

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDIT REPORT AND
FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN
1 JANUARY – 31 DECEMBER 2011
INTO ENGLISH**

(ORIGINALLY ISSUED IN TURKISH)

AUDIT REPORT OF ÇELİK HALAT VE TEL SANAYİİ A.Ş

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

We have audited the accompanying balance sheet of Çelik Halat ve Tel Sanayii A.Ş. (the “Company”) as at 31 December 2011 and the statement of comprehensive income, the statement of changes in shareholders’ equity and the statement of cash flows for the year ended 31 December 2011, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

The Company Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards endorsed by Capital Markets Board of Turkey. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards issued by the Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing audit 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.

Opinion

In our opinion the accompanying financial statements give a true and fair view, in all material respects, of financial position of Çelik Halat ve Tel Sanayii A.Ş. as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with the financial reporting standards issued by the Capital Markets Board.

İstanbul, 16 March 2012

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Saim Üstündağ
Partner

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

FINANCIAL STATEMENTS AND DISCLOSURES FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2011

(Amounts expressed of Turkish Lira (TRY) except stated otherwise)

CONTENTS		SHEET
BALANCE SHEET.....		1-2
STATEMENTS OF COMPREHENSIVE INCOME/(LOSS).....		3
STATEMENTS OF CHANGES IN EQUITY.....		4
STATEMENTS OF CASH FLOWS		5
NOTES TO FINANCIAL STATEMENTS.....		6-45
NOTE 1	ORGANISATION AND NATURE OF OPERATIONS	6
NOTE 2	BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	6-14
NOTE 3	CASH AND CASH EQUIVALENTS.....	15
NOTE 4	FINANCIAL INVESTMENTS	15
NOTE 5	BORROWINGS	16
NOTE 6	TRADE RECEIVABLES AND TRADE PAYABLES.....	16-17
NOTE 7	OTHER RECEIVABLES AND PAYABLES	18
NOTE 8	OTHER FINANCIAL LIABILITIES.....	18
NOTE 9	OTHER SHORT TERM LIABILITIES	18-19
NOTE 10	INVENTORIES.....	19
NOTE 11	PROPERTY PLANT AND EQUIPMENT.....	20-21
NOTE 12	INTANGIBLE ASSETS	21
NOTE 13	PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	21-22
NOTE 14	COMMITMENTS.....	23
NOTE 15	PROVISION FOR EMPLOYMENT BENEFITS.....	24
NOTE 16	OTHER CURRENT/NON CURRENT ASSETS AND OTHER CURRENT/NON-CURRENT LIABILITIES.....	25
NOTE 17	EQUITY.....	25-27
NOTE 18	SALES AND COST OF SALES	27-28
NOTE 19	MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES.....	28-29
NOTE 20	EXPENSES BY NATURE.....	29
NOTE 21	OTHER OPERATING INCOME AND EXPENSES.....	30
NOTE 22	FINANCIAL INCOME.....	31
NOTE 23	FINANCIAL EXPENSES	31
NOTE 24	TAX ASSETS AND LIABILITIES	31-33
NOTE 25	(LOSS) / EARNINGS/ PER SHARE.....	33
NOTE 26	RELATED PARTY TRANSACTIONS.....	34-35
NOTE 27	FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT.....	35-45
NOTE 28	SUBSEQUENT EVENTS.....	45
NOTE 29	DISCLOSURE OF OTHER MATTERS.....	45

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

BALANCE SHEET FOR THE PERIODS 31 DECEMBER 2011 AND 2010

(Amounts expressed of Turkish Lira (TRY) except stated otherwise)

	Notes	<i>Audited</i> 31 December 2011	<i>Audited</i> 31 December 2010
ASSETS			
CURRENT ASSETS		60.028.878	47.247.834
Cash and cash equivalents	3	2.236.123	6.939.824
Trade receivables	6	31.348.409	23.835.233
Other receivables			
- Due from related parties	26	-	1.292
- Other receivables	7	4.274.655	2.951.575
Inventories	10	21.516.617	12.837.154
Other current assets	16	653.074	682.756
NON-CURRENT ASSETS		32.126.764	30.937.333
Other receivables	7	425.570	244.531
Financial investments (net)			
- Available for sale financial assets	4	132.974	132.974
Property, plant and equipment (net)	11	30.933.743	29.519.748
Intangible assets (net)	12	30.965	51.355
Deferred tax assets	24	401.669	797.199
Other non-current assets	16	201.843	191.526
TOTAL ASSETS		92.155.642	78.185.167

The financial statements as of 31 Aralık 2011 have been approved by the Board of Directors at 16 March 2012.

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

BALANCE SHEET FOR THE PERIODS 31 DECEMBER 2011 AND 2010

(Amounts expressed of Turkish Lira (TRY) except stated otherwise)

	Notes	<i>Audited</i> 31 December 2011	<i>Audited</i> 31 December 2010
LIABILITIES			
SHORT TERM LIABILITIES		58.989.802	41.592.939
Borrowings	5	23.999.126	23.918.705
Other financial liabilities	8	2.986.824	2.150.250
Trade payables (net)	6	27.605.028	13.639.844
Other payables			
- Due to related parties (net)	26	20.768	190.104
- Other payables	7	1.740.780	1.087.994
Provisions	13	2.208.189	240.563
Other current liabilities	9	429.087	365.479
LONG TERM LIABILITES		3.494.872	4.071.491
Borrowings (net)	5	1.794.313	2.256.768
Trade payables (net)	6	-	279.094
Provision for employment benefits	15	1.700.559	1.535.629
SHAREHOLDERS' EQUITY		29.670.968	32.520.737
Share capital	17	16.500.000	16.500.000
Adjustment to share capital	17	8.642.368	8.642.368
Restricted reserves	17	256.841	221.524
Retained earnings		7.121.528	5.522.085
Net (loss)/income for the year		(2.849.769)	1.634.760
TOTAL LIABILITES AND EQUITY		92.155.642	78.185.167

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED 1 JANUARY - 31 DECEMBER 2011 AND 2010

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	<i>Audited</i> 31 December 2011	<i>Audited</i> 31 December 2010
Sales revenue (net)	18	123.378.491	98.498.025
Cost of sales (-)	18	(110.058.517)	(88.226.574)
GROSS PROFIT		13.319.974	10.271.451
Marketing, selling and distribution expenses (-)	19	(4.967.767)	(5.277.551)
General administrative expenses (-)	19	(5.415.775)	(5.224.096)
Other operating income	21	3.820.971	3.536.779
Other operating expenses (-)	21	(4.115.257)	(463.415)
OPERATING PROFIT/(LOSS)		2.642.146	2.843.168
Financial income	22	7.497.107	6.577.723
Financial expenses (-)	23	(12.479.702)	(7.261.417)
(LOSS)/PROFIT BEFORE TAXATION FROM CONTINUED OPERATIONS		(2.340.449)	2.159.474
Tax expenses from continued operations		(509.320)	(524.714)
Current tax expense for the period	24	(113.790)	-
Deferred tax expense	24	(395.530)	(524.714)
NET (LOSS)/ INCOME/FOR THE PERIOD		(2.849.769)	1.634.760
Other comprehensive income		-	-
OTHER COMPREHENSIVE (LOSS)/INCOME(AFTER TAX)		-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME		(2.849.769)	1.634.760
(Loss)/income per share		(0,17)	0,10

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

STATEMENT OF EQUITY FOR THE PERIODS ENDED 1 JANUARY-31 DECEMBER 2011 AND 2010

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Share capital	Inflation adjustment on share capital	Restricted reserves	Retained earnings	Net profit/(loss) for the period	Total equity
1 January 2010		16.500.000	8.642.368	221.524	8.809.875	(3.287.790)	30.885.977
Transfers		-	-	-	(3.287.790)	3.287.790	-
Net income for the period		-	-	-	-	1.634.760	1.634.760
31 December 2010	17	16.500.000	8.642.368	221.524	5.522.085	1.634.760	32.520.737
1 January 2011		16.500.000	8.642.368	221.524	5.522.085	1.634.760	32.520.737
Transfers		-	-	35.317	1.599.443	(1.634.760)	-
Net loss for the period		-	-	-	-	(2.849.769)	(2.849.769)
31 December 2011	17	16.500.000	8.642.368	256.841	7.121.528	(2.849.769)	29.670.968

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

STATEMENT OF CASH FLOWS

FOR THE PERIODS ENDED 1 JANUARY-31 DECEMBER 2011 AND 2010

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	<i>Audited</i> 31 December 2011	<i>Audited</i> 31 December 2010
Operating activities:			
(Loss) /profit for the period		(2.849.769)	1.634.760
Adjustments to reconcile net (loss)/profit for the period to net cash provided by operating activities:			
Provision for doubtful receivables	6	18.826	-
Accrual for gain/ (loss) of forward agreement	8	97.096	-
Provision for impairment on inventories	10	170.534	41.888
Expense accruals		69.215	53.410
Provision for legal claims	13	2.040.090	120.000
Provision for impairment on financial assets available for sale		-	51.412
Provisions for employee termination benefits	15	544.438	613.809
Depreciation and amortization	11,12	2.975.658	3.097.309
Reversal of provisions	6,9,10,13	(225.368)	(417.257)
Accrual for unused vacation	9	134.900	120.002
Gain from disposal of fixed assets	21	(37.800)	-
Interest income	22	(155.675)	(126.626)
Interest expense	23	1.301.240	822.270
Tax (expense)	24	509.320	524.714
Net cash flow before changes in operating assets and liabilities		4.592.705	6.535.691
Increase in trade receivables		(7.519.605)	(5.800.891)
(Increase)/decrease in inventories		(8.363.191)	641.773)
Increase in other receivables and other current, non current assets		(1.434.709)	(191.751)
Increase/(decrease) in trade payables		13.686.090	(7.614.133)
Decrease in receivables from related parties		1.292	29
(Decrease) / increase in payables to related parties		(169.336)	181.845
Increase in provisions, other payables and liabilities		1.392.264	421.496
Taxes paid		(163.835)	67.537
Employee termination benefits paid	15	(379.508)	(621.152)
Net cash provided/(used in) from operating activities		1.642.167	(6.379.556)
Investment activities:			
Purchase of property, plant and equipment and intangible assets	11-12	(4.865.794)	(1.676.481)
Interest received		160.919	120.533
Proceeds from disposal of fixed assets		47.525	-
Net cash used in investing activities		(4.657.350)	(1.555.948)
Financing activities:			
Proceeds from bank borrowings in the period		36.437.545	16.686.634
Repayment of borrowings in the period		(36.291.083)	(7.442.258)
Interest paid		(1.830.485)	(369.107)
Net cash (used in)/provided from financing activities		(1.684.023)	8.875.269
Net (decrease)/increase in cash and cash equivalents		(4.699.206)	939.765
Cash and cash equivalents at the beginning of the period	3	6.932.707	5.992.942
Cash and cash equivalents at the end of the period	3	2.233.501	6.932.707

The accompanying notes form an integral part of these financial statements

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

The operations of Çelik Halat ve Tel Sanayii Anonim Şirketi (“the Company” or “Çelik Halat”), is to manufacture products as single and multiple strand ropes, galvanized wire, bead wire, spring wire, concrete strand, concrete wire, to meet the investment and semi finished goods demands of mining, construction, tire, bead, energy, fishery and other various manufacturing industries. The Company was established in 1962 and is registered in Turkey. The Company is a subsidiary of Doğan Şirketler Grubu Holding A.Ş. (“Doğan Holding”). The Company’s main shareholder is Aydın Doğan and Doğan Family.

The number of employees of the Company for the period as of the 31 December 2011 is 347. (31 December 2010: 335)

The registered address of the Company is as follows:

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

The Company is registered with the Capital Markets Board and its shares have been quoted on the Istanbul Stock Exchange market (ISE) since 10 January 1986. Within the frame of Resolution No: 21/655 dated 23 July 2011 of CMB, according to the records of Central Registry Agency, the %20,85 (31 December 2010: 20,39%) shares of Çelik Halat are to be considered in circulation as of 31 December 2011. Corresponding to 21% of the shares on the capital of Çelik Halat are open situation (Note 17).

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

NOTES 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Principles for preparation of financial statements

The Capital Markets Board of Turkey (“CMB”) sets out principles and procedures on the preparation, presentation and disclosure of financial statements prepared by companies in accordance with the Communiqué No: XI-29, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”). This Communiqué is effective for the annual periods beginning from 1 January 2008 and supersedes the Communiqué No: XI-25 “The Financial Reporting Standards of the Capital Markets”. The Communiqué requires companies to prepare their financial statements in accordance with International Financial Reporting Standards (“IASs/IFRSs”) adopted by the European Union. However companies will apply IASs/IFRSs issued by the IASB until the differences of the IAS/IFRS adopted by the European Union from those issued by the International Accounting Standards Board (“IASB”) are announced by the Turkish Accounting Standards Board (“TASB”). Therefore, TASB’s, Turkish Accounting Standards / Turkish Financial Reporting Standards (“TASs/TFRSs”) that are in line with the aforementioned standards will be adopted in reporting.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011**

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

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

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

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

2.1.2 New and Revised International Financial Reporting Standards

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

- (a) *The standards, interpretations and changes to existing standards which are valid from 1 January 2011 and affect financial statements of the Company:*

IAS 1 *Presentation of Financial Statements*

- (b) *The standards, interpretations and changes to existing standards which are valid from 1 January 2011 but have no affect on financial statements of the Company:*

IAS 24 *Related Party Disclosures (as revised in 2009)*
IAS 32 (Amendments) *Classification of Rights Issues*
IFRIC 14 (Amendments) *Prepayments of a Minimum Funding Requirement*
IFRS 3 (Amendments) *Business Combinations*
IFRIC 19 (Amendments) *Extinguishing Financial Liabilities with Equity Instruments*

- (c) *New and Revised Standards and Interpretations not yet effective and have not been early adopted by the Company*

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 7 (Amendments) *Disclosures – Transfers of Financial Assets; Offsetting of Financial Assets and Financial Liabilities*
IFRS 9 *Financial Instruments*
IFRS 10 *Consolidated Financial Statements*
IFRS 11 *Joint Arrangements*
IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 13 *Fair Value Measurement*
IAS 1 (Amendments) *Presentation of Items of Other Comprehensive Income*
IAS 12 (Amendments) *Deferred Taxes – Recovery of Underlying Assets*
IAS 19 (as revised in 2011) *Employee Benefits*
IAS 27 (as revised in 2011) *Separate Financial Statement*
IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
IAS 32 (Amendments) *Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*

The new standard is mandatory for annual periods beginning on or after 2012 and following years. The Company has not yet considered the potential impact of the adoption of this revised standard.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

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

2.1.3 Comparative information and restatement of prior period financial statements

The financial statements of the Company is prepared comparatively with the previous period to identify the financial position and performance trends. The Company prepared its balance sheet at 31 December 2011 on a comparative basis with balance sheet at 31 December 2010; and statements of comprehensive income, cash flow and equity for the period between 1 January-31 December 2011 on a comparative basis with the financial statements for the period between 1 January - 31 December 2010.

In order to maintain consistency, with current period financial statements, comparative information is reclassified and significant changes are disclosed if necessary. The details of the such reclassification which has no effect on retained earnings and net income/(loss) for the period are presented below.

- The presentation of restricted deposit amounted to TRY 191.526 that was accounted under "Financial investments" in the balance sheet at 31 December 2010 is revaluated and it has been decided to reclass under "Other current assets" (Note:16).

2.1.4 Netting/offsetting

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

2.2 Critical judgments in applying the entity's accounting policies

Changes in accounting policies arising from the first time adoption of a new IAS/IFRS are applied retrospectively or prospectively in accordance with the respective IASs/IFRSs transition requirements, if any. Where there are no transition requirements for any changes or optional significant changes in accounting policies and identified accounting errors, those are applied retrospectively and prior period financial statements are restated accordingly. Accounting policies used in the current period are applied in the preparation of the financial statements for the year ended 31 December 2010 except the reclassifications discussed at Note 2.1.3.

The preparation of financial statements require the use of estimations and assumptions that may have an effect over the assets and liabilities reported at the balance sheet date, contingent assets and liabilities disclosures and income and expenses reported during the accounting period. The estimates and assumptions are based on the best available information on the current circumstances and operations; however, they may differ from the actual results. If changes in accounting estimates only relate to one period, the change is reflected in the current period in which the change is made, if they relate to future periods, the change is both reflected in the current period in which the change is made and prospectively for future periods. Significant accounting policies used in the current period are consistent with those that are used in the preparation of the financial statements for the year ended 31 December 2010.

Provision for employment termination benefits

The Company is required to pay termination benefits, to employees due to retirement or resignation and to employees whose employment contracts are discharged due to the reasons other than the behaviours o specified in the Labor Law, in accordance with Turkish Labor Law and other laws.

Provision for employment termination benefits is the discounted provision amount of estimated future liabilities by using actuarial assumptions due to the the retirement of the employees in accordance with Labor Law (Note 15).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

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

2.3 Summary of Significant Accounting Policies

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

Revenue and Income

Revenues are recognized on accrual basis at the time the Company sells product to the customers, the significant risks and rewards of ownership of the goods is transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of trading goods sold less sales returns, discount and commissions (Note 18).

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

Finance Income / Expenses on Due Date Differences

Finance income/expenses on due date differences are incurred from purchases and sales on credit terms. These kinds of income and expenses are treated as finance income and expenses from purchases and sales done on credit terms and they are recognized under finance income and expenses through their term of maturities.(Notes 22 and 23)

Inventories

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

When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in the statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of the changing economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial impairment.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

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

2.3 Summary of Significant Accounting Policies(cont'd)

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 (except lands) (Note 11). Land is not depreciated as it is deemed to have an indefinite life.

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

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets.

Repair and maintenance expenses are charged to the statement of income as they are incurred. Capital expenditures that increase the present value of the future cash flows expected to be derived from property, plant and equipment by increasing its capacity is added to the cost of tangible fixed asset. Gains and losses arise from sales of tangible fixed assets are included to other operating income and expense accounts.

Intangible Assets

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

Gains and losses arise from sales of intangible assets are included to other operating income and expense accounts.

Impairment of Assets

At each balance sheet date, the Company evaluates whether there are any indications that an asset other than goodwill or indefinite life intangible assets may be 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.

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:

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

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

2.3 Summary of Significant Accounting Policies(cont’d)

Financial Instruments(cont’d)

a) Loans and receivables

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

b) Available-for-sale financial assets

The Company’s available for sale financial assets comprise of quoted equity instruments and certain debt securities that are traded in an active market and they are measured at fair value. Unrealized gains or losses on an available-for-sale financial asset shall be recognised in equity, through the investments revaluation reserves and comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company’s right to receive payment is established.

Financial assets classified by Company as “available- for- sale financial assets” in which the Company has an interest below 20% and that are not included in the consolidation, that do not have quoted market price in active markets and whose fair values cannot be reliably measured as other fair value estimation methods are not applicable; the carrying value of the financial asset is measured at cost less any impairment loss (Note 4).

c) Derivative financial instruments

The Company’s activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. According to entity’s risk management policies, forward contracts for hedging are evaluated as available for sale derivative transactions in financial statements because of non providing of IAS 39 (Financial Instruments Valuation) hedge accounting conditions. Derivative financial instruments are recorded with market value of the signed date of the derivative contracts and subsequently revaluated with market values. Gains and losses that arising from increase or decrease in the fair values of derivative financial instruments are directly associated with income statement. Fair values are determined by discounted cash flows and option pricing models unless are not determined by current market prices in active markets. A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability in balance sheet.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

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

2.3 Summary of Significant Accounting Policies(cont’d)

Foreign Currency Transactions

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

(Loss)/earnings per share

(Loss)/earnings per share is determined by dividing the net loss/income for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year (Note 25).

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.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Company has a present legal or constructive obligation or a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are assessed continually to determine whether an outflow of resources comprising economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimate can be made.

If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised by the Company in the financial statements of the period in which the change occurs.

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 not included in financial tables and are treated as contingent assets or liabilities. A contingent asset is disclosed where an inflow of economic benefit is probable.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

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

2.3 Summary of Significant Accounting Policies(cont’d)

Related Parties

For the purpose of those financial statements, shareholders that have control or joint control over the Company, other individuals that have direct or indirect control over those shareholders, other group companies that are directly or indirectly controlled by these individuals, key management personnel and Board members of the Company, in each case together with their families and companies controlled by or affiliated with them are considered and referred to as related parties (Note 26).

Taxes

Taxation on income includes current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of balance sheet date and includes adjustments related to previous year’s tax liabilities.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date. The principal temporary differences arise from deductible financial losses, bad debt provision, provision for severance payments, tangible fixed assets, intangible fixed assets and differences between inventories’ carrying values and tax base.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they related to income taxes levied by the same taxation authority (Note 24).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

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

2.3 Summary of Significant Accounting Policies(cont’d)

Statements of cash flows

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

Cash flows from operating activities show that cash flows provided from Company’s operations.

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

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

Cash and cash equivalents comprise cash on hand and demand deposits.

Cash and cash equivalents

The Company prepares statement of cash flows to inform the users of financial statements about the changes in assets, financial position, ability of using the amount and timing of cash flows.

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments without a significant risk over the change in their value, whose maturity at the time of purchase is three months or less (Note 6).

Trade receivables and provision for doubtful receivables

The Company’s trade receivables from providing goods or services to customers are carried at net of unrealized finance income. Trade receivables, net of unrealized finance income, are calculated by discounting future cash inflows of receivables carried at the original invoice amount using the effective interest method. Short term receivables with indefinite interest rate are carried at cost unless the effect of imputing interest is significant.(Note 6).

Provision is allocated for receivables when the Company has an objective indication over the collectability. The amount of the provision is the difference between the carrying amount and the recoverable amount. Recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collaterals discounted based on using the original effective interest rate of the trade receivable occurred.

If there is a partial or whole collection over the doubtful receivable amount subsequent to the allocation of provision for doubtful receivables, the collected portion is recognised as income following the write-down of the total provision amount.

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.

Subsequent events

In the case that events requiring a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements.

In case that events occur subsequent to the balance sheet date that do not require a correction to be made, those events are disclosed in the notes to the financial statement.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTES 3 – CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Cash	302	288
Banks		
- Demand deposits	2.110.045	1.724.333
- Time deposits	125.776	5.215.203
	2.236.123	6.939.824

As of 31 December 2011, the average annual interest rates for TRY time deposits are %7,5 (31 December 2010: TRY: %6,50, Euro:%3).

As of 31 December 2011, the original maturities of time deposits are less than three months (31 December 2010: less than two months).

The cash and cash equivalents included in the statements of cash flows at 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010	31 December 2009
Cash and banks	2.236.123	6.939.824	5.993.966
Interest accruals	(2.622)	(7.117)	(1.024)
	2.233.501	6.932.707	5.992.942

NOTE 4 - FINANCIAL INVESTMENTS

Available-for- sale financial assets:

	Share (%)	31 December 2011	Share (%)	31 December 2010
Doğan Organik Ürünler San. ve Tic. A.Ş.	Less than 1	158.773	Less than 1	158.773
Kocaeli Serbest Bölge	Less than 1	20.087	Less than 1	20.087
Doğan Enerji Yatırımları				
. Sanayi ve Ticaret A.Ş (1)	Less than 1	5.526	Less than 1	5.526
		184.386		184.386
Less: provision for impairment (-) (2)		(51.412)		(51.412)
		132.974		132.974

(1) Based on General Meeting of Doğan Enerji Yatırımları Sanayi ve Ticaret A.Ş. on 30 December 2011, all assets and liabilities of Çelik Enerji Üretim A.Ş were concluded to be transferred to Doğan Enerji Yatırımları Sanayi ve Ticaret A.Ş through the dissolve without liquidation method.

(2)The provision for impairment is related to Doğan Organik which is not traded in stock market and also described as available for sale financial assets. (Note 21)

The nature and level of risks in financial assets are disclosed in Note 27.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 5 - BORROWINGS

Short-term bank borrowings

	Original currency		Weighted average effective interest rate p.a (%)		TRY equivalent	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
TRY	3.697.027	235.532	8,00	-	3.697.027	235.532
USD	-	2.020.311	-	2,93	-	3.123.401
Euro	8.307.594	10.033.562	3,45	4,79	20.302.099	20.559.772
					23.999.126	23.918.705

Long term bank borrowings

	Original currency		Weighted average effective interest rate p.a (%)		TRY equivalent	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Euro	734.231	1.101.346	2,69	2,09	1.794.313	2.256.768
					1.794.313	2.256.768

Payment schedule of long term bank borrowings as of 31 December 2011 and 2010 is shown below:

	2011	2010
2012	-	752.256
2013	897.157	752.256
2014	897.156	752.256
	1.794.313	2.256.768

Fair value of long term bank borrowings as of 31 December 2011 is TRY 1.768.743 (31 December 2010: TRY 2.222.757)

NOTE 6 – TRADE RECEIVABLES AND TRADE PAYABLES

	31 December 2011	31 December 2010
Trade Receivables:		
Debtors	26.355.583	21.783.377
Cheque and notes receivable	5.934.166	3.849.383
	32.289.749	25.632.760
Unearned financial income (-)	(271.334)	(204.214)
Provision for doubtful receivables (-)	(670.006)	(1.593.313)
Trade receivables-net	31.348.409	23.835.233

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 6 – TRADE RECEIVABLES AND TRADE PAYABLES (Continued)

As of the 31 December 2011, the average maturity of undue receivables is 42 days (31 December 2010: 44 days). The average annual discount rates for TRY and foreign exchange denominated trade receivables of the Company are; %15,39 and libor+ 6% as of 31 December 2011 (31 December 2010: TRY %11, Euro %0,51 and USD %0,37)

During the period, entity transferred TRY 2.889.728 (31 December 2010: TRY 2.150.250) of trade receivables to an entity which is not a related party. As part of the transfer, the entity provided the transferee a credit guarantee over the expected uncollectibility risk of those receivables. Accordingly, the entity continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (Note 8).

The movements of provision for doubtful receivables for the periods ended 31 December 2011 and 2010 are as follows:

	1 January- 31 December 2011	1 January- 31 December 2010
1 January	(1.593.313)	(1.694.672)
Increase in period (Dipnot 21)	(18.826)	
Uncollectible receivables(1)	929.736	-
Collections (Note 21)	12.397	97.726
Reversal of provision (Note 21)	-	3.634
31 December	(670.006)	(1.593.313)

The nature and level of risks in trade receivables are disclosed in Note 27.

- (1) An amount of TRY 926.736 doubtful receivables are evaluated as bad debt due to uncollectibility by Board of directors of the Company on decision taken 31 March and 23 November 2011, and removed from doubtful receivables. There is not any expense effect on current year cause that doubtful receivable provisions are recorded at previous periods by Company.

Short Term Trade Payables:

	31 December 2011	31 December 2010
Trade payables	27.665.731	13.689.069
Unrealized financial expenses (-)	(60.703)	(49.225)
Short term trade payables-net	27.605.028	13.639.844

As of the 31 December 2011 the average maturity of trade payables is 49 days (31 December 2010: 70 days). The annual discount rates for TRY, EUR and USD denominated trade payables of the Company are 15,39% libor +6%. (31 December 2010: TRY: 11%, EURO: 0,74% and USD: 0,42%).

Long term trade payables:

	31 December 2011	31 December 2010
Trade payables	-	307.003
Unrealized financial expenses (-)	-	(27.909)
Long term trade payables-net	-	279.094

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

a) **Other short term receivables:**

	31 December 2011	31 December 2010
Advances given (1)	4.257.887	2.925.675
Personnel advances	16.681	25.750
Other receivables	87	150
	4.274.655	2.951.575

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

b) **Other long term receivables:**

	31 December 2011	31 December 2010
Deposits and guarantees given	425.570	244.531
	425.570	244.531

c) **Other short term payables:**

	31 December 2011	31 December 2010
Advances received	552.028	251.154
Social security premiums payables	531.773	248.073
Taxes and funds payables	347.896	267.515
Payables to personnel	260.773	286.157
Other	48.310	35.095
	1.740.780	1.087.994

NOTE 8 – OTHER FINANCIAL LIABILITIES

	31 December 2011	31 December 2010
Factoring liabilities (Note 6)	2.889.728	2.150.250
Accrual for forward foreign exchange	97.096	-
	2.986.824	2.150.250

NOTE 9 – OTHER SHORT TERM LIABILITIES

	31 December 2011	31 December 2010
Accrual for electricity expenses	260.281	197.852
Provision for unused vacation	168.806	167.627
	429.087	365.479

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 9 – OTHER SHORT TERM LIABILITIES (Cont'd)

The movement of provision for unused vacation is as follows :

	2011	2010
1 January	167.627	116.921
Charge for the period (Note 21)	134.900	120.002
Reversal of provision (Note 21)	(133.721)	(69.296)
31 December	168.806	167.627

NOTE 10 – INVENTORIES

	31 December 2011	31 December 2010
Direct raw materials and supplies	12.457.313	7.766.117
Work in process	2.045.152	1.371.797
Finished goods	6.758.212	3.453.921
Goods in transit	480.987	299.832
	21.741.664	12.891.667
Provision for impairment of inventories (-)	(225.047)	(54.513)
	21.516.617	12.837.154

The cost of inventories recognized as expense and included in cost of goods sold in the current year, amounted to TRY 84.026.293 (Note 18) (31 December 2010: TRY 63.396.577).

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

	2011	2010
1 January	(54.513)	(86.376)
Reversal of provision (Note 21)	-	73.751
Charge for the period (Note 21) (1)	(170.534)	(41.888)
31 December	(225.047)	(54.513)

(1) An amount of TRY 170.534 provision is accounted at current period for scrap inventories amounted of TRY 268.367 as of 31 December 2011.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2011	Additions	Disposal	Transfers	31 December 2011
Cost					
Land	992.168	-	-	-	992.168
Land improvement	670.592	23.010	-	-	710.275
Buildings	15.727.137	4.025	-	-	15.731.162
Machinery and equipment	75.629.172	334.012	(1.034.909)	4.128.231	79.056.506
Motor vehicles	208.214	-	-	-	208.214
Furniture and fixtures	7.462.482	394.259	(765)	-	7.855.976
Construction in progress	102.696	4.086.033	-	(4.128.231)	60.498
	100.809.134	4.841.339	(1.035.674)	-	104.614.799
Accumulated depreciation					
Land improvement	(627.730)	(6.227)	-	-	(633.957)
Buildings	(10.941.931)	(283.326)	-	-	(11.225.257)
Machinery and equipments	(53.752.662)	(2.950.733)	1.025.184	-	(55.678.211)
Motor vehicles	(175.115)	(20.432)	-	-	(195.547)
Furniture and Fixtures	(5.791.948)	(156.901)	765	-	(5.948.084)
	(71.289.386)	(3.417.619)	1.025.949	-	(73.681.056)
Net book value	29.519.748				30.933.743

TRY 4.128.231 amounted construction on progress is transferred to tangible fixed assets accounts during the year. Within this scope; 3 wire elongation machines and treatment facility regenerated, 5 wire elongation machines are revised.

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

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

Amortization expenses for the period ended 31 December 2011 are reflected as follows: TRY 2.733.043 (31 December 2010: TRY 2.511.748) to cost of goods sold (Note 18), TRY 204.075 (31 December 2010: TRY 537.090) is to operating expenses (Note 19), TRY 480.501 is to (31 December 2010: TRY 470.101) inventories (Note 20).

There is no collateral on property, plant and equipment as of 31 December 2011(31 December 2010: None).

The Company does not have any fixed assets acquired through financial leasing agreements (31 December 2010: None).

NOTE 12 – INTANGIBLE ASSETS

	1 January 2011	Additions	Transfers	31 December 2011
Energy production license	5.549	-	-	5.549
Information systems	811.107	24.455	-	835.562
Accumulated amortization (-)	(765.301)	(44.845)	-	(810.146)
Net Book Value	51.355			30.965

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

As of 31 Aralık 2011, total amount of amortization is reflected to accounts as are follows: TRY 35.862 (31 December 2010: TRY 40.798) to cost of goods sold (Note 18), TRY 2.678 31 December 2010: TRY 7.673) is reflected to operating expenses (Note 19), TRY 6.305 (31 December 2010: TRY 6.716) is reflected (Note 20) to inventories.

NOTE 13 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions

	31 December 2011	31 December 2010
Provision for pending litigations (1)	2.198.340	237.500
Other	9.849	3.063
	2.208.189	240.563

- (1) There are various on-going lawsuits where the Company is litigant or defendant. These lawsuits are mainly related to labor cases and receivables. At the end of each period, the management evaluates the possible causes and financial impacts of these lawsuits and the necessary provisions are provided based on the estimation of the management regarding the possible gains and losses. The provision as of 31 December 2011 is TRY 2.198.340 (31 December 2010: TRY 237.500).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

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

Provisions (Cont’d)

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

	2011	2010
1 January	237.500	290.350
Charge for the period (Note 21) (2)	2.040.090	120.000
Payments during the period (Note 21)	(65.500)	-
Reversal of provisions (Note 21)	(13.750)	(172.850)
31 December	2.198.340	237.500

(2) These lawsuits are mainly related to labor cases.

Based on the Company’s decision based on the recommendations of its legal advisors, the Company has decided to record TRY 1.969.290 of provision in its financial statements by considering the precautionary principle of accounting in regards to the ongoing lawsuit filed for claim for damages against the Company by “Türkiye Taşkömürü Kurumu Genel Müdürlüğü” in 2001. The transaction subject to the lawsuit has a product liability insurance amounting to USD 1 million.

Contingent Assets and Liabilities

	31 December 2011	31 December 2010
Letter of guarantee received	1.711.433	1.964.469
Guarantee notes received	2.275.479	1.925.648
Guarantee cheques received	470.860	420.901
Mortgages	1.606.500	1.161.500
	6.064.272	5.472.518

As of 31 December 2011, the Company, has letter of credit agreements related to “raw material purchase” amounting to TRY 11.681.134 (31 December 2010: TRY 7.034.686), and raw material purchase loan agreement amounting to TRY 15.922.859 (31 December 2010: TRY 8.509.977).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 14 – COMMITMENTS

	31 December 2011			31 December 2010			
	TRY Equivalent	TRY	EUR	TRY Equivalent	TRY	USD	EUR
A. CPM's given in the name of its own legal personality (1)	5.323.498	907.115	1.807.178	2.515.605	1.039.656	706.599	187.178
B. CPM's given on behalf of fully consolidated companies	-	-	-	-	-	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-	-	-	-
D. Total amount of other CPM's							
i) Total amount of CPM's given on behalf of the majority shareholder	-	-	-	-	-	-	-
ii) Total amount of CPM's given to on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C,	-	-	-	-	-	-	-
Total	5.323.498			2.515.605			

(1) There is no mortgage given in the name of the Company's own legal personality. (31 December 2010:None.)

All guarantees are given on the behalf of the Company's own legal personality.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 15 - PROVISION FOR EMPLOYMENT BENEFITS

Provision for employment termination benefits

	31 December 2011	31 December 2010
Provision for employment termination benefits	1.700.559	1.535.629

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

Under the Turkish Labour 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 retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The amount payable consists of one and a half month's salary for employments under labor agreements and one month's salary for the remaining personnel and the ceiling applied in the computations of such liability is TRY 2.805,04 (31 December 2010: TRY 2.623,23).

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

The liability 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 Standard IAS 19 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 2011	31 December 2010
Discount Rate	%4,67	%4,66
Turnover rate to estimate the probability of retirement	%94	%94

The principal assumption is that the maximum liability, which is TRY 2.805,04 (31 December 2010: TRY 2.517,04), 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. As the maximum liability is revised semi-annually, the maximum amount of TRY 2.805,04 (1 January 2010: TRY 2.623,23), which is effective from 1 January 2011, has been taken into consideration in calculating the reserve for employment termination benefit of the Company.

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

	2011	2010
1 January	1.535.629	1.542.972
Servicecost	472.843	553.906
Interest cost	71.595	59.903
Payments	(379.508)	(621.152)
31 December	1.700.559	1.535.629

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 16 - OTHER CURRENT/NON-CURRENT ASSETS AND CURRENT/NON-CURRENT LIABILITIES

Other current assets:

	31 December 2011	31 December 2010
VAT receivables	236.182	554.176
Deposits of which maturities are longer than 3 months	199.214	-
Prepaid expenses	105.598	33.878
Incentive revenue from Social Security Premium	62.035	27.165
Prepaid taxes and funds	50.045	67.537
	653.074	682.756

Other non-current assets:

	31 December 2011	31 December 2010
Restricted deposits	201.843	191.526
	201.843	191.526

Total amount of the restricted deposits of the Company is TRY 201.843 (31 December 2010: TRY 191.526) of which TRY 6.055 consists of interest accrual as of 31 December 2011 (31 December 2010: TRY 2.788). Annually effective interest rates applied to restricted deposits is %6.

NOTE 17 - EQUITY

Issued Paid in-capital

The Company adopted the registered paid in capital system available to companies registered with the CMB and set a limit on its registered paid in capital representing registered type shares with a nominal value of TRY 1. Limit on registered paid in capital and authorized and issued paid in capital of the Company as of 31 December 2011 are as follows:

	31 December 2011	31 December 2010
Limit on registered paid in capital	25.000.000	25.000.000
Authorized and issued paid in capital	16.500.000	16.500.000

The ultimate shareholder of Doğan Holding is Aydın Doğan and Doğan Family. The shareholder structures of the Holding at 31 December 2011 and 31 December 2010 are summarized as follows:

	%	31 December 2011	%	31 December 2010
Doğan Holding (1)	78,69	12.983.746	78,69	12.983.746
Other shareholders (publicly traded On ISE) (2)	21,31	3.516.254	21,31	3.516.254
Capital	100,00	16.500.000	100,00	16.500.000
Adjustment to share capital		8.642.368		8.642.368
ToTAL		25.142.368		25.142.368

- (1) As of 31 December 2011 and 31 December 2010, 78,69% of the shares of the Company are owned by Doğan Holding, which corresponds to 16,25% of the publicly available shares of Çelik Halat in the Stock Exchange.
- (2) In accordance with the Capital Markets Board's (the "CMB") Resolution No: 21/655 issued on 23 July 2010, it is regarded that 20,85% of the shares are outstanding as of 31 December 2011 based on the Central Registry Agency's ("CRA") records, 21% of Çelik Halat's shares are publicly available.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 17 – EQUITY (Cont’d)

Issued Paid-in capital (Cont’d)

There are no privileged shares.

Adjustment to share capital represents the restatement effect of cash contributions to share capital at year-end equivalent purchasing power.

Restricted Reserves Assorted From Profit

Restricted Reserves are appropriated from retained earnings because of legal or contractual requirements; or because of specified purposes other than profit distribution (for example: in order to utilize the tax advantage of sales of equity participations).

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 CMB financial reporting standards as of 31 December 2011, restricted Reserves amounting to TRY 256.841 as of 31 December 2011 consists of the Legal Reserves (31 December 2010: TRY 221.524).

In addition, “Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves” were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under inflation adjustment differences at the initial application of inflation accounting. Equity inflation adjustment differences could have been utilised only in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, “Share capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences arising due to implementing the communiqué (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of “Paid-in Capital” and not yet been transferred to capital should be classified under the “Inflation Adjustment To Share Capital”;
- if the difference is due to the inflation adjustment of “Restricted Reserves” and “Share Premium” and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under “Retained Earnings”.

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards. Inflation adjustment to share capital can only be added to equity.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 17 – EQUITY (Cont’d)

Dividend Distribution

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

Based on CMB Decree No. 02/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations in 2009. In this context, the entities are to distribute their profits under the scope of CMB Communiqué No. IV-27, their articles of association and their previously publicly declared profit distribution policies.

Under the requirements of the CMB’s Communiqué Serial:XI, No.29, based on the audited financial statements prepared for the period 1 January 2010 – 31 December 2010 in accordance with International Accounting Standards and International Financial Reporting Standards, the Company’s “Net Income for the Period” is calculated as TRY 1.634.760 in accordance with the resolution issued in its Board of Directors’ meeting held on 31 March 2011. Therefore, the Company has decided not to distribute any profits for the period 1 January 2010 – 31 December 2010 based on the CMB’s profit distribution requirements. In addition, the Company has submitted to calculate TRY 706.341, “Profit for the Period” in its statutory financial records prepared in accordance with the Turkish Commercial Code (“TCC”) and Tax Procedure Law (“TPL”) and to transfer TRY 671.024 of “extraordinary reserve” amount after “1st Legal Reserves” over the “Profit for the Period”.

The CMB’s requires the disclosure of total amount of net profit after deduction of accumulated losses in the statutory records and other resources which may be subject to distribution in the financial statements prepared in accordance with Communiqué Serial XI, No: 29. As of the balance sheet date, the Company’s gross amount of resources that may be subject to the profit distribution based on the statutory records amounts to TRY 3.295.799 from which 1st and 2nd Legal Reserves are reserved.

NOTE 18 - SALES AND COST OF SALES

Sales Revenues:

	1 January – 31 December 2011			1 January– 31 December 2010		
	Domestic sales	Foreign sales	Total	Domestic sales	Foreign sales	Total
Wire rope	33.026.302	7.143.623	40.169.925	21.347.664	11.774.738	33.122.402
Bead wire	17.348.326	15.368.730	32.717.056	12.592.356	15.300.621	27.892.977
Prestressed concrete strand	20.108.608	11.439.692	31.548.300	15.146.293	7.538.218	22.684.511
Single strand	12.742.333	54.307	12.796.640	10.249.628	14.055	10.263.683
Concrete wire	158.663	-	158.663	2.750.950	-	2.750.950
Spring wire	4.086.849	688.750	4.775.599	1.668.213	-	1.668.213
Galvanized wire	3.367.848	-	3.367.848	2.742.061	2.791	2.744.852
Other	101.607	310.458	412.065	39.736	-	39.736
Gross sales	90.940.536	35.005.560	125.946.096	66.536.901	34.630.423	101.167.324
Sales returns and discounts (-)	(2.259.820)	(307.785)	(2.567.605)	(2.549.947)	(119.352)	(2.669.299)
	88.680.716	34.697.775	123.378.491	63.986.954	34.511.071	98.498.025

The Company performs foreign sales to Europe by % 52 (2010: %44), to USA by %39 (2010: %44) and to Asia by %9 (2010: %9).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 18: SALES AND COST OF SALES (Cont'd)

Cost of Sales:

	2011	2010
Cost of raw material (Note 10)	84.026.293	63.396.577
General production expenses	13.706.279	13.274.727
Labor cost (1) (Note 20)	9.557.040	9.002.724
Depreciation and amortization cost (Note 11 and 12)	2.768.905	2.552.546
	110.058.517	88.226.574

(1) Implementation of Collective Bargaining Agreement Practise:

The Company has given a rise to its union workers based on %5,35 of average workplace, % 2,58 and %3,97 of Turkish Statistical price index rates in the 01.01.2011-31.12.2011 accounting period specified in the contract in accordance with the terms of the Group's Union Agreement signed with the Turkish Metal Industries (MESS) and the Turkish Metal Workers' Union covering for the 01.09.2010 – 31.08.2012 period on 13 December 2010.

NOTE 19 - MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATION EXPENSES

	1 January – 31 December 2011			1 January – 31 December 2010		
	Sales and marketing expenses	General administrative expenses	Total	Sales and marketing expenses	General administrative expenses	Total
Personnel expenses	616.534	1.626.810	2.243.344	561.282	1.681.254	2.242.536
Advertisement and marketing expenses	2.687.470	-	2.687.470	3.412.443	-	3.412.443
Service cost	1.014.621	1.197.522	2.212.143	721.719	1.455.868	2.177.587
Depreciation and amortization Expenses (Notes 11 and 12,20)	42.251	164.502	206.753	259.347	285.416	544.763
Remuneration of key management personnel (Note 25.ii.c.)	-	1.681.560	1.681.560	-	851.874	851.874
Travel expenses	82.776	60.999	143.775	85.341	97.153	182.494
Lawsuit, tax, official and fee expenses	12.386	320.917	333.303	13.258	138.670	151.928
Donations sponsorship	-	20.237	20.237	-	-	-
Other	511.729	343.228	854.957	224.161	713.861	938.022
	4.967.767	5.415.775	10.383.542	5.277.551	5.224.096	10.501.647

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 19 - MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATION EXPENSES (Cont'd)

	1 January – 31 December 2011			1 January – 31 December 2010		
	Sales and marketing expenses	General administrative expenses	Total	Sales and marketing expenses	General administrative expenses	Total
Personnel expenses (Dipnot 20)	616.534	1.626.810	2.243.344	561.282	1.681.254	2.242.536
Advertisement and marketing expenses	2.687.470	-	2.687.470	3.412.443	-	3.412.443
Service cost	1.014.621	1.197.522	2.212.143	721.719	1.455.868	2.177.587
Depreciation and amortization Expenses (Notes 11,12 and 20)	42.251	164.502	206.753	259.347	285.416	544.763
Remuneration of key management personnel (Note 25.ii.c.)	-	1.681.560	1.681.560	-	851.874	851.874
Travel expenses	82.776	60.999	143.775	85.341	97.153	182.494
Lawsuit, tax, official and fee expenses	12.386	320.917	333.303	13.258	138.670	151.928
Donations sponsorship	-	20.237	20.237	-	-	-
Other	511.729	343.228	854.957	224.161	713.861	938.022
	4.967.767	5.415.775	10.383.542	5.277.551	5.224.096	10.501.647

NOTE 20 - EXPENSES BY NATURE

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

	2011	2010
Cost of sales (Note 18)	2.768.905	2.552.546
Inventories (Notes 11 and 12)	486.806	476.817
General administration expenses (Note 19)	164.502	285.416
Sales and marketing expenses (Note 19)	42.251	259.347
	3.462.464	3.574.126

(b) Personnel expenses distribution of the Company as follow:

	2011	2010
General production expenses(Note 18)	9.557.040	9.002.724
General administrative expenses (Note 19)	3.308.370	2.533.128
Sales and marketing expenses (Note 19)	616.534	561.282
	13.481.944	12.097.134

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 21 - OTHER OPERATING INCOME AND EXPENSES

	2011	2010
Scrap sales income	2.051.205	1.537.993
Incentive for Social Security Premium	358.248	232.771
Indemnity compensation from insurance	326.298	614.356
Factoring income	309.670	115.153
Reversal of provisions (Notes 6,9,10 and 13)	225.368	417.257
Transportation income	177.126	77.634
Sale of fixed assets income	37.800	-
Other	335.256	541.615
Other operating income and profits:	3.820.971	3.536.779

	2011	2010
Tax base increase expense (Note 1)	(1.416.976)	-
Provision for pending litigations (Note 13)	(2.040.090)	(120.000)
Factoring expenses	(309.670)	(115.153)
Provision for inventory impairment (Note 10)	(170.534)	(41.888)
Accrual for unused vacation (Note 9)	(134.900)	(120.002)
Provision for doubtful receivables (Note 6)	(18.826)	-
Provision for impairment on available for sale financial assets (Note 4)	-	(51.412)
Other	(24.261)	(14.960)
Other operating expenses and losses	(4.115.257)	(463.415)

- 1) At the Board of Directors Meeting held on 19 April 2011, the Company decided to benefit from "Tax Base Increase" in Law No: 6111 "Restructuring of some receivables and Social Security and General Health Insurance Law and Other Law Amending Certain Laws and Decrees" which has become effective upon the issuance in the Official Gazette No: 27857 (I.Bis) on 25 February 2011, and paid TRY 1.416.976 at 30 June 2011.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 22 - FINANCIAL INCOME

	2011	2010
Foreign exchange gains	7.218.094	6.376.692
Interest income on due dated sales	123.338	58.568
Interest income	155.675	126.626
Other	-	15.837
Total	7.497.107	6.577.723

NOTE 23 - FINANCIAL EXPENSES

	2011	2010
Foreign exchange losses	10.971.573	6.259.266
Interest expenses	1.301.240	822.270
Interest expense on due dated purchases	206.889	179.881
Total	12.479.702	7.261.417

NOTE 24 - TAX ASSETS AND LIABILITIES

	31 December 2011	31 December 2010
Corporate and income tax payables	113.790	-
Prepaid taxes	(163.835)	(67.537)
Tax (asset)/liability, (net)	(50.045)	(67.537)

In accordance with the The Corporate Tax Law No.5520 dated 13 September 2006, corporate tax rate in Turkey is %20 for the year 2011 (2010: %20). Corporation tax rate is applied to the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption) and corporate income tax deductions (like research and development expenses deduction). No further tax is payable unless the profit is distributed.

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

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.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 24 - TAX ASSETS AND LIABILITIES(Cont'd)

Tax Law No: 5024 "Amendments in Tax Procedural Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 30 December 2003 requires income tax and corporate taxpayers whose earnings are determined based on the balance sheet to prepare their statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira effective from 1 January 2004. In accordance with the provisions of the aforementioned Law provisions, in order to apply inflation adjustment, the cumulative inflation rate (TURKSTAT WPI) over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as the related threshold has not been met as of 2010 and 2011.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

Under the Turkish tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous years. As publicly disclosed on 19 April 2011, the Company plans to make use of the requirements set out in relation to "Tax Base Increase" in Law No: 6111 "Restructuring of some receivables and Social Security and General Health Insurance Law and Other Law Amending Certain Laws and Decrees"; therefore, 50% of losses attributable to the periods that are subject to tax base increase will not be offset against the income to be obtained in 2010 and subsequent periods.

As of 31 December 2011, the Company has offset its financial losses attributable to the calculation of offsetting of tax asset against deductible financial losses or current tax provision in accordance with the above-mentioned principles.

Deferred taxes

The Company recognizes deferred income tax assets and liabilities based on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements by using the currently enacted tax rates. The currently enacted tax rate for temporary differences is %20 (31 December 2010: %20).

The Company has no deferred tax asset recognized from carry forward tax losses in the financial statements prepared according to the CMB principles, as of 31 December 2011.

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) at 31 December 2011 and 31 December 2010 is as follow:

	<u>Temporary differences</u>		<u>Deferred tax assets/(liabilities)</u>	
	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2011</u>	<u>31 December 2010</u>
Carry forward tax losses	-	(3.213.458)	-	642.692
Provisions for employment termination benefits	(1.700.559)	(1.535.629)	340.112	307.126
Accrual for unused vacations	(168.806)	(167.627)	33.761	33.525
Provision for pending litigations	(2.198.340)	(237.500)	439.668	47.500
Inventories	(251.500)	(54.515)	50.300	10.903
Accrual of forward transaction	(97.096)	-	19.419	-
Difference of economic life on tangible and Intangible assets	2.823.935	1.542.735	(606.512)	(308.547)
Provision for doubtful receivables	(18.826)	(29.616)	3.765	5.923
Sales cut-off and its effect on inventory-net	(650.601)	(267.469)	130.120	53.494
Deferred accounts receivable and payable income and expenses-net	80.740	12.689	(16.148)	(2.538)
Provision for impairment on financial assets available for sale	(51.412)	(51.412)	10.282	10.282
Other	15.493	15.805	(3.098)	(3.161)
	(2.216.972)	(3.985.997)	401.669	797.199

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 24 - TAX ASSETS AND LIABILITIES(Cont'd)

Deferred taxes (Cont'd)

Movements of deferred tax assets in the periods are as follows:

	2011	2010
1 January	797.199	1.321.913
Deferred tax expenses	(395.530)	(524.714)
31 December	401.669	797.199

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

	1 Ocak- 31 December 2011	1 Ocak- 31 December 2010
Income / (loss) before taxation on income (in accordance with CMB accounting standards)	(2.340.449)	2.159.474
Calculated with current tax rate %20 (2010: %20)	468.090	(431.895)
Tax effect:		
No deductible expenses	(527.813)	(253.888)
Deductible income	193.095	135.547
Other, net	(642.692)	25.522
Tax expense for the period	(509.320)	(524.714)

NOTE 25 - (LOSS) / EARNINGS PER SHARE

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

	1 January - 31 December 2011	1 April - 31 December 2010
Net (loss)/profit attributable to shareholders	(2.849.769)	1.634.760
Weighted average number of ordinary shares in issue	16.500.000	16.500.000
Earning /(loss) per share (in full TRY for per share)	(0,17)	0,10

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 26 - RELATED PARTY TRANSACTIONS

For the purpose of those financial statements, shareholders that have control or joint control over the Company, other individuals that have direct or indirect control over those shareholders, other group companies that are directly or indirectly controlled by these individuals, key management personnel and Board members of the Company, in each case together with their families and companies controlled by or affiliated with them are considered and referred to as related parties. Related party balances and transactions are listed below.

i) Balances with related parties:

a) Other payables:

	31 December 2011	31 December 2010
Milta Turizm İşletmeleri A.Ş. ("Milta")	441	12.296
Doğan Faktoring Hizmetleri A.Ş. ("Doğan Faktoring")	19.996	116.093
Doğan Holding	-	320
Bağımsız Gazeteciler Yayıncılık A.Ş.	-	61.064
Other	331	331
	20.768	190.104

b) Other Receivables:

	31 December 2011	31 December 2010
Doğan İletişim Elektronik Servis Hizmetleri ve Yayıncılık A.Ş.	-	1.292

ii) Transactions with related parties:

a) Purchases of services and goods from related parties:

	31 December 2011	31 December 2010
Doğan Holding ⁽¹⁾	780.630	1.005.378
Milta Turizm İşletmesi A.Ş. ⁽²⁾	262.440	313.885
Doğan Faktoring	26.980	22.434
Petrol Ofisi A.Ş. ⁽³⁾	-	229.506
Other	14.668	-
	1.084.718	1.571.203

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

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

(3) Petrol Ofisi, which was owned by Dogan Holding, is sold to OMV at 22 December 2010 and it is considered as related party until this date. It consists of fuel purchases. Reserves for the year ended 31 December 2010 consists of fuel purchases.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 26 - RELATED PARTY TRANSACTIONS (Cont'd)

b) Remuneration of key management personnel (Note 19):

The company has determined the key management personnel as the members of the board of directors, general manager and assistant general managers.

	2011	2010
Short term employee benefits	1.626.224	814.884
Other long term employee benefits	55.336	36.990
Benefits after termination	-	-
<u>Benefits provided after dismiss from the office</u>	<u>-</u>	<u>-</u>
Total	1.681.560	851.874

c) Dividend income from related parties:

	2011	2010
Kocaeli Serbest Bölge	-	15.837

d) Guarantees given and received:

The Company does not have any guarantees given to and received from the related parties (31 December 2010: EUR 2.675.800 guaranteed given).

NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

a) Market Risk

Foreign currency risk

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

	31 December 2011	31 Aralık 2010
Total assets	11.480.815	13.662.925
Total liabilities	(37.620.096)	(30.845.773)
Net asset position of derivative financial instruments	(6.732.669)	-
Net foreign exchange position	32.871.950	(17.182.848)

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

The amounts of foreign currency denominated assets and liabilities in TRY as of 31 December 2011 and 31 December 2010 are as follows:

	31 Aralık 2011			
	TRY Equivalent	USD	EUR	GBP
Trade receivables	10.167.948	2.966.000	1.868.185	-
Monetary financial assets (Including cash and banks accounts)	1.312.867	174.600	402.269	-
Current assets	11.480.815	3.140.600	2.270.454	-
Total Assets	11.480.815	3.140.600	2.270.454	-
Trade payables	15.465.405	2.779.880	4.179.757	-
Borrowings (Note 5)	20.302.099	-	8.307.594	-
Other non-monetary payables	58.278	1.800	22.456	-
Short term liabilities	35.825.782	2.781.680	12.509.807	-
Borrowings (Note 5)	1.794.314	-	734.231	-
-				
Long term liabilities	1.794.314		734.231	-
Total liabilities	37.620.096	2.781.680	13.244.038	-
Total amount of hedged assets (*)	6.732.669	-	2.755.000	-
Total amount of hedged liabilities				
Net Assets/(Liabilities) position of Off-Balance Sheet Derivative Financial Instruments	6.732.669	-	2.755.000	-
Net Foreign Currency (Liabilities)/ Asset Position	(32.871.950)	358.920	(13.728.584)	-
Net Foreign Exchange (Liability)/ Assets Monetary Items	(32.930.228)	357.120	(13.751.040)	-
Export (Note 18)	34.697.775	-	14.715.144	-
-				
Import	78.792.346	-	33.998.749	-

(*) As of 31 December 2011, the Company has 2 forward contracts to hedge foreign currency exchange rates, to purchase as amounted to EUR 2.755.000 to pay as amounted TRY 6.829.765 and these contracts' maturity is less than 2 months.

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

	31 December 2010			
	TRY Equivalent	USD	EUR	GBP
Trade receivables	8.560.244	2.845.197	1.953.868	66.105
Monetary financial assets (Including cash and banks accounts)	5.102.681	80.612	2.429.386	-
Current assets	13.662.925	2.925.809	4.383.254	66.105
Total assets	13.662.925	2.925.809	4.383.254	66.105
Trade payables	4.758.086	20.014	2.306.937	-
Borrowings (Note 5)	23.683.173	2.020.311	10.033.562	-
Other non-monetary payables	147.746	2.860	69.945	-
Short term liabilities	28.589.005	2.043.185	12.410.444	-
Borrowings (Note 5)	2.256.768	-	1.101.346	-
Long term liabilities	2.256.768	-	1.101.346	-
Total liabilities	30.845.773	2.043.185	13.511.790	-
Total amount of hedged assets (*)	-	-	-	-
Total amount of hedged liabilities(*)	-	-	-	-
Net Assets/(Liabilities) position of Off-Balance Sheet Derivative Financial Instruments	-	-	-	-
Net Foreign Currency (Liabilities)/ Asset Position	(17.182.848)	882.624	(9.128.536)	66.105
Net Foreign Exchange (Liability)/ Assets Monetary Items	(17.035.102)	885.484	(9.058.591)	66.105
Export (Note 17)	34.511.071	7.765.565	10.916.016	243.416
Import	53.237.702	35.420	26.744.803	-

As of 31 December 2011, the following exchange rates used for revaluation: TRY 1,8889 = US\$ 1, TRY 2,4438 = EUR 1, TRY 2,9170 = GBP 1 (31 December 2010: TRY 1,5460 = US\$ 1, TRY 2,0491 = EUR 1, TRY 2,3886 = GBP 1).

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 31 December 2011 and 31 December 2010 under the assumption of the appreciation and depreciation of TRY against other currencies by 5% with all other variables held constant, is as follows:

	31 December 2011			
	Profit/Loss Appreciation of Foreign Currency	Depreciation of Foreign Currency	Equities Appreciation of Foreign Currency	Depreciation of Foreign Currency
Had TRY appreciate /depreciate by %5 against USD				
Profit/Loss from USD				
net asset position	(33.898)	(33.898)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net Effect of USD	33.898	(33.898)	-	-
Had TRY appreciate /depreciate by %5 against EUR				
Profit/Loss from EUR				
net assets position	1.677.496	(1.677.496)	-	-
Hedged amount against EUR risk (-)	336.633	(336.633)	-	-
Net effect of EUR	2.014.129	(2.014.129)	-	-
Total net effect	1.980.231	(1.980.231)	-	-

	31 December 2010			
	Profit/Loss Appreciation of Foreign Currency	Depreciation of Foreign Currency	Equities Appreciation of Foreign Currency	Depreciation of Foreign Currency
Had TRY appreciate /depreciate by %5 against USD				
Profit/Loss from USD				
net asset position	68.227	(68.227)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net Effect of USD	68.227	(68.227)	-	-
Had TRY appreciate /depreciate by %5 against EUR				
Profit/Loss from EUR				
net assets position	(1.760.469)	1.760.469	-	-
Hedged amount against EUR risk (-)	-	-	-	-
Net effect of EUR	(1.760.469)	1.760.469	-	-
Total net effect	(1.692.242)	1.692.242	-	-

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

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 2011, if the variable interest rate loans on TRY basis were 100 base points higher/lower and all other variables remained constant, effect of change is amounting to TRY 71.881 (31 December 2010: TRY 136.001)

Financial instruments with variable interest rates	Interest position table	
	31 December 2011	31 December 2010
Financial liabilities	(7.188.061)	(13.609.119)
	(7.188.061)	(13.609.119)

b) Credit Risk

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011**

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT(Cont’d)

The Company’s maximum exposure to credit risk as of 31 December 2011 and 31 December 2010 is as follow:

	31 December 2011			
	Trade receivables	Other receivables	Bank deposits	Available for sale financial assets
Amount exposed to maximum credit risk:	31.348.409	4.700.225	2.235.821	132.974
- The secured part of the maximum credit risk by guarantee letter etc. (1)	3.058.111	-	-	-
Net book value of financial assets which are undue or not impaired	26.604.025	-	-	-
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	4.744.384	-	-	-
- The secured part with guarantee letter etc. (1)	2.733.334	-	-	-
Net book value of impaired assets				
- Due dated (Gross book value)	670.006	-	-	-
- Provision (-) (Note 6)	(670.006)	-	-	-
- The secured part of the net value by guarantee letter etc. (1)	-	-	-	-
- Undue (Gross book value)				
- Provision (-)	-	-	-	-
- The secured part of the net book value by guarantee letter etc. (1)	-	-	-	-
Off-Balance sheet items exposed to credit risk	-	-	-	-

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011**

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT(Cont’d)

	31 December 2010			
	Trade receivables	Other receivables	Bank deposits	Available for sale financial assets
Amount exposed to maximum credit risk:	23.835.233	3.197.398	6.939.536	132.974
- The secured part of the maximum credit risk by guarantee letter etc. (1)	2.070.328	-	-	-
Net book value of financial assets which are undue or not impaired	20.654.821	-	-	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired	-	-	-	-
Net book value of due dated but not impaired assets	3.180.412	-	-	-
- The secured part with guarantee letter etc. (1)	2.020.300	-	-	-
Net book value of impaired assets				
- Due dated (Gross book value)	1.593.313	-	-	-
- Provision (-) (Note 6)	(1.593.313)	-	-	-
- The secured part of the net value by guarantee letter etc. (1)	-	-	-	-
- Undue (Gross book value)				
- Provision (-)	-	-	-	-
- The secured part of the net book value by guarantee letter etc. (1)	-	-	-	-
Off-Balance sheet items exposed to credit risk	-	-	-	-

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Aging of assets that are overdue but not subject to impairment as of 31 December 2011 and 31 December 2010 are shown below:

	31 December 2011		
	Receivables		Bank Deposits
	Trade Receivables	Other Receivables	
Past due 1- 30 days	3.917.695	-	-
Past due 1-3 months	803.797	-	-
Past due 3-12 months	22.892	-	-
Past due 1-5 years	-	-	-
Past due more than 5 years	-	-	-
Total past due	4.744.384	-	-
Amount secured by collaterals (1)	2.733.334	-	-

	31 December 2010		
	Receivables		Bank Deposits
	Trade Receivables	Other Receivables	
Past due 1- 30 days	1.184.395	-	-
Past due 1-3 months	757.295	-	-
Past due 3-12 months	1.238.722	-	-
Past due 1-5 years	-	-	-
Past due more than 5 years	-	-	-
Total past due	3.180.412	-	-
Amount secured by collaterals (1)	2.020.300	-	-

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

c) Liquidity Risk

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011**

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT(Cont’d)

Undiscounted cash flows of liabilities into relevant maturity groupings as of 31 December 2011 and 31 December 2010 are disclosed as follows:

31 December 2011						
	Carrying value	1-3 Months	3 Months to 1 Year	1-5 Years	No maturity	Total contractual cash outflows
Borrowings (Note 5)	25.793.439	5.514.728	20.159.392	2.691.569	-	28.365.689
Trade payables (Note 6)	27.605.028	26.617.621	1.105.482	-	-	27.723.103
Payables to related parties (Note 26)	20.768	20.768	-	-	-	20.768
Other payables (Note 7)	1.740.780	1.740.780	-	-	-	1.740.780
Other financial liabilities (Note 8)	2.986.824	2.986.824	-	-	-	2.986.124
Nonderivative Financial Liabilities	58.146.839	36.880.721	21.264.874	2.691.569	-	60.837.164

31 December 2010						
	Carrying value	1-3 Months	3 Months to 1 Year	1-5 Years	No maturity	Total contractual cash outflows
Borrowings (Note 5)	26.175.473	5.633.325	20.166.361	2.340.703	-	28.140.389
Trade payables (Note 6)	13.918.938	13.614.246	318.087	-	-	13.932.333
Payables to related parties (Note 26)	190.104	190.104	-	-	-	190.104
Other payables (Note 7)	1.087.994	1.087.994	-	-	-	1.087.994
Other financial liabilities (Note 8)	2.150.250	2.150.250	-	-	-	2.150.250
Nonderivative Financial Liabilities	43.522.759	22.675.919	20.484.448	2.340.703	-	45.501.070

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

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 2011 and 31 December 2010 were as follows:

	31 December 2011	31 December 2010
Total debts	58.575.926	43.888.238
Less: cash and cash equivalents	(2.236.123)	(6.939.824)
Net debt	56.339.803	36.948.414
Total equity	29.670.968	32.520.737
Gearing ratio (Net debt/equity)	1,97	1,14

Fair value estimation

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

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

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

Financial assets

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

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

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

ÇELİK HALAT VE TEL SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(Amounts expressed of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 27 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

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

NOTE 28 - SUBSEQUENT EVENTS

The financial statements which are prepared as of 31 December 2011 are approved by the Board of Directors at 16 March 2012. The shareholders and other parties do not have right to amend the financial statements. Financial statements will be finalized after approval of General Assembly Board.

NOTE 29 - DISCLOSURE OF OTHER MATTERS

None (31 December 2010: None).

.....