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 2009

(ORIGINALLY ISSUED IN TURKISH)

PRICEWATERHOUSECOOPERS

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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 2009 and the statement of comprehensive loss, 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

PRICEWATERHOUSECOOPERS

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 2009, 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 2009, 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 for the period between 1 January - 31 December 2005. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Mert Tüten, SMMM
Partner

Istanbul, 10 March 2010

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

FINANCIAL STATEMENTS
AT 31 DECEMBER 2009 AND 2008

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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 2009 AND 2008
(Amounts expressed in Turkish Lira (TL), unless otherwise indicated.)

	Notes	Audited 31 December 2009	Audited 31 December 2008
ASSETS			
CURRENT ASSETS		**37,706,632**	**41,104,961**
Cash and cash equivalents	3	5,993,966	1,548,520
Trade receivables	6	16,014,140	22,127,127
Other receivables			
- Due from related parties	24	1,377	-
- Other receivables	7	2,259,052	6,340,111
Financial assets (net)			
- Time deposits	4	180,687	165,275
Inventories	8	12,970,248	9,908,673
Other current assets	13	287,162	1,015,255
NON-CURRENT ASSETS		**34,194,264**	**29,749,879**
Other receivables	7	145,436	2,262,762
Financial assets (net)			
- Available for sale financial assets	4	184,386	184,386
Property, plant and equipment (net)	9	31,416,305	26,517,774
Intangible assets (net)	10	52,443	85,074
Deferred tax assets	22	1,321,913	699,883
Other non-current assets	13	1,073,781	-
TOTAL ASSETS		**71,900,896**	**70,854,840**

The financial statements as of and for the year ended 31 December 2009 were approved by the Board of Directors on 10 March 2010.

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 2009 AND 2008
(Amounts expressed in Turkish Lira (TL), unless otherwise indicated.)

	Notes	Audited 31 December 2009	Audited 31 December 2008
LIABILITIES			
CURRENT LIABILITIES		**29,820,233**	**30,235,734**
Financial liabilities (net)			
- Other financial liabilities	5	7,108,456	7,176,321
Trade payables (net)	6	21,250,835	20,892,448
Other payables			
- Due to related parties (net)	24	21,595	676,477
- Other payables	7	884,570	691,250
Provisions	11	554,777	799,238
LONG TERM CURRENT LIABILITIES		**11,194,686**	**6,445,339**
Financial liabilities (net)			
- Other financial liabilities	5	9,369,478	4,777,498
Trade payables (net)	6	282,236	292,745
Provisions for employee benefits	12	1,542,972	1,375,096
EQUITY		**30,885,977**	**34,173,767**
Share capital	15	16,500,000	15,000,000
Inflation adjustment to equity	15	8,642,368	8,642,368
Restricted reserves		221,524	-
Prior years' income		8,809,875	5,172,643
Net (loss)/income for the year		(3,287,790)	5,358,756
TOTAL LIABILITIES AND EQUITY		**71,900,896**	**70,854,840**

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 COMPREHENSIVE INCOME/(LOSS)
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(Amounts expressed in Turkish Lira (TL), unless otherwise indicated.)

	Notes	Audited 2009	Audited 2008
CONTINUING OPERATIONS			
Revenue (net)	16	75,895,622	101,115,638
Cost of sales (-)	16	(72,951,335)	(84,717,250)
GROSS OPERATING PROFIT		**2,944,287**	**16,398,388**
Marketing, selling and distribution expenses (-)	17	(3,665,328)	(4,310,147)
General administrative expenses (-)	17	(4,083,313)	(4,007,037)
Other for income	19	2,524,371	2,923,889
Other for expenses (-)	19	(873,591)	(1,584,724)
OPERATING (LOSS)/PROFIT		**(3,153,574)**	**9,420,369**
Financial income	20	6,240,998	7,440,456
Financial expenses (-)	21	(6,997,244)	(10,143,556)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**(3,909,820)**	**6,717,269**
Income taxes on continuing operations		**622,030**	**(1,361,805)**
- Current period tax expense			
- Deferred tax income/(expense)	22	-	(1,389,780)
	22	622,030	27,975
Net (loss)/ income for the period		**(3,287,790)**	**5,355,464**
Other comprehensive income/(loss)		**-**	**-**
Other comprehensive income/(loss) (after tax)		**-**	**-**
Total comprehensive (loss)/income		**(3,287,790)**	**5,355,464**
Net (loss)/income attributable to:			
Minority interest	14	-	3,292
Equity holders of the parent		(3,287,790)	5,358,756
Total comprehensive (loss)/income attributable to:			
Minority Interest		-	-
Parent Company		(3,287,790)	5,358,756
Earnings per Share	23	(0.20)	0.41
Diluted earnings per Share		-	-

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 EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(Amounts expressed in Turkish Lira (TL), unless otherwise indicated.)

	Notes	Share capital	Inflation adjustment to equity	Restricted reserves	Prior years' income	Net (loss)/income for the year	Total equity
1 January 2008		**7,460,439**	**16,181,929**	**-**	**4,559,574**	**613,069**	**28,815,011**
Transfers		7,539,561	(7,539,561)	-	613,069	(613,069)	-
Net income for the year		-	-	-	-	5,358,756	5,358,756
31 December 2008	**15**	**15,000,000**	**8,642,368**	**-**	**5,172,643**	**5,358,756**	**34,173,767**
1 January 2009		**15,000,000**	**8,642,368**	**-**	**5,172,643**	**5,358,756**	**34,173,767**
Transfers		1,500,000	-	221,524	3,637,232	(5,358,756)	-
Net loss for the year		-	-	-	-	(3,287,790)	(3,287,790)
31 December 2009	**15**	**16,500,000**	**8,642,368**	**221,524**	**8,809,875**	**(3,287,790)**	**30,885,977**

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 YEARS ENDED 31 DECEMBER 2009 AND 2008

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

	Notes	2009	2008
Cash flows from operating activities:			
Net income for the year		(3,287,790)	5,358,756
Adjustments to reconcile net profit to net cash provided by operating activities:			
Provision for the doubtful receivables	6	316,224	786,742
Impairment provision for assets	8	76,815	108,940
Accrued expenses	11	147,505	146,232
Provision for legal claims	11	172,450	56,000
Provision for employment termination benefits	12	450,802	262,899
Depreciation and amortization	18a	2,903,854	1,973,352
(Gain)/loss from sales of property, plant and equipment	19	33,930	(325,132)
Reversal of provisions	19	(433,193)	(295,010)
Accrual for unused vacation	19	16,951	8,632
Interest income	20	(151,581)	(725,586)
Interest expense	21	1,202,740	1,084,975
Tax (income)/expense	22	(622,030)	1,361,805
Gain on sale of available for sale financial investment	19	-	(166,083)
Loss on sale of shares of subsidiary		-	369,366
Minority interest	14	-	(3,292)
Net cash flow before changes in operating assets and liabilities		**826,667**	**10,002,596**
Decrease/(increase) in trade receivables		6,129,537	(9,045,293)
Increase in inventories		(3,055,833)	(3,388,977)
Decrease/(increase) in other receivables and in other current assets		6,439,206	(2,777,950)
Increase in trade payables		347,878	10,785,745
(Increase)/decrease in due from related parties		(1,377)	921,214
Decrease in due to related parties		(654,886)	(444,696)
Increase/(decrease) in provisions and in other current liabilities		(387,007)	431,564
Taxes paid		(442,290)	(1,969,423)
Employee termination benefits paid	12	(282,926)	(342,475)
Net cash provided from operating activities		**8,918,979**	**4,172,305**
Cash flow from investing activities:			
Proceeds from sales of property, plant and equipment		(7,931,084)	(14,192,875)
Interest received		151,073	719,836
Increase in time deposits		(15,412)	(160,041)
Increase in available for sale financial assets		-	1,595,033
Proceeds from the sale of property and equipment		-	1,509,365
Net cash used in investing activities		**(7,795,423)**	**(10,528,682)**
Cash flow from financing activities:			
Proceeds from bank borrowings		36,874,614	27,510,308
Changes in bank loans and repayment		(32,335,729)	(21,727,822)
Interest paid		(1,217,503)	(746,928)
Net cash provided from financing activities		**3,321,382**	**5,035,558**
Net increase/(decrease) in cash and cash equivalents		**4,444,938**	**(1,320,819)**
Cash and cash equivalents at the beginning of the period	**3**	**1,548,004**	**2,868,823**
Cash and cash equivalents at the end of the period	**3**	**5,992,942**	**1,548,004**

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 2009 is 319 (1 January-31 December 2008: 322).

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 2009, the shares quoted on the ISE represent 37,56% of the total shares (Note 15).

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

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.

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.

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

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 and 9 January 2009 including the compulsory disclosures.

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

a) Standards, amendments and interpretations, effective in 2009 and relevant to the Company's operations

IAS 1, (Revised) "Presentation of financial statements " (effective from 1 January 2009). The principle regarding the statement of changes in equity is that entities will no longer have the option of presenting non-owner movements as separate items in a statement of changes in equity. All non owners' changes in equity must be presented as a separate financial statement. The revised Standard requires that all items of income and expense be presented either in a single statement (statement of comprehensive income) or in two statements (a separate 'income statement' and 'statement of comprehensive income'). In case of changing or reclassification of previous year's information, previous year's balance sheet must be restated and presented comparatively with current year balance sheet. Çelik Halat has preferred to use a single statement (statement of comprehensive income).

IAS 23 (Revised), "Borrowing costs" The principle, before revised on March 2007, has required borrowing costs should be immediately accounted as an expense when they are incurred, on the other hand, as an alternative application, borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are to be capitalized as part of the cost of that asset. With applying of updated of IAS 23, the alternative application mentioned in former principle, borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are to be capitalized as part of the cost of that asset is only application allowed. The Company has capitalized borrowing costs as of 1 January -31 December 2008 and 2009 by the decision of early applying of IAS 23.

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

b) Standards, amendments and interpretations to existing standards that became effective in 2009 and not relevant for the company

- IFRS 1 (Revised), "Principles of First Time Adoption of IFRS and IAS 27 Consolidated and unconsolidated financial statements" (effective from 1 January 2009).
- IFRS 8 (Revised), "Operating Segments" (effective from 1 January 2009). The Company is not affected since there is one reportable section.
- IAS 16 (Revised), "Property, Plant and Equipment" (and respective amendment on IAS 7 "Cash Flow Statement").
- IAS 19 (Revised), "Employee Benefits" (effective from 1 January 2009).
- IAS 20 (Revised), "Government Grants and Government Assistance" (effective from 1 January 2009).
- IAS 27 (Revised), "Consolidated and separate financial statements" (effective from 1 January 2009).
- IAS 28 (Revised), "Investments in Associates" (and respective amendment on IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments: Disclosures"; effective from 1 January 2009).
- IAS 29 (Revised), "Restatement of Financial Statements in Hyperinflationary Economies" (effective from 1 January 2009).
- IAS 31 (Revised), "Accounting of Joint Ventures" (and respective amendment on IAS 32 and IFRS 7; effective from 1 January 2009).
- IAS 32 (Revised), "Financial Instruments: Presentation", IAS 1, (Revised) "Presentation of financial statements" - "Puttable financial instruments and obligations arising on liquidation" (effective from 1 January 2009).
- IAS 36 (Revised), "Impairment of Assets" (effective from 1 January 2009).
- IAS 38 (Revised), "Intangible Assets" (effective from 1 January 2009).
- IAS 39 (Revised), "Financial Instruments: Accounting and Measurement" (effective from 1 January 2009).
- IAS 41(Revised), "Agriculture" (effective from 1 January 2009).
- IAS 40 (Revised), "Investment Property" (and respective amendment on IAS 16; effective from 1 January 2009).
- IFRIC 15, "Agreements for the construction of the real estates" (effective from 1 January 2009).
- IFRIC 16, "Hedges of a net investment in a foreign operation" (effective from 1 October 2008).

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

c) Interpretations and amendments to existing standards those are not yet effective and not relevant for the Company's operations:

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 2010 but are not expected to be relevant for the Company's operations:

- IFRIC 17, "Distribution of Non-Cash Assets to Owners" (effective from 1 July 2009).
- IFRIC 18, "Transfers of Assets from Customers" (effective from 1 July 2009).
- IFRS 3, "Business combinations" (Revised) (effective from 1 July 2009).
- IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" (Revised).
- IAS 1, "Presentation of financial statements" (Revised).
- IFRS 2, "Share-based payment" (Revised).

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 2009 on a comparative basis with balance sheet at 31 December 2008; and statements of comprehensive income/(loss), cash flow and equity for the period between 1 January-31 December 2009 on a comparative basis with the financial statements for the period between 1 January - 31 December 2008. Comparative figures are reclassified where necessary to conform to changes in presentation in the current period financial statements.

Long term trade receivables amounted to TL 48,440 "incurred financial expense", that was accounted in "Short term trade receivable" in the balance sheet at 31 December 2008 has been classified under "Long term trade receivables" in the balance sheet that has been prepared comparative with 31 December 2009.

Other short term assets amounted to TL 37,581 "Receivables from Tax Office" that was accounted in "Other receivables and payables" in the balance sheet as at 31 December 2008 has been classified within "Other short term current assets" as "VAT receivables" in the balance sheet that has been prepared comparative with 31 December 2009.

Other operating expense amounted to TL 94,369 that was related to factoring expenses and was initially classified in "financial expenses" as at 31 December has been classified in other operational expenses in the statements of comprehensive income/(loss).

Deferred tax income/(expense) amounted to TL (453,873) that was accounted under "Current period tax expense" in the balance sheet dated at 31 December 2008 has been classified within "Deferred tax expense" in the balance sheet that is prepared comparative with 31 December 2009 in connection with such reclassification, taxes that was classified in other current assets has been credited whereas deferred tax assets have been debited with the same amount.

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

Turkish Lira

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), respectively.

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.

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.

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 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. As of 31 December 2009 and 2008 the Company does not have any subsidiaries.

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, if applicable less any provision for diminution in value to the financial statements (Note 4).

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

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.

2.3.1 Estimates of significant accounting policies and assumptions

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

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 contain the discount rate. Any changes occurred on these assumptions affect the booked value of employee termination liability. Actuarial gains and losses are accounted for in the income statement in the period they are incurred.

The Company sets out the proper discount rate for every year end. This rate is used for calculating the present values of possible future outflow of cash that is required for fulfilling employee termination liabilities (Note 12).

Had the discount rate be different by 15% than the management estimate, the book value of employee termination liability would be TL 97,831 lower or TL 109,666 higher.

Value added tax receivables

As of 31 December 2009, there are outstanding VAT receivables amounting to TL 1,246,283 majoring of which was composed of investment expenditures and raw material purchases. The Company classified TL1,073,781 of these receivables in non-current assets considering that their recoverability will take more than a year.

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

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:

Revenue recognition

Revenues are recognized 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 recognized on an accrual basis using the effective interest rate method, dividend income is recognized when the right to receive dividend is established.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories comprise total purchase costs and other costs incurred in bringing the inventories to their present location and condition. The unit cost of inventories is determined on the moving weighted average basis on product group level. Net realizable value is the estimated selling price in the ordinary course of business, less the expected costs of completion and selling expenses (Note 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 energy production license and information technology systems. Intangible assets are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of 3 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 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 recognized in income statement as expense.

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

Borrowing Costs

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

Financial Instruments

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

a) Loans and receivables

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

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 recognized 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 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/(loss) per share

Earnings/(loss) per share is determined by dividing the net income/loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year (Note 23).

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

Segment reporting

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

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

Provisions, contingent assets and contingent liabilities

Provisions are recognized 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.

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 24).

Taxes on income

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

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

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

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

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

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 22).

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

Statements of cash flows

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

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

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

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

Cash and cash equivalents include cash 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.

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.

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 December 2009	31 December 2008
Cash	274	518
Banks		
- Demand deposits	1,059,368	327,485
- Time deposits	4,934,324	1,220,517
	5,993,966	**1,548,520**

As of 31 December 2009, the average effective annual interest rates for the TL, EURO and USD time deposits are 6.50%, 0.93%, 2.25%, respectively (31 December 2008: TL: 15.5%, EURO and USD: None).

As of 31 December 2009 and 2008, the original maturities of time deposits are less than a month (31 December 2008: less than one month). As of 31 December 2009, the Company has restricted cash amounting to TL 128 (31 December 2008: TL 128).

The cash and cash equivalents included in the statements of cash flows at 31 December 2009, 2008, 2007 are as follows:

	2009	2008	2007
Cash and banks	5,993,966	1,548,520	2,868,823
Less: interest accruals	(1,024)	(516)	-
Cash and cash equivalents	**5,992,942**	**1,548,004**	**2,868,823**

NOTE 4 - FINANCIAL ASSETS

a) Time deposits:

	2009	2008
Banks		
- Time deposits	180,687	165,275
Total	**180,687**	**165,275**

As of 31 December 2009, the Company has restricted deposit amounting to TL 180,687 (31 December 2008: TL 165,275) including interest accrual of TL 2,596 (31 December 2008: None). Annual interest rate for the restricted deposits is 7% where the original maturity is less than 7 months.

b) Available-for-sale financial assets:

	Share (%)	2009	Share (%)	2008
Doğan Organik Ürünler San. Tic. A.Ş.	Less than 1	158,773	Less than 1	158,773
Kocaeli Serbest Bölgesi Kurucu ve İşleticisi A,Ş,	Less than 1	20,087	Less than 1	20,087
Çelik Enerji Üretim A,Ş,	Less than 1	5,526	Less than 1	5,526
		184,386		**184,386**

The movements of the financial assets for the periods are as follows:

	2009	2008
1 January	184,386	1,609,077
Sale of shares - Doğan Organik (*)	-	(1,428,951)
Change in scope (**)	-	5,527
Disposal from scope of consolidation	-	(1,267)
31 December	**184,386**	**184,386**

(*) The Company sold 90% of its shares of Doğan Organik to Doğan Holding at an amount of TL 1,595,033 on 17 March 2008. The profit from the sale of shares of Doğan Organik amounted to TL 166,083 (Note 19).

(**) The Company sold 98,75% of its shares of Çelik Enerji to Doğan Enerji at an amount of TL 2,350,250 on 25 June 2008. The loss from the sale of shares of Çelik Enerji amounted to TL 40,146 (Note 19).

NOTE 5 - FINANCIAL LIABILITIES

Short-term bank borrowings

	Original currency		Weighted average effective interest rate p.a.		TL equivalent	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
TL	205,254	5,548,321	12,5	15,52	205,254	5,548,321
EURO	3,195,483	760,463	4,1	5,66	6,903,202	1,628,000
					7,108,456	**7,176,321**

NOTE 5 - FINANCIAL LIABILITIES (Continued)

Long-term bank borrowings

	Original currency		Weighted average effective interest rate p.a.		TL equivalent	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
EURO	4,337,119	2,231,642	3,19	5,69	9,369,478	4,777,498
					9,369,478	**4,777,498**

The redemption schedule of the long-term bank borrowings as of 31 December 2009 is as follows:

2011	6,990,241
2012	793,079
2013	793,079
2014	793,079
	9,369,478

Fair value of long term borrowings amounted to TL 9,333,256 as of 31 December 2009 (31 December 2008: TL 4,544,784). Due to insignificant effect of discounting, book value of short term borrowings' and fair value of short term borrowings' have been considered equal to each other.

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

	2009	2008
Trade receivables:		
Debtors	15,242,362	19,566,479
Cheques and notes receivable	2,554,371	4,511,148
	17,796,733	**24,077,627**
Unearned financial income (-)	(87,921)	(239,278)
Provision for doubtful receivables (-)	(1,694,672)	(1,711,222)
Trade receivables - net	**16,014,140**	**22,127,127**

As of 31 December 2009, the maturities of cheques and notes receivable are less than six months (31 December 2008: less than 8 months). The weighted average annual effective interest rates for TL, EUR, US$,and pound denominated trade receivables of the Company are 7%, 0.43%, 0.39% and 0,57, respectively (31 December 2008: TL: 16%, EURO: 2.60%, US$: 0.76%).

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	2009	2008
1 January	(1,711,222)	(969,965)
Increase during the period (Note 19)	(316,224)	(786,742)
Collections	332,774	40,826
Write-off	-	4,659
31 December	**(1,694,672)**	**(1,711,222)**

Short-term trade payables:

	31 December 2009	31 December 2008
Suppliers	21,307,911	21,117,856
Unrealized financial expense (-)	(57,076)	(225,408)
Short-term trade payables - net	**21,250,835**	**20,892,448**

The weighted average maturity of trade payables as of 31 December 2009 is less than 6 months. As of 31 December 2009 and 2008, the annual effective interest rates for TL, EUR, US$ and GBP denominated trade payables of the Company are 6.79%, 0.53%,0.43% and 0.63%, respectively (31 December 2008: TL: 15.68%, EURO: 2.84%, US$: 0.93% and GBP: 2.37%).

Long-term trade payables:	31 December 2009	31 December 2008
Other trade payables	307,003	341,185
Unrealized financial expense (-)	(24,767)	(48,440)
Long-term trade payables - net	**282,236**	**292,745**

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

a) Short-term other receivables:

	31 December 2009	31 December 2008
Advances given (*)	2,239,485	6,294,983
Salary advances	17,091	20,206
Other receivables	2,476	24,922
	2,259,052	**6,340,111**

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

NOTE 7 - OTHER RECEIVABLES AND PAYABLES (Continued)

b) Long-term other receivables:

	31 December 2009	31 December 2008
Deposits and guarantees given	143,205	103,978
Advances given for tangible assets	2,231	2,158,784
	145,436	**2,262,762**

c) Other short-term payables:

	31 December 2009	31 December 2008
Payables to personnel	282,292	141,042
Social security premiums	219,215	195,574
Advances received	204,115	105,876
Taxes and funds payable	170,842	194,065
Other	8,106	54,693
	884,570	**691,250**

NOTE 8 - INVENTORIES

	31 December 2009	31 December 2008
Raw materials	8,307,036	3,626,058
Work in progress	1,726,131	2,402,882
Finished goods	2,119,899	3,951,079
Goods in transit	874,680	37,594
Other	28,878	-
	13,056,624	**10,017,613**
Provision for impairment of raw materials (-)	(26,699)	(15,519)
Provision for impairment of finished goods (-)	(59,677)	(93,421)
	12,970,248	**9,908,673**

The cost of inventories recognized as expense and included in cost of goods sold in the current year, amounted to TL 54,311,808 (31 December 2008: TL 64,588,405) (Note 16.b).

NOTE 8 - INVENTORIES (Continued)

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

	2009	2008
1 January	(108,940)	(136,111)
Reversal of provision (Note 19)	99,379	136,111
Increase during the period (Note 19)	(76,815)	(108,940)
31 December	**(258,049)**	**(108,940)**

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2009	Additions	Disposals	Transfers	31 December 2009
Cost					
Land	992,168	-	-	-	992,168
Land improvement	670,592	-	-	-	670,592
Buildings	15,693,056	6,929	-	-	15,699,985
Machinery and equipment	66,616,535	274,533	-	7,463,627	74,354,695
Motor vehicles	268,487	-	-	-	268,487
Furniture and fixtures	7,187,351	200,967	(184,773)	-	7,203,545
Construction in progress	462,826	7,430,309	(371,955)	(7,463,627)	57,553
	91,891,015	**7,912,738**	**(556,728)**	**-**	**99,247,025**
Provision for impairment (-)	(371,955)	-	371,955	-	-
	91,519,060	**7,912,738**	**(184,773)**	**-**	**99,247,025**
Accumulated depreciation					
Land improvement	(620,479)	(3,223)	-	-	(623,702)
Buildings	(10,269,273)	(337,147)	-	-	(10,606,420)
Machinery and equipment	(48,339,457)	(2,382,013)	-	-	(50,721,470)
Motor vehicles	(189,505)	(24,860)	-	-	(214,365)
Furniture and fixtures	(5,582,572)	(105,636)	23,445	-	(5,664,763)
	(65,001,286)	**(2,852,879)**	**23,445**	**-**	**(67,830,720)**
Net book value	**26,517,774**				**31,416,305**

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	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**

Of the current year total depreciation expense, TL 1,990,949 (31 December 2008: TL 1,358,912) is allocated to cost of sales, TL 454,143 (31 December 2008: TL 265,914) is allocated to operating expenses, TL 407,787 (31 December 2008: TL 267,929) is allocated to inventories as of 31 December 2009.

There is no collateral on property, plant and equipment at 31 December 2009 (31 December 2008: US$958,000).

According to revised IAS 23 borrowing costs amounting to TL 148,149 were capitalized on property, plant and equipment balance (31 December 2008: TL 101,397) (Note 2.4).

The Company does not have any fixed assets acquired through financial leasing agreements.

NOTE 10 - INTANGIBLE ASSETS

	1 January 2009	Additions	Disposals	31 December 2009
Energy production license	5,549	-	-	5,549
Information systems	738,662	18,346	-	757,008
Accumulated amortization (-)	(659,137)	(50,977)	-	(710,114)
Net book value	**85,074**	**(32,631)**		**52,443**

	1 January 2008	Additions	Disposals	31 December 2008
Energy production license	5,549	-	-	5,549
Information systems	676,586	62,076	-	738,662
Accumulated amortization (-)	(578,540)	(80,597)	-	(659,137)
Net book value	**103,595**			**85,074**

Of the current year total amortization expense, TL 35,575 (31 December 2008: TL 57,279) is allocated to cost of sales, TL 8,115(31 December 2008: TL 11,615) is allocated to operating expenses, TL 7,287 (31 December 2008: TL 11,703) is allocated to inventories as of 31 December 2009.

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2009	31 December 2008
Provision for pending litigations	290,350	135,340
Provision for utilities	145,184	123,541
Accrual of unused vacation	116,922	99,970
Provision for personnel expense (Note 19)	-	417,696
Other	2,321	22,691
	554,777	**799,238**

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

	2009	2008
1 January	135,340	202,000
Increase during the period (Note 19)	172,450	56,000
Payments during the period	(16,400)	(11,830)
Reversal of provisions (Note 19)	(1,040)	(110,830)
31 December	**290,350**	**135,340**

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

b) Collaterals, pledges and mortgages ("CPM") given by the Company as of 31 December 2009 and 2008 are as follows:

		31 December 2009	31 December 2008
A.	CPM's given in the name of its own legal personality (*)	2,345,844	4,717,058
B.	CPM's given on behalf of fully consolidated companies	-	-
C.	CPM's given for continuation of its economic activities on behalf of third parties	-	-
D.	Total amount of other CPM's		
	i) Total amount of CPM's given on behalf of the majority shareholder	-	-
	ii) Total amount of CPM's given to on behalf of other Group companies which are not in scope of B and C,	-	-
	iii) Total amount of CPM's given on behalf of third parties which are not in scope of C,	-	-
		2,345,844	**4,717,058**

(*) There is no mortgage given in the name of the Company's own legal personality (31 December 2008: The Company's mortgages provided for loans amounted to TL 1,448,783 which has been released in 2009).

The Company's given guarantees' proportion to Company's equity is 8% (31 December 2008: %16).

There are various on-going lawsuits where the Company is litigant or defendant. These lawsuits are mainly related to labor 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 2009 is TL 290,350 (31 December 2008: TL 135,340) (Note 2.4).

The lawsuit amounting to TL 769,916 against the Company is commenced by "Türkiye Taşkömürü Kurumu Genel Müdürlüğü" in year 2001 for material compensation. Since the probable loss at the end of this case is within the scope of product liability insurance, no provision is accounted for in these financial statements by the management.

The Company's debt and loss to cause significant damage or potential commitments and obligations which are not expected are summarized below:

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

c) Contingent Assets

	31 December 2009	31 December 2008
Guarantee letters received	3,652,250	6,194,626
Guarantee notes received	2,024,132	2,084,250
Guarantee cheques received	427,131	417,269
Mortgages	2,061,500	2,061,500
Total	**8,165,013**	**10,757,645**

As of 31 December 2009, the Company has letter of credit agreements related to "raw material purchase" amounting to TL 15,841,368 (31 December 2008: 17,184,180) and amounting to TL 14,062,142 (31 December 2008: TL 7,602,520) loan agreement. In addition, The Company has agreement for "fixed asset purchase" amounting to TL 144,740 (EUR 67,000) (31 December 2008: TL 11,639,530) from foreign suppliers.

NOTE 12 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2009	31 December 2008
Provision for employment termination benefits	1,542,972	1,375,096

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

In accordance with Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or achieves the retirement age (58 for women and 60 for men). The amount payable consists of one and a half month's salary for employments under labor agreements and one month's salary for the remaining personnel. The ceiling applied in the computations of such liability is TL 2,365.16 for each year of service as of 31 December 2009 (31 December 2008: TL 2,173.18).

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

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 2009	31 December 2008
Discount rate	5.92%	6.26%
Turnover rate to estimate the probability of retirement	96%	96%

NOTE 12 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

The principal assumption is that the maximum liability which is TL 2,427.04 as of 1 January 2010 (1 January 2009: TL 2,260.05) for each year of service will increase in line with inflation. As a result of this, applied discount rate represents the real value that has been filtered from expected inflation effect.

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

	2009	2008
1 January	1,375,096	1,454,672
Increase in the period	450,802	262,899
Payments	(282,926)	(342,475)
31 December	**1,542,972**	**1,375,096**

NOTE 13 - OTHER CURRENT/NON-CURRENT ASSETS AND CURRENT/NON-CURRENT LIABILITIES

	2009	2008
Other current assets:		
VAT Receivable	172,502	200,252
Prepaid expenses	40,702	35,138
Job Advances	26,998	18,240
Incentive revenue from Social security organization	25,851	-
Prepaid taxes and funds (Note 22)	11,584	761,625
Other Receivables	9,525	-
	287,162	**1,015,255**

Other fixed assets:

	31 December 2009	31 December 2008
Value Added Tax (“VAT”) receivables (Note 2.3.1)	1,073,781	-

NOTE 14 - MINORITY INTERESTS

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

	2009	2008
1 January	-	27,499
Minority Interest	-	(3,292)
Change in the scope of consolidation	-	(24,207)
31 December	**-**	**-**

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. The Company does not have any minority interest in income statement as of 31 December 2009.

NOTE 15 - SHARE CAPITAL

a) Paid-in capital

The Company's registered share capital amounts to TL 25,000,000 as of 31 December 2009.

The composition of the Company's statutory paid-in capital at 31 December 2009 and 2008 are as follows:

	%	31 December 2009	%	31 December 2008
Doğan Holding	62.44	10,302,600	62,44	9,366,000
Quoted in ISE	37.56	6,197,400	37,56	5,634,000
Capital	**100.00**	**16,500,000**	**100.00**	**15,000,000**
Adjustment to share capital		8,642,368		8,642,368
Total		**25,142,368**		**23,642,368**

As of 31 December 2009 the shareholding rate of Doğan Holding has increased to 78.69% as a result of share purchases from ISE.

The Company has raised its issued capital as amounting to TL 1,500,000 and has reached to TL 16,500,000 by allocating entirely from profit of the year 2008.

The Company has 16,500,000 units of shares with a face value of TL 1 each (31 December 2008: TL 1 1,500,000 units). The Company does not have privileged shares.

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

NOTE 15 - SHARE CAPITAL (Continued)

b) Restricted Reserves

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

In accordance with Communiqué No. XI-29 and related announcements of the CMB, effective from 1 January 2008, Legal Reserves are classified as "Restricted Reserves"; amounting to TL 221,524 as of 31 December 2009 (31 December 2008: None).

c) Net period profit/Retained earnings

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

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

In the annual assembly held regarding 2008 results, it was decided that, TL 1,500,000 of the distributable profit of 2008 TL amounting to 5,563,862 that was computed according to the dividend distribution principals of the CMB, will be added to capital. Such contribution approximates to 26.96% of the profit of 2008.

The Company has financial loss as of 31 December 2009.

As a result of restated of the financial statements in accordance with inflation, equity items; "Capital, Emission Premiums, Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves" are stated in their book values at balance sheet. Inflation adjustments differences related to equity items can be used as offsetting item in case of capital expenditure or loss, on the other hand, book value of extraordinary reserves can be used as offsetting item in case of capital expenditure, dividend payments or loss.

NOTE 16 - SALES AND COST OF SALES

a) Sales Revenues:

	2009			2008		
	Domestic sales	Foreign sales	Total	Domestic sales	Foreign sales	Total
Pre-stressed concrete strand	13,236,352	2,849,711	16,086,063	20,301,286	1,683,230	21,984,516
Wire rope	11,251,198	12,767,177	24,018,375	16,252,918	12,997,310	29,250,228
Bead wire	10,942,297	7,290,252	18,232,549	15,020,810	9,038,840	24,059,650
Spring wire	7,129,933	26,089	7,156,022	15,569,988	51,713	15,621,701
Concrete wire	4,324,410	-	4,324,410	5,068,427	-	5,068,427
Single strand	5,110,811	581,607	5,692,418	3,135,719	1,475,969	4,611,688
Galvanized wire	2,344,238	-	2,344,238	3,390,439	-	3,390,439
Raw material (Wire rod)	474,634	-	474,634	462,882	-	462,882
Gross sales	54,813,873	23,514,836	78,328,709	79,202,469	25,247,062	104,449,531
Sales returns, allowances and discounts (-)	(2,362,221)	(70,866)	(2,433,087)	(3,119,311)	(214,582)	(3,333,893)
	52,451,652	**23,443,970**	**75,895,622**	**76,083,158**	**25,032,480**	**101,115,638**

b) Cost of Sales:

	1 January - 31 December 2009	1 January - 31 December 2008
Cost of raw materials (Note 8)	54,311,808	64,588,405
General production expenses	9,255,667	11,554,038
Labour cost (Note 18.b)	7,357,336	7,158,616
Depreciation and amortization (Notes 9 and 10)	2,026,524	1,416,191
	72,951,335	**84,717,250**

NOTE 17 - SELLING AND MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2009			1 January - 31 December 2008		
	Marketing and selling expenses	General administrative expenses	Total	Marketing and selling expenses	General administrative expenses	Total
Advertising and marketing expenses	2,151,794	-	2,151,794	2,724,664	-	2,724,664
Service costs	445,713	1,031,040	1,476,753	701,297	1,078,729	1,780,026
Personnel expenses	554,652	1,487,124	2,041,776	520,426	1,143,434	1,663,860
Remuneration of key management personnel (Note 24.e)	-	687,604	687,604	-	540,702	540,702
Donations and aids	-	570	570	-	425,000	425,000
Travel and transportation expenses	259,534	112,234	371,768	164,113	165,588	329,701
Depreciation and amortization (Notes 9 and 10)	175,968	286,291	462,258	138,312	139,217	277,529
Lawsuit, tax, official and fee expenses	2,617	150,521	153,139	3,413	220,140	223,553
Other	75,050	327,929	402,979	57,922	294,227	352,149
	3,665,328	**4,083,313**	**7,748,641**	**4,310,147**	**4,007,037**	**8,317,184**

NOTE 18 - EXPENSES BY NATURE

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

	2009	2008
Cost of sales (Note 16.b)	2,026,524	1,416,191
General administrative expenses (Note 17)	286,291	139,217
Inventories (Notes 9 and 10)	415,073	279,632
Selling and marketing expenses (Note 17)	175,968	138,312
	2,903,856	**1,973,352**

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

	2009	2008
General production expenses (Note 16.b)	7,357,336	7,158,616
General administrative expenses (Note 17)	2,174,728	1,684,136
Selling and marketing expenses (Note 17)	554,652	520,426
	10,086,716	**9,363,178**

NOTE 19 - OTHER OPERATING INCOME AND EXPENSES

	2009	2008
Scrap sales income	1,034,830	1,300,469
Price difference and penalty income	329,101	183,385
Terminated provisions (Notes 6,8,11 and 13)	433,193	295,010
Incentive from Social Security Institution (SSI) (*)	297,246	-
Income from factoring	170,196	92,304
Gain on sale of fixed assets	-	325,132
Income from insurance compensation	95,724	162,462
Transportation income	55,874	247,318
Profit from the sale of available for sale investments (Note 4)	-	166,083
Other	108,207	151,726
Other operating income and gains	**2,524,371**	**2,923,889**

(*) According to law numbered 5510 of Social Security and General Health Insurance Act, subject to fulfilling certain criteria specified in the law, private sector employers will be granted a 5% discount over the social security premiums of its personnel. Such 5% deduction is compensated by the Treasury.

	2009	2008
Provision for doubtful receivables (Note 6)	(316,224)	(786,742)
Loss on sale of fixed assets	(33,930)	-
Provision for pending litigations (Note 11)	(172,450)	(56,000)
Factoring expenses	(169,663)	(94,369)
Provision for inventory impairment (Note 8)	(76,815)	(108,940)
Unused vacation accrual	(16,951)	(8,632)
Provision for personnel expenses (Note 11)	-	(417,696)
Loss on sale of subsidiary (Note 4)	-	(40,146)
Other	(87,558)	(72,199)
Other operating expenses and losses	**(873,591)**	**(1,584,724)**

NOTE 20 - FINANCIAL INCOME

	2009	2008
Foreign exchange gains	5,336,813	5,516,063
Interest income on due dated sales	738,031	1,198,807
Interest income	151,581	725,586
Other	14,573	-
Total	**6,240,998**	**7,440,456**

NOTE 21 - FINANCIAL EXPENSE

	2009	2008
Foreign exchange losses	(5,205,188)	(8,255,683)
Interest expenses	(1,202,740)	(1,084,975)
Interest expense on due dated purchases	(414,650)	(345,434)
Other	(174,666)	(457,464)
Total	**(6,997,244)**	**(10,143,556)**

NOTE 22 - INCOME TAX ASSETS AND LIABILITIES

	2009	2008
Corporation and income taxes payable	-	1,389,780
Less: Prepaid taxes	(11,584)	(2,151,405)
Prepaid taxes - (net) (Note 13)	**(11,584)**	**(761,625)**
Current period tax expense	-	(1,389,780)
Deferred tax income	622,030	27,975
Total tax expense - net	**622,030**	**(1,361,805)**

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 separately 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% (2008: 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. research and development allowance). No further tax is payable unless the profit is distributed

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

NOTE 22 - INCOME TAX ASSETS AND LIABILITIES (Continued)

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 subsequent to 1 January 2005, no adjustment has been made 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.

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 exemptions which are related to the Company have been taken into consideration in calculation of corporate tax.

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

Deferred taxes

The Company recognizes deferred income tax 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 2008: 20%).

NOTE 22 - INCOME TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) at 31 December 2009 and 2008 are as follows:

	Temporary differences		Deferred tax assets/(liabilities)	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Deductible tax losses	(4,475,488)	-	895,098	-
Provision for employment termination benefits and personnel expenses	(1,542,972)	(1,792,792)	308,594	358,558
Provision for pending litigations	(290,350)	(135,340)	58,070	27,068
Inventories	(175,853)	(29,993)	35,171	5,999
Accrual for unused vacation	(116,922)	(99,970)	23,384	19,994
Net differences between carrying amounts and tax bases of property, plant and equipment and intangible assets	40,612	(1,424,073)	(8,122)	284,815
Accrual for accounts receivable impairment	(33,248)	(29,616)	6,650	5,923
Sales cut-off and its effect on inventory-net	(14,967)	(16,006)	2,993	3,201
Deferred accounts receivable and payable income and expenses, net	4,410	34,570	(882)	(6,914)
Other	(4,792)	(6,198)	957	1,239
			1,321,913	**699,883**

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

	2009	2008
1 January	699,883	703,373
Deferred taxation income	622,030	27,975
Disposals from the scope of consolidation	-	(31,465)
31 December	**1,321,913**	**699,883**

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

	2009	2008
Income before taxation on income (in accordance with CMB accounting standards)	(3,909,820)	6,717,269
Tax (income)/ expense calculated with current tax rate 20% (2008: 20%)	781,964	(1,343,454)
Tax effect:		
Non-deductible expenses	(255,359)	(300,964)
Deductible income	167,312	102,664
Other deductions	(71,887)	179,949
Current period tax expense	**622,030**	**(1,361,805)**

NOTE 23 - 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 2009	31 December 2008
Net (loss)/income attributable to shareholders	(3,287,790)	5,355,464
Weighted average number of ordinary shares in issue	16,500,000	13,115,110
(Loss)/earnings per share (in full TL per share)	(0.20)	0.41

NOTE 24 - 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) Balances with related parties:

	31 December 2009	31 December 2008
a) Other payables:		
Petrol Ofisi A.Ş.(*)	15,599	8,743
Milta Turizm İşletmeleri A,Ş, ("Milta")	3,047	31,592
Doğan Holding	2,618	96,607
Doğan Faktoring Hizmetleri A,Ş, ("Doğan Faktoring")	-	501,006
Other	331	38,529
	21,595	**676,477**

(*) The payables to Petrol Ofisi A. Ş. are related with the purchases of fuel-oil and lubricant oil.

	31 December 2009	31 December 2008
b) Other receivables:		
Doğan İletişim Elektronik Servis Hizmetleri ve Yayıncılık A.Ş.	1,377	-

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties:

a) Sales to related parties:

	31 December 2009	31 December 2008
Doğan Enerji	-	2,350,250
Doğan Holding	-	1,595,033
Total	**-**	**3,945,283**

Transactions with Doğan Enerji and Doğan Holding in 2008 are related with the sales of the shares of Çelik Enerji and Doğan Organik, respectively (Note 4).

b) Purchases from related parties:

	31 December 2009	31 December 2008
Doğan Holding (1)	612,540	636,103
Milta (2)	200,411	204,945
Petrol Ofisi A.Ş. (3)	160,201	248,210
Doğan Faktoring	22,809	625,722
Others	1,651	25,127
Total	**997,612**	**1,740,107**

(1) Purchases from Doğan Holding comprised of consulting and technical support for services provided.
(2) Purchases from Milta were related to vehicle rent, ticketing and accommodation arrangements organized by Milta.
(3) Purchases from Petrol Ofisi A.Ş. are related to fuel-oil purchases.

c) Interest expenses from to related parties:

	31 December 2009	31 December 2008
Doğan Faktoring	31,086	-
Doğan Holding	9,831	-
Doğan Organik	-	20,929
Total	**40,917**	20,929

d) Dividend income from related parties:

	31 December 2009	31 December 2008
Kocaeli Serbest Bölge	13,178	-

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Remuneration of top management personnel (Notes 17):

	31 December 2009	31 December 2008
Short-term remunerations of personnel	656,265	518,300
Other long-term remunerations	31,339	22,402
	687,604	**540,702**

f) Guarantees given and received:

The Company received a guarantee from Doğan Holding amounting to EUR 3,237,315 (31 December 2008: EUR 1,105,972) related with its long-term bank borrowing. The Company did not give any guarantee to the related parties.

NOTE 25 - 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 TL of foreign currency denominated assets and liabilities, resulted from the commercial activities in foreign markets. These risks are monitored and limited by analysis of the foreign currency position. The management limits the foreign currency position of the Company through analyzing it.

NOTE 25 -FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The amounts of foreign currency denominated assets and liabilities and TL equivalents of the Company as of 31 December 2009 and 2008 are as follows:

	2009			
	TL equivalent	**US$**	**EUR**	**GBP**
Trade Receivables	5,435,768	940,635	1,798,568	56,088
Par Monetary Financial Assets (Including cash, banks accounts)	4,819,013	500,010	1,882,214	-
Current Assets	10,254,781	1,440,645	3,680,782	56,088
Total Assets	**10,254,781**	**1,440,645**	**3,680,782**	**56,088**
Trade Payables	18,478,489	49,892	8,518,551	310
Financial Liabilities (Note 5)	6,903,202	-	3,195,483	-
Non-monetary Financial Liabilities	146,951	5,003	64,536	-
Short-term Liabilities	25,528,642	54,895	11,778,570	310
Financial Liabilities (Note 5)	9,369,478	-	4,337,119	-
Long-term Liabilities	9,369,478	-	4,337,119	-
Total Liabilities	**34,898,120**	**54,895**	**16,115,689**	**310**
Total Amount of Hedged Assets (*)	2,616,875	-	1,211,348	-
Total Amount of Hedged Liabilities (*)	(2,633,646)	(1,749,118)	-	-
Net Asset/ (Liability) Position of Off-balance Sheet Derivative Instruments	**(16,771)**	**(1,749,118)**	**1,211,348**	-
Net Foreign Currency (Liability)/Asset Position	**(24,643,339)**	**1,385,749**	**(12,434,907)**	**55,778**
Net Monetary Foreign Currency (Liability)/Asset Position	**(24,496,388)**	**1,390,753**	**(12,370,371)**	**55,778**
Export (Note 16)	**23,443,970**	**4,159,885**	**7,679,733**	**179,913**
Import	**39,032,696**	**1,862,138**	**16,808,381**	**-**

(*) The Company has 4 forward contracts to avoid foreign exchange risk as of 31 December 2009. As mentioned contracts the Company has commitments to sell as amounted to EUR 1,211,348 to purchase as amounted USD 1,749,118 and these contracts' weighted maturity is 4 months as of 31 December 2009.

NOTE 25 -FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	2008			
	TL 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**	**-**

As of 31 December 2009, the following exchange rates used for revaluation: TL 1.5057 = US$ 1, TL 2.1603 = EUR 1, TL 2.3892 = GBP 1 (31 December 2008: TL 1.5123 = US$ 1, TL 2.1408 = EUR 1, TL 2.1924 = GBP 1).

NOTE 25 - 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 2009 and 2008 under the assumption of the appreciation and depreciation of TL against other currencies by 5% with all other variables held constant, is as follows:

	2009			
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TL appreciate/(depreciate) by 5% against US$				
Profit/(loss) from US$ net asset position	104,326	(104,326)	-	-
Hedged amount against US$ risk (-)	-	-	-	-
Net Effect of US$	**104,326**	**(104,326)**	**-**	**-**
Had TL appreciate/(depreciate) by 5% against EUR				
Profit/(loss) from EUR net liability position	(1,343,156)	1,343,156	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net Effect of EUR	**(1,343,156)**	**1,343,156**	**-**	**-**
Total Net Effect	**(1,238,830)**	**1,238,830**	**-**	**-**

	2008			
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TL 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 TL 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**	**-**	**-**

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Price Risk

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

Cash flow and fair value interest rate risk

The Company has interest-bearing debt with variable and fixed interest rate. The Company is exposed to cash flow interest rate risk due to variable interest rate loans. In addition, fixed interest rate loans are subject to fair value interest rate risk. As of 31 December 2009, if the variable interest rate loans on TL basis were 100 base points higher/lower and all other variables remained constant, effect of change is amounting to TL 25,746.(31 December 2008: TL 13,863)

Variable interest rate loans, the effect of change in the current interest rate100 basis points hypothetical is amount TL 25,746 as of 31 December 2009 (31 December 2008: TL 13,863).

	Interest Position Table	
Financial instruments with fixed and variable interest rates	**31 December 2009**	**31 December 2008**
Financial assets	5,115,011	1,385,792
Financial liabilities	(16,477,934)	(11,953,819)
	(11,362,923)	**(10,568,027)**

b) Credit Risk

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

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The Company's maximum exposure to credit risk as of 31 December 2009 and 2008 is as follows:

	2009		
	Trade Receivables	**Other Receivables**	**Bank Deposits**
Amount exposed to maximum credit risk:	**16,014,140**	**2,405,865**	**6,174,653**
The secured part of the maximum credit risk by guarantee letter etc. (*)	2,306,745	-	-
Net book value of financial assets which are undue or not impaired	13,236,382	-	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired	-	-	-
Net book value of due dated but not impaired assets	2,777,758	-	-
- The secured part with guarantee letter etc. (*)	854,364	-	-
Net book value of impaired assets			
- - Due dated (Gross book value)	1,694,672	-	-
- Provision (-)	(1,694,672)	-	-
- The secured part of the net value by guarantee letter etc. (*)	1,024	-	-
- - Undue (Gross book value)			
- - Provision (-)	-	-	-
- The secured part of the net book value by guarantee letter etc. (*)	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-

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

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	2008		
	Trade Receivables	**Other Receivables**	**Bank Deposits**
Amount exposed to maximum credit risk	**22,127,127**	**8,602,873**	**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	8,602,873	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.

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2009 and 2008, aging of the assets overdue but not subjected to impairment is shown below:

	2009		
	Receivables		
	Trade Receivables	Other Receivables	Bank Deposits
Past due between 1-30 days	2,326,260	-	-
Past due between 1-3 months	381,634	-	-
Past due between 3-12 months	69,864	-	-
Past due between 1-5 years	-	-	-
Past due over 5 years	-	-	-
Total past due balance	**2,777,758**	**-**	**-**
Amount secured by collaterals (*)	**854,364**	**-**	**-**

	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**	**-**	**-**

(*) 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.

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Undiscounted cash flows of liabilities into relevant maturity groupings as of 31 December 2009 and 2008 are disclosed as follows:

	2009					
	Book value	**Up to 3 months**	**3 months to one year**	**1 year to 6 years**	**No maturity**	**Total contractual cash outflows**
Financial liabilities	16,477,934	2,109,076	4,890,447	10,430,918	-	17,430,441
Trade payables	21,533,071	12,564,785	8,743,125	307,003	-	21,614,913
Liabilities to related parties	21,595	21,887	-	-	-	21,887
Other current liabilities	884,570	884,571	-	-	-	884,571
Financial liabilities other than derivatives	**38,917,170**	**15,580,319**	**13,633,572**	**10,737,921**	**-**	**39,951,812**

	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**	**5,736,800**	**-**	**35,764,331**

NOTE 25 - 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 2009 and 2008 were as follows:

	31 December 2009	31 December 2008
Total payables	38,917,170	34,506,739
Less: Cash and cash equivalents	(5,993,966)	(1,548,520)
Net debt	32,923,204	32,958,219
Total equity	30,885,977	34,173,767
Gearing ratio (Net debt/equity)	1.07	0.96

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practical to estimate fair value:

Financial assets

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

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

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

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

Financial liabilities

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

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

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

NOTE 26 - SUBSEQUENT EVENTS

The financial statements which are prepared as of 31 December 2009 are approved by the Board of Directors as of 10 March 2010. The shareholders and other parties do not have right to amend the financial statements. Financial statement will be finalized after approval of General Assembly Board.

NOTE 27 - OTHER EVENTS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS

None (31 December 2008: None).

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