.220.517	330.142
	1.548.520	**2.868.823**

As of 31 December 2008, the average effective annual interest rate for the TRY time deposits is 15,5% (31 December 2007: TRY 15,8%). As of 31 December 2008 and 2007, the original maturities of time deposits are less than a month. As of 31 December 2008, the Company has a restricted cash amounting to TRY128 (31 December 2007: TRY128 and EUR861.789).

The cash and cash equivalents included in the statements of cash flows at 31 December 2008 and 2007 is as follows:

	31 December 2008	31 December 2007	31 December 2006
Cash and banks	1.548.520	2.868.823	4.271.045
Less: interest accruals	(516)	-	(2.520)
Cash and cash equivalents	**1.548.004**	**2.868.823**	**4.268.525**

NOTE 4 - FINANCIAL ASSETS

a) Time Deposits:

	31 December 2008	31 December 2007
Banks		
- Time deposits	165.275	-
	165.275	**-**

As of 31 December 2008, the Company has restricted deposit amounting to TRY165.275 including interest accrual of TRY5.234 (31 December 2007: None). Annual interest rate for the restricted deposits is 15,75% where the original maturity is six months.

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 4 - FINANCIAL ASSETS (Continued)

b) Available-for-sale financial assets:

	Share (%)	31 December 2008	Share (%)	31 December 2007
Doğan Organik	less than 1	158.773	5,00	1.587.723
Kocaeli Serbest Bölge	0,20	20.087	0,20	20.087
Çelik Enerji	less than 1	5.526	-	-
D-Tes Elektrik Enerjisi Toptan Satış A.Ş.	-	-	less than 1	1.267
		184.386		**1.609.077**

The movement of the financial assets for the periods is as follows:

	2008	2007
1 January	1.609.077	1.296.627
Capital payment - Doğan Organik	-	312.450
Sale of shares - Doğan Organik (*)	(1.428.951)	-
Change in scope (**)	5.527	-
Disposal from scope of consolidation (***)	(1.267)	-
31 December	**184.386**	**1.609.077**

(*) The Company sold 90% of its shares of Doğan Organik to Doğan Holding at an amount of TRY1.595.033 on 17 March 2008. The profit from the sale of shares of Doğan Organik is amounted to TRY166.083 (Note 20).

(**) The Company sold 98,75% of its shares of Çelik Enerji to Doğan Enerji at an amount of TRY2.350.250 on 25 June 2008. The loss from the sale of shares of Çelik Enerji is amounted to TRY40.146 (Note 20).

(***) The financial assets of D-Tes Elektrik Enerjisi Toptan Satış A.Ş. owned by Çelik Enerji have been not included in the scope of consolidation as a result of the sale of Çelik Enerji.

NOTE 5 - FINANCIAL LIABILITIES

Short-term bank borrowings

	Original currency		Weighted average effective interest rate p.a. %		TRY Equivalent	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
TRY	5.548.321	1.335.927	15,52%	16,00%	5.548.321	1.335.927
EUR	760.463	1.306.261	5,66%	5,30%	1.628.000	2.233.969
US$	-	182.242	-	8,70%	-	212.258
Japanese Yen (“JPY”)	-	15.536.338	-	5,40%	-	159.698
					7.176.321	**3.941.852**

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 5 - FINANCIAL LIABILITIES (Continued)

Long-term bank borrowings

	Original currency		Weighted average effective interest rate p.a. %		TRY Equivalent	
	31 December 2008	**31 December 2007**	**31 December 2008**	**31 December 2007**	**31 December 2008**	**31 December 2007**
EUR	2.231.642	1.105.972	5,69%	5,40%	4.777.498	1.891.434
					4.777.498	**1.891.434**

The redemption schedule of the long-term bank borrowings as of 31 December 2008 is as follows:

2010	1.429.033
2011	1.429.033
2012	639.811
2013	689.811
2014	639.810
	4.777.498

The fair value of the long-term bank borrowings amounts to TRY4.544.784 as of 31 December 2008 (31 December 2007: TRY2.048.378).

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

	31 December 2008	**31 December 2007**
Trade receivables:		
Trade receivables	19.566.479	11.862.221
Cheques and notes receivable	4.511.148	3.228.395
	24.077.627	15.090.616
Unearned financial income (-)	(239.278)	(292.901)
Provision for doubtful receivables (-)	(1.711.222)	(969.965)
Trade receivables - net	**22.127.127**	**13.827.750**

As of 31 December 2008, the maturities of the cheques and notes receivable are less than eight months (31 December 2007: less than 6 months). The weighted average annual effective interest rates for TRY, EUR and US$ denominated trade receivables of the Company are 16%, 2,60% and 0,76% respectively (31 December 2007: TRY: 14,96%, EURO: 4,4%, US$: 4,6% and GBP: 6,0%).

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	2008	**2007**
1 January	(969.965)	(287.875)
Increase during the period (Note 20)	(786.742)	(728.774)
Write-off	4.659	-
Collections	40.826	46.684
31 December	**(1.711.222)**	**(969.965)**

Short-term trade payables:

	31 December 2008	**31 December 2007**
Suppliers	21.117.856	10.293.636
Unrealized financial expense (-)	(273.848)	(106.156)
Short-term trade payables - net	**20.844.008**	**10.187.480**

As of 31 December 2008 and 2007, the annual effective interest rates for TRY, EUR, US$ and GBP denominated trade payables of the Company are 15,68%, 2,84%, 0,93% and 2,37%, respectively (31 December 2007: TRY: 14,96%, EURO: 4,4%, US$: 4,6% and GBP: 6,0%).

Long-term trade payables:	**31 December 2008**	**31 December 2007**
Other trade payables	341.185	454.593
Long-term trade payables - net	**341.185**	**454.593**

There is no interest charge for the long-term payables.

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

a) Short-term other receivables:

	31 December 2008	**31 December 2007**
Order advances given (*)	6.294.983	4.966.378
Receivables from tax administration	37.581	-
Personnel advances	20.206	29.380
Other receivables	24.922	729
	6.377.692	**4.996.487**

(*) The Company gave advances for the raw material purchases from foreign countries.

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 7 - OTHER RECEIVABLES AND PAYABLES (Continued)

b) Long-term other receivables:

	31 December 2008	31 December 2007
Order advances given for tangible assets (*)	2.158.784	840.298
Deposits and guarantees given	103.978	65.869
	2.262.762	**906.167**

(*) The balance is composed of the advances given for the production lines of concrete strand and wire string in the scope of capacity increase and modernization investments declared in year 2008.

c) Other short-term payables:

	31 December 2008	31 December 2007
Social security withholdings payable	195.574	178.765
Taxes and funds payable	194.065	190.733
Payables to personnel	141.042	242.609
Order advances received	105.876	109.601
Other	54.693	4.020
	691.250	**725.728**

NOTE 8 - INVENTORIES

	31 December 2008	31 December 2007
Raw materials	3.626.058	2.806.005
Work in progress	2.402.882	1.477.505
Finished goods	3.951.079	2.345.126
Goods in transit	37.594	-
	10.017.613	**6.628.636**
Provision for impairment on raw materials (-)	(15.519)	(23.993)
Provision for impairment on finished goods (-)	(93.421)	(112.118)
	9.908.673	**6.492.525**

The cost of inventories recognised as expense and included in cost of goods sold in the current year, amounted to TRY64.588.405 (31 December 2007: TRY51.053.004) (Note 17.b).

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 8 - INVENTORIES (Continued)

The movement of provision for impairment on inventories during the period is as follows:

	2008	2007
1 January	(136.111)	(149.608)
Terminated provision	136.111	45.654
Increase during the period (Note 20)	(108.940)	(32.157)
31 December	**(108.940)**	**(136.111)**

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2008	Additions	Disposals	Transfers	31 December 2008
Cost					
Land	1.745.177	-	(753.009)	-	992.168
Land improvement	670.592	-	-	-	670.592
Buildings	15.187.182	37.798	(36.569)	504.645	15.693.056
Machinery and equipment (*)	54.194.068	3.504.935	-	8.917.532	66.616.535
Motor vehicles	359.415	8.210	(99.138)	-	268.487
Furniture and fixtures	6.815.011	822.451	(450.111)	-	7.187.351
Construction in progress	2.209.361	8.059.546	(383.904)	(9.422.177)	462.826
	81.180.806	12.432.940	(1.722.731)	-	91.891.015
Provision for impairment (-)	(371.955)	-	-	-	(371.955)
	80.808.851	**12.432.940**	**(1.722.731)**	**-**	**91.519.060**
Accumulated depreciation					
Land improvement	(610.656)	(9.823)	-	-	(620.479)
Buildings	(9.939.059)	(335.456)	5.242	-	(10.269.273)
Machinery and equipment	(46.913.809)	(1.425.648)	-	-	(48.339.457)
Motor vehicles	(239.509)	(33.142)	83.146	-	(189.505)
Furniture and fixtures	(5.943.993)	(88.686)	450.107	-	(5.582.572)
	(63.647.026)	**(1.892.755)**	**538.495**	**-**	**(65.001.286)**
Net book value	**17.161.825**				**26.517.774**

(*) According to revised IAS 23 standard, the borrowing cost amounting to TRY101.397 is capitalized on property, plant and equipment balance (Note 2).

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2007	Additions	Disposals	Transfers	31 December 2007
Cost					
Land	1.745.177	-	-	-	1.745.177
Land improvement	670.592	-	-	-	670.592
Buildings	15.143.255	43.927	-	-	15.187.182
Machinery and equipment	53.817.010	395.672	(247.332)	228.718	54.194.068
Motor vehicles	313.411	59.711	(13.707)	-	359.415
Furniture and fixtures	6.591.213	233.760	(9.962)	-	6.815.011
Construction in progress	68.247	2.369.832	-	(228.718)	2.209.361
	78.348.905	3.102.902	(271.001)	-	81.180.806
Provision for impairment (-)	(371.955)	-	-	-	(371.955)
	77.976.950	**3.102.902**	**(271.001)**	**-**	**80.808.851**
Accumulated depreciation					
Land improvement	(595.818)	(14.838)	-	-	(610.656)
Buildings	(9.592.323)	(346.736)	-	-	(9.939.059)
Machinery and equipment	(45.943.446)	(1.175.392)	205.029	-	(46.913.809)
Motor vehicles	(217.076)	(34.541)	12.108	-	(239.509)
Furniture and fixtures	(5.857.147)	(96.808)	9.962	-	(5.943.993)
	(62.205.810)	**(1.668.315)**	**227.099**	**-**	**(63.647.026)**
Net book value	**15.771.140**				**17.161.825**

Of the current year total depreciation expense, TRY1.358.912 (31 December 2007: TRY1.226.907) is allocated to cost of sales, TRY265.914 (31 December 2007: TRY210.920) is allocated to operating expenses, TRY267.929 (31 December 2007: TRY230.488) is allocated to inventories as of 31 December 2008.

The amount of mortgage on property, plant and equipment at 31 December 2008 is US$958.000 (31 December 2007: JPY161.974.800 and US$958.000).

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 10 - INTANGIBLE ASSETS

	1 January 2008	Additions	Disposals	31 December 2008
Energy production license	5.549	-	-	5.549
Information systems	676.586	62.076	-	738.662
Accumulated amortisation (-)	(578.540)	(80.597)	-	(659.137)
Net book value	**103.595**			**85.074**

	1 January 2007	Additions	Disposals	31 December 2007
Energy production license	5.549	-	-	5.549
Information systems	629.447	47.139	-	676.586
Accumulated amortisation (-)	(492.156)	(86.384)	-	(578.540)
Net book value	**142.840**			**103.595**

Of the current year total amortization expense, TRY57.279 (31 December 2007: TRY62.125) is allocated to cost of sales, TRY11.615 (31 December 2007: TRY11.592) is allocated to operating expenses, TRY11.703 (31 December 2007: TRY12.667) is allocated to inventories as of 31 December 2008.

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

11.1 Provisions

There are various on-going lawsuits where the Company is litigant or defendant. These lawsuits are mainly related to labour cases and action for debt. 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 best estimate of the management regarding the possible gains and losses. The provision as of 31 December 2008 is TRY135.340 (31 December 2007: TRY202.000) (Note 12).

The lawsuit amounting to TRY769.916 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.

There is no letter of guarantees given for the law suits of benefit and severance pay against the Company as of 31 December 2008 (31 December 2007: TRY12.000).

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

11.2 Contingent Liabilities

The commitments and contingent liabilities of the Company that are not expected to result in material loss or liability are summarized as follows:

Guarantees given:

	31 December 2008	31 December 2007
Guarantee letters given US$	2.016.289	1.178.375
Mortgages	1.448.783	2.800.515
Guarantee letters given TRY	927.719	657.709
Guarantee letters given EUR	324.267	282.163
	4.717.058	**4.918.762**

11.3 Contingent Assets

Guarantees received:

	31 December 2008	31 December 2007
Guarantee letters received EUR	5.144.094	217.366
Mortgages	2.061.500	1.205.500
Guarantee notes received US$	1.622.169	1.249.315
Guarantee letters received TRY	1.050.532	483.500
Guarantee notes received TRY	452.476	488.443
Guarantee cheques received TRY	374.453	191.709
Guarantee cheques received EUR	42.816	58.489
Guarantee notes received EUR	9.605	4.487
	10.757.645	**3.898.809**

As of 31 December 2008, the Company has letter of credit agreements related to “raw material purchase” amounting to TRY11.578.235 (31 December 2007: TRY6.330.582) and “fixed asset purchase” amounting to TRY9.585.395 (31 December 2007: TRY775.928) from foreign suppliers.

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 12 - PROVISIONS

a) Short-term provisions

	31 Aralık 2008	**31 Aralık 2007**
Provision for personnel expense (Note 20)	417.696	-
Provision for electricity and water expenses	140.682	178.694
Provision for pending litigations (Note 11.1)	135.340	202.000
Provision for unused vacation	99.970	91.338
Other	5.550	-
	799.238	**472.032**

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

	2008	**2007**
1 January	202.000	89.924
Increase during the period	56.000	160.000
Payments during the period	(11.830)	(47.924)
Terminated provisions	(110.830)	-
31 December	**135.340**	**202.000**

NOTE 13 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2008	**31 December 2007**
Provision for employment termination benefits	1.375.096	1.454.672
	1.375.096	**1.454.672**

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 month's salary limited to a maximum amount of TRY2.173,18 for each year of service as of 31 December 2008 (31 December 2007: TRY2.030,19).

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

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 13 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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:

	31 December 2008	31 December 2007
Discount rate	6,26%	5,71%
Turnover rate to estimate the probability of retirement	96%	96%

The principal assumption is that the maximum liability which is TRY2.260,05 as of 1 January 2009 (1 January 2008: TRY2.087,92) 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 movement of the provision for employment termination benefits during the period is as follows:

	2008	2007
1 January	1.454.672	1.342.963
Increase in the period	262.899	360.335
Payments	(342.475)	(248.626)
31 December	**1.375.096**	**1.454.672**

NOTE 14 - OTHER CURRENT/NON-CURRENT ASSETS AND CURRENT/NON-CURRENT LIABILITIES

Other current assets:

	31 December 2008	31 December 2007
Prepaid taxes and funds (Note 23)	1.215.498	181.982
Value Added Tax ("VAT") receivables	162.671	164.530
Prepaid expenses	35.138	38.841
Job advances	18.240	8.345
Other receivables	-	36.003
	1.431.547	**429.701**
Provision for doubtful receivables (-)	-	(7.243)
Other current assets - net	**1.431.547**	**422.458**

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 14 - OTHER CURRENT/NON-CURRENT ASSETS AND CURRENT/NON-CURRENT LIABILITIES (Continued)

The movement of doubtful receivables during the period is as follows:

	2008	**2007**
1 January	(7.243)	-
Increase	(369)	(7.243)
Change in the scope of consolidation	369	-
Terminated provision	7.243	-
31 December	**-**	**(7.243)**

NOTE 15 - MINORITY INTERESTS

The movement of minority interest during the period is as follows:

	2008	**2007**
1 January	27.499	25.807
Net (income)/loss attributable to minority	(3.292)	1.692
Disposal from scope of consolidation (Note 2)	(24.207)	-
31 December	**-**	**27.499**

Minority interest disclosed in the financial statements as of 31 December 2008 and 2007 is related to Çelik Enerji A.Ş.

NOTE 16 - SHARE CAPITAL

a) Paid-in capital

The Company's registered share capital amounts to TRY25.000.000 as of 31 December 2008.

The composition of the Company's statutory paid-in capital at 31 December 2008 and 2007 are as follows:

	%	**31 December 2008**	**%**	**31 December 2007**
Doğan Holding	62,44	9.366.000	62,44	4.657.928
Quoted in ISE	37,56	5.634.000	37,56	2.802.511
Capital	**100,00**	**15.000.000**	**100,00**	**7.460.439**
Adjustment to share capital		8.642.368		16.181.929
Total		**23.642.368**		**23.642.368**

NOTE 16 - SHARE CAPITAL (Continued)

The Company has increased its capital by an amount of TRY7.539.561 of which is adjustment to share capital from TRY7.460.439 to the amount of TRY15.000.000 with in the registered ceiling of capital in year 2008.

As of 31 December 2008, the shareholding rate of Doğan Holding has increased to 78,46% as a result of share purchases from ISE.

The Company has 15.000.000 units of shares with a face value of TRY1 each (31 December 2007: TRY1). The Company has no privileged shares.

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

b) Net period profit/Retained earnings

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.

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

In accordance with the regulations of CMB, the distributable profit should be calculated according to minimum requirements of CMB as explained below. This amount of net distributable profit should be firstly obtained from the financial statements prepared in accordance with the CMB regulations. The distribution of the profit should be made as long as it can be covered from the amount in the statutory financial statements. If the net profit obtained from the statutory financial statements is less than the one in the financial statements in accordance with CMB regulations, the distribution can be only made from net profit per statutory financial statements. When there is a net loss in the financial statements in accordance with the CMB regulations or in the statutory books, there is no obligation to distribute profit.

As of 31 December 2008, the current year profit net of the accumulated losses and first legal reserve is YTL3.043.354 in the statutory financial statements of the Company. The total reserve that would be subject to dividend distribution after the accumulated losses and first legal reserve is YTL15.626.839 as of 31 December 2008.

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 17 - SALES AND COST OF SALES

a) Sales Revenues:

	1 January - 31 December 2008			1 January - 31 December 2007		
	Domestic Sales	Foreign Sales	Total	Domestic Sales	Foreign Sales	Total
Wire rope	16.252.918	12.997.310	29.250.228	11.875.630	6.463.420	18.339.050
Bead wire	15.020.810	9.038.840	24.059.650	13.812.041	8.162.756	21.974.797
Prestressed concrete strand	20.301.286	1.683.230	21.984.516	12.644.793	733.160	13.377.953
Spring wire	15.569.988	51.713	15.621.701	13.657.112	109.499	13.766.611
Concrete wire	5.068.427	-	5.068.427	766.672	-	766.672
Single strand	3.135.719	1.475.969	4.611.688	839.188	1.258.383	2.097.571
Galvanized wire	3.390.439	-	3.390.439	1.949.915	-	1.949.915
Other	462.882	-	462.882	19.576	-	19.576
Gross sales	79.202.469	25.247.062	104.449.531	55.564.927	16.727.218	72.292.145
Sales returns, allowances and discounts (-)	(3.119.311)	(214.582)	(3.333.893)	(957.154)	(8.041)	(965.195)
	76.083.158	**25.032.480**	**101.115.638**	**54.607.773**	**16.719.177**	**71.326.950**

b) Cost of Sales:

	1 January - 31 December 2008	1 January - 31 December 2007
Cost of raw materials (Note 8)	64.588.405	51.053.004
Production expenses	11.554.038	5.897.508
Labour cost (Note 19.b)	7.158.616	5.947.097
Depreciation and amortization (Notes 9 and 10)	1.416.191	1.289.032
	84.717.250	**64.186.641**

NOTE 18 - SELLING AND MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2008			1 January - 31 December 2007		
	Marketing and sales expenses	General administrative expenses	Total	Marketing and sales expenses	General administrative expenses	Total
Advertising and marketing expenses	2.602.421	-	2.602.421	2.248.995	-	2.248.995
Service expenses	823.540	1.078.729	1.902.269	622.302	969.787	1.592.089
Personnel expenses	520.426	1.143.434	1.663.860	403.861	1.406.624	1.810.485
Remuneration of key management personnel (Note 25.d)	-	540.702	540.702	-	383.708	383.708
Gifts and aids	-	425.000	425.000	-	-	-
Travel and transportation expenses	164.113	165.588	329.701	175.933	152.709	328.642
Depreciation and amortization (Notes 9 and 10)	138.312	139.217	277.529	110.723	111.789	222.512
Lawsuit, tax, official and fee expenses	3.413	220.140	223.553	4.566	133.972	138.538
Other	57.922	294.227	352.149	38.642	263.769	302.411
	4.310.147	**4.007.037**	**8.317.184**	**3.605.022**	**3.422.358**	**7.027.380**

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 19 - EXPENSES ACCORDING TO THEIR NATURE

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

	31 December 2008	31 December 2007
Inventories (Notes 9 and 10)	279.632	243.155
Cost of sales (Note 17.b)	1.416.191	1.289.032
Selling and marketing expenses (Note 18)	138.312	110.723
General administrative expenses (Note 18)	139.217	111.789
	1.973.352	**1.754.69**

b) The distribution of personnel expenses of the Company is as follows:

	31 December 2008	31 December 2007
General production expenses	7.158.616	5.947.097
Selling and marketing expenses	520.426	403.861
General administrative expenses	1.684.136	1.790.332
	9.363.178	**8.141.290**

NOTE 20 - OTHER OPERATING INCOME AND EXPENSES

	31 December 2008	31 December 2007
Scrap sales income	1.300.469	945.178
Gain on sale of fixed assets	325.132	-
Transportation income	247.318	120.706
Terminated provisions (Notes 6,8,12 and 14)	295.010	92.338
Profit from the sale of available for sale investments (Note 4)	166.083	-
Income from insurance compensation	162.462	82.847
Factoring income	92.304	-
Other	335.111	137.501
Other operating income and gains	**2.923.889**	**1.378.570**

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 20 - OTHER OPERATING INCOME AND EXPENSES (Continued)

	31 December 2008	31 December 2007
Provision for doubtful receivables (Note 6)	(786.742)	(728.774)
Provision for personnel expenses (Note 12)	(417.696)	-
Provision for pending litigations (Note 12)	(56.000)	(160.000)
Loss on sale of subsidiary (Note 4)	(40.146)	-
Provision for unused vacation	(8.632)	(91.338)
Provision for inventory impairment (Note 8)	(108.940)	(32.157)
Loss on sale of fixed assets	-	(42.303)
Other	(72.199)	(121.242)
Other operating expense and losses	**(1.490.355)**	**(1.175.814)**

NOTE 21 - FINANCIAL INCOME

	31 December 2008	31 December 2007
Foreign exchange gains	5.516.063	3.353.369
Interest income on due dated sales	1.198.807	463.081
Interest income	725.586	542.579
Other	-	4.482
Total	**7.440.456**	**4.363.511**

NOTE 22 - FINANCIAL EXPENSE

	31 December 2008	31 December 2007
Foreign exchange losses	(8.255.683)	(2.708.328)
Interest expenses	(1.084.975)	(589.503)
Interest expense on due dated purchases	(345.434)	(468.628)
Other	(551.833)	(149.562)
Total	**(10.237.925)**	**(3.916.021)**

NOTE 23 - INCOME TAX ASSETS AND LIABILITIES

	31 December 2008	31 December 2007
Corporation and income taxes payable	935.907	289.679
Less: Prepaid taxes	(2.151.405)	(471.661)
Prepaid taxes - (net) (Note 14)	**(1.215.498)**	**(181.982)**

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 23 - INCOME TAX ASSETS AND LIABILITIES (Continued)

The taxes on income for the years ended 31 December 2008 and 2007 are disclosed as follows:

	31 December 2008	31 December 2007
Current period tax expense	(935.907)	(289.679)
Deferred tax (expense)/income	(425.898)	141.265
Total tax expense - net	**(1.361.805)**	**(148.414)**

Turkish tax legislation does not enable the parent company to prepare tax return make a return over its subsidiaries and affiliates. Therefore tax provisions reflected on this consolidated financial statements are calculated seperately for the companies taken into account as line by line consolidation.

The Corporate Tax Law was amended by Law No.5520 dated 13 June 2006. Most of the articles of the new Corporate Tax Law in question, No.5520, have come into force effective from 1 January 2006. Corporation tax is payable, in the year 2008, at a rate of 20% (2007: 20%) on the total income of the Company and its Subsidiaries registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. R&D allowance). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19,8%, calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61).

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.

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.

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the New Turkish Lira. Tax Law No:5024 requires the cumulative inflation rate for the last 36 months exceed 100% and the inflation rate for the last 12 months exceed 10% to apply inflation accounting. Since such conditions have not been realized for the years 2007 and 2008, the financial statements are not adjusted for the inflation accounting.

There is no such application for the reconciliation of payable taxes 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.

NOTE 23 - INCOME TAX ASSETS AND LIABILITIES (Continued)

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.

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits.

There are many exemptions in Corporate Tax Law regarding corporations. Those concerning the Company are explained as follows:

Investment allowance

The investment allowance application which had been in force for a significant period of time was abolished by Law No.5479 dated 30 March 2006. However, in accordance with the temporary article 69 of the Income Tax Law, income and corporate taxpayers can deduct the following amounts from their income related to the years 2006, 2007 and 2008 as well as the investment allowance amounts they could not offset against 2005 gains which were present as of 31 December 2005, in accordance with the legislation (including the provisions related to tax rates) in force as of 31 December 2005.

a) In the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6th articles prior to the abrogation of Income Tax Law No.193, with Law No.4842.

b) In the scope of the abolished 19th article of Income Tax Law No.193, the investment allowance amounts to be calculated in accordance with the legislation in force at 31 December 2005 for investments which were started before 1 January 2006 and which display an economical and technical integrity.

Consequently the income mentioned above is taken into consideration in the calculation of corporate tax.

Apart from the above mentioned exceptions in the determination of the corporate tax base, allowances cited in the articles 8th, 9th and 10th of Corporate Tax Law and article 40 of Income Tax Law are taken into consideration.

In accordance with the above principles as of 31 December 2007, Çelik Enerji (subsidiary) has calculated its tax provision at the rate of 30% as it has investment allowance to benefit from, while Çelik Halat has calculated it at 20%.

<u>Deferred taxes</u>

The Company recognizes deferred income tax based on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements prepared in accordance with the Communiqué by using the currently enacted tax rates. The currently enacted tax rate for temporary differences is 20% (31 December 2007: 20%).

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) at 31 December 2008 and 2007 are as follows:

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 23 - INCOME TAX ASSETS AND LIABILITIES (Continued)

	Temporary differences		Deferred tax assets/(liabilities)	
	31 December 2008	**31 December 2007**	**31 December 2008**	**31 December 2007**
Provision for employment termination benefits and personnel expenses	(1.792.792)	(1.454.672)	358.558	290.934
Net differences between carrying amounts and tax bases of property, plant and equipment and intangible assets	845.290	(1.051.464)	(169.058)	222.831
Provision for pending litigations	(135.340)	(202.000)	27.068	40.400
Inventories	(29.993)	(161.421)	5.999	32.284
Unearned finance income and expense of trade receivables and payables, net	34.570	(186.745)	(6.914)	37.349
Investment allowance	-	(70.000)	-	21.000
Provision for doubtful receivables	(29.616)	(34.275)	5.923	6.855
Sales cut-off and its effect on inventory-net	(16.006)	(160.018)	3.201	32.004
Provision for unused vacation	(99.970)	(91.338)	19.994	18.268
Other	(6.198)	(7.243)	1.239	1.448
			246.010	**703.373**

The movement of deferred tax assets during the year is as follows:

	31 December2008	**31 December2007**
1 January	703.373	562.108
Deferred taxation (expense)/income	(425.898)	141.265
Disposals from the scope of consolidation	(31.465)	-
	246.010	**703.373**

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

	1 January - 31 December2008	**1 January - 31 December2007**
Income before taxation on income (in accordance with CMB accounting standards)	6.717.269	763.175
Tax expense calculated with current tax rate 20% (2007: 20%)	(1.343.454)	(152.635)
Tax effect of:		
Non-deductible expenses	(300.964)	(192.387)
Deductible income	102.664	89.952
Other deductions	179.949	106.656

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

Current period tax expense	**(1.361.805)**	**(148.414)**

NOTE 24 - EARNINGS PER SHARE

Earnings per share stated in the statement of income are calculated by dividing the net income 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 per share are calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue.

	31 December 2008	**31 December 2007**
Net income attributable to shareholders	5.355.464	614.761
Weighted average number of ordinary shares in issue	13.115.110	13.115.110
Earnings per share (in full TRY per share)	0,41	0,05

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Main shareholder of the Company is Doğan Holding and ultimate parent shareholder is the Doğan Family. As Çelik Enerji and Doğan Organik are classified as available for sales 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) <u>Balances with related parties:</u>

	31 December 2008	**31 December 2007**
a) Other Payables:		
Doğan Factoring Hizmetleri A.Ş. (1)	501.006	-
Doğan Holding (2)	96.607	516.971
Milta Turizm İşletmeleri A.Ş. ("Milta") (3)	31.592	745
Çelik Enerji (4)	29.488	-
Petrol Ofisi A.Ş.	8.743	13.993
Doğan Otomobilcilik A.Ş.	-	70.014
Other	9.041	663
	676.477	**602.386**

(1) The payables to Doğan Factoring Hizmetleri A.Ş. is related with the marketing services given by the companies under Doğan Yayın Group.

(2) The payable is related with the consulting and technical services received from Doğan Holding.

(3) The payables to Milta are related with the travel and accommodation service purchases.

(4) The payables to Çelik Enerji are related with the electricity, heating energy and fixed asset purchases.

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2008	31 December 2007
b) Short-term Financial Liabilities:		
Doğan Organik	-	211.783
	-	**211.783**
c) Long-term Financial Liabilities:		
Doğan Organik	-	307.610
	-	**307.610**

ii) <u>Transactions with related parties:</u>

a) Sales to related parties:

	31 December 2008	31 December 2007
Doğan Enerji	2.350.250	-
Doğan Holding	1.595.033	-
Total	**3.945.283**	**-**

The transactions with Doğan Enerji and Doğan Holding are related with sale of shares of Çelik Enerji and Doğan Organik, respectively (Note 4).

b) Purchases from related parties:

	31 December 2008	31 December 2007
Doğan Holding	636.103	604.836
Doğan Factoring	625.722	-
Petrol Ofisi A.Ş.	248.210	166.362
Milta	204.945	156.368
D-Yapı İnşaat San. ve Tic. A.Ş.	4.720	572.229
Doğan Dış Ticaret	-	2.830.461
Other	20.407	74.292
Total	**1.740.107**	**4.404.548**

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

c) Interest expenses related to related parties:

	31 December 2008	31 December 2007
Doğan Organik	(20.929)	(34.694)
Total	**(20.929)**	**(34.694)**

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

	31 December 2008	31 December 2007
Short-term remunerations of personnel	518.300	371.464
Remunerations after termination of employment	-	-
Other long-term remunerations	22.402	14.244
Remunerations due to the termination of employment	-	-
Share based payments	-	-
	540.702	**383.708**

e) Guarantees given and received:

The Company received a guarantee from Doğan Holding amounting to EUR1.105.972 related with its long-term bank borrowing. The Company did not give any guarantee 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.

a) Market Risk

Foreign currency risk

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

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

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

The amounts of foreign currency denominated assets and liabilities and TRY equivalents of the Company as of 31 December 2008 and 2007 are as follows:

	2008			
	TRY Equivalent	**US$**	**EUR**	**GBP**
Trade Receivables	5.020.252	1.442.640	1.317.295	8.430
Monetary Financial Assets (Including cash, banks accounts)	186.401	17	87.059	-
Current Assets	5.206.653	1.442.657	1.404.354	8.430
Total Assets	**5.206.653**	**1.442.657**	**1.404.354**	**8.430**
Trade Payables	17.773.881	69.631	8.250.426	2.767
Financial Liabilities (Note 5)	1.628.000	-	760.463	-
Non-monetary Financial Liabilities	64.486	1.491	29.069	-
Short-term Liabilities	19.466.367	71.122	9.039.958	2.767
Financial Liabilities (Note 5)	4.777.498	-	2.231.642	-
Long-term Liabilities	4.777.498	-	2.231.642	-
Total Liabilities	**24.243.865**	**71.122**	**11.271.600**	**2.767**
Total Amount of Hedged Assets	-	-	-	-
Total Amount of Hedged Liabilities	-	-	-	-
Net Asset/ (Liability) Position of Off-balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**
Net Foreign Currency (Liability)/Asset Position	**(19.037.212)**	**1.371.535**	**(9.867.246)**	**5.663**
Net Monetary Foreign Currency (Liability)/Asset Position	**(18.972.726)**	**1.373.026**	**(9.838.177)**	**5.663**
Export (Note 17)	**25.032.479**	**2.904.208**	**11.223.702**	**-**
Import	**53.213.142**	**2.057.887**	**26.665.874**	**-**

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

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

	2007				
	TRY Equivalent	**US$**	**EUR**	**GBP**	**JPY**
Trade Receivables	3.108.817	948.723	1.161.889	7.213	-
Monetary Financial Assets (Including cash, banks accounts)	2.006.551	24	1.173.268	-	-
Current Assets	5.115.368	948.747	2.335.157	7.213	-
Total Assets	**5.115.368**	**948.747**	**2.335.157**	**7.213**	**-**
Trade Payables	8.889.931	786.704	4.354.306	3.237	50.529.567
Financial Liabilities (Note 5)	2.605.925	182.242	1.306.261	-	15.536.338
Non-monetary Financial Liabilities	88.491	991	49.443	1.195	-
Short-term Liabilities	11.584.347	969.937	5.710.010	4.432	66.065.905
Financial Liabilities (Note 5)	1.891.434	-	1.105.972	-	-
Long-term Liabilities	1.891.434	-	1.105.972	-	-
Total Liabilities	**13.475.781**	**969.937**	**6.815.982**	**4.432**	**66.065.905**
Total Amount of Hedged Assets	-	-	-	-	-
Total Amount of Hedged Liabilities	-	-	-	-	-
Net Asset/(Liability) Position of Off-balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**	**-**
Net Foreign Currency (Liability)/Asset Position	**(8.360.413)**	**(21.190)**	**(4.480.825)**	**2.781**	**(66.065.905)**
Net Monetary Foreign Currency (Liability)/Asset Position	**(8.271.922)**	**(20.199)**	**(4.431.382)**	**3.976**	**(66.065.905)**
Export (Note 17)	**16.719.177**	**1.926.369**	**7.991.444**	**-**	**-**
Import	**39.325.722**	**1.510.359**	**21.008.341**	**-**	**-**

As of 31 December 2008 the following exchange rates used for revaluation: 1,5123 TRY = 1 US$, 2,1408 TRY = 1 EUR, 2,1924 TRY = 1 GBP and 0,016732 TRY = 1 JPY (31 December 2007: 1,1647 TRY = 1 US$, 1,7102 TRY = 1 EUR, 2,3259 TRY = 1 GBP and 0,010279 TRY = 1 JPY).

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

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

The Company is exposed to foreign exchange risk primarily with respect to EUR and US$. The effect of the Company's EUR and US$ foreign currency position as of 31 December 2008 and 2007 under the assumption of the appreciation and depreciation of TRY against other currencies by 5% with all other variables held constant, is as follows:

	2008			
	Profit/Loss		**Shareholders' Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Had TRY appreciate/(depreciate) by 5% against US$				
Profit/(loss) from US$ net asset position	103.709	(103.709)	-	-
Hedged amount against US$ risk (-)	-	-	-	-
Net Effect of US$	**103.709**	**(103.709)**	**-**	**-**
Had TRY appreciate/(depreciate) by 5% against EUR				
Profit/(loss) from EUR net liability position	(1.056.190)	1.056.190	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	**(1.056.190)**	**1.056.190**	**-**	**-**
Total Net Effect	**(952.481)**	**952.481**	**-**	**-**

	2007			
	Profit/Loss		**Shareholders' Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Had TRY appreciate/(depreciate) by 5% against US$				
Profit/(loss) from US$ net asset position	(1.234)	1.234	-	-
Hedged amount against US$ risk (-)	-	-	-	-
Net Effect of US$	**(1.234)**	**1.234**	**-**	**-**
Had TRY appreciate/(depreciate) by 5% against EUR				
Profit/(loss) from EUR net liability position	(383.063)	383.063	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	**(383.063)**	**383.063**	**-**	**-**
Total Net Effect	**(384.297)**	**384.297**	**-**	**-**

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.

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

Cash flow and fair value interest rate risk

As the Company has no interest-bearing debt with a variable interest rate, the Company is not exposed to cash flow interest rate risk. However, borrowings issued at fixed rates expose the Company to fair value interest rate risk and these exposures are managed by using natural hedges arising from offsetting interest rate sensitive assets and liabilities.

	Interest Position Table	
Financial instruments with fixed interest rates	**2008**	**2007**
Financial assets	1.385.792	330.142
Financial liabilities	(11.953.819)	(5.833.286)
	(10.568.027)	**(5.503.144)**

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 that 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.

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

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

The Company's maximum exposure to credit risk as of 31 December 2008 and 2007 is as follows:

	2008		
	Trade Receivables	**Other Receivables**	**Bank Deposits**
Amount exposed to maximum credit risk	**22.127.127**	**8.640.454**	**1.713.277**
- The secured part of the maximum credit risk by guarantee letter etc. (*)	3.211.916	-	-
Net book value of financial assets which are undue or not impaired	18.554.381	8.640.454	1.713.277
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	3.572.746	-	-
- The secured part with guarantee letter etc. (*)	1.625.300	-	-
Net book value of impaired assets			
- Due dated (Gross book value)	1.711.222	-	-
- Provision (-)	(1.711.222)	-	-
- 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 not taken into consideration during the calculation of the amount.

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

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

	2007		
	Trade Receivables	**Other Receivables**	**Bank Deposits**
Amount exposed to maximum credit risk	**13.827.750**	**5.902.654**	**2.867.991**
- The secured part of the maximum credit risk by guarantee letter etc. (*)	1.514.781	-	-
Net book value of financial assets which are undue or not impaired	11.474.530	5.902.654	2.867.991
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	2.353.220	-	-
- The secured part with guarantee letter etc. (*)	215.000	-	-
Net book value of impaired assets			
- Due dated (Gross book value)	969.965	-	-
- Provision (-)	(969.965)	-	-
- 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 not taken into consideration during the calculation of the amount.

(Amounts expressed in New Turkish Lira (TRY), unless otherwise indicated.)

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

As of 31 December 2008 and 2007, aging of the assets overdue but not subjected to impairment is shown below:

	2008		
	Receivables		
	Trade Receivables	Other Receivables	Bank Deposits
Past due between 1-30 days	2.843.650	-	-
Past due between 1-3 months	729.096	-	-
Past due between 3-12 months	-	-	-
Past due between 1-5 years	-	-	-
Past due over 5 years	-	-	-
Total past due balance	**3.572.746**	**-**	**-**
Amount secured by collaterals (*)	**1.625.300**	**-**	**-**

	2007		
	Receivables		
	Trade Receivables	Other Receivables	Bank Deposits
Past due between 1-30 days	1.165.447	-	-
Past due between 1-3 months	1.022.115	-	-
Past due between 3-12 months	102.011	-	-
Past due between 1-5 years	63.647	-	-
Past due over 5 years	-	-	-
Total past due balance	**2.353.220**	**-**	**-**
Amount secured by collaterals (*)	**215.000**	**-**	**-**

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

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.

The undiscounted cash flows of liabilities into relevant maturity groupings as of 31 December 2008 and 2007 are disclosed as follows:

(Amounts expressed in New Turkish Lira ("TRY"), unless otherwise indicated)

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

	2008					
	Book value	**Up to 3 months**	**3 months to one year**	**1 year to 6 years**	**No maturity**	**Total contractual cash outflows**
Financial liabilities	11.953.819	3.778.449	3.763.498	5.395.615	-	12.937.562
Trade payables	21.185.193	18.753.124	2.364.732	341.185	-	21.459.041
Liabilities to related parties	676.477	676.477	-	-	-	676.477
Other current liabilities	691.251	691.251	-	-	-	691.251
Financial liabilities other than derivatives	**34.506.740**	**23.899.301**	**6.128.230**	**5.736.300**	**-**	**35.764.331**

	2007					
	Book value	**Up to 3 months**	**3 months to one year**	**1 year to 5 years**	**No maturity**	**Total contractual cash outflows**
Financial liabilities	5.833.286	-	4.131.958	2.253.226	-	6.385.184
Trade payables	10.642.073	10.036.465	257.171	454.593	-	10.748.229
Liabilities to related parties	1.121.779	32.923	801.763	323.037	-	1.157.723
Other current liabilities	725.728	725.728	-	-	-	725.728
Financial liabilities other than derivatives	**18.322.866**	**10.795.116**	**5.190.892**	**3.030.856**	**-**	**19.016.864**

(Amounts expressed in New Turkish Lira ("TRY"), unless otherwise indicated)

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 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Total payables	34.506.739	18.322.866
Less: Cash and cash equivalents	(1.548.520)	(2.868.823)
Net debt	32.958.219	15.454.043
Total shareholders' equity	34.173.767	28.815.011
Gearing ratio (Net debt/shareholders' equity)	0,96	0,54

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 realise 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 amortised cost, including cash and cash equivalent are considered to approximate their respective carrying values due to their short-term nature.

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

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

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 amortised 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 are translated to TRY using year-end exchange rates, are considered to approximate their carrying value.

NOTE 27 - SUBSEQUENT EVENTS

a) The financial statements are presented in the national currency of the Republic of Turkey, the Turkish Lira (“TL”), in accordance with the Article 1 of the Law numbered 5083 concerning the “Currency of the Republic of Turkey” and according to the Decision of The Council of Ministers dated 4 April 2007 and No: 2007/11963, the prefix “New” used in the “New Turkish Lira” and the “New Kurus” will be removed as of 1 January 2009. When the prior currency, New Turkish lira (“TRY”), values are converted into TL and Kr, one TRY (TRY1) and one YKr (YKr1) shall be equivalent to one TL (TL1) and one Kr (Kr1).

   All references made to New Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to TL at the conversion rate indicated above. Consequently, effective from 1 January 2009, the TL replaces the TRY as a unit of account in keeping and presenting of books, accounts and financial statements.

b) The financial statements which are prepared as of 31 December 2008 are approved by the Board of Directors as of 13 March 2009. The shareholders and other parties do not have right to amend the financial statements.

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