

**ALARKO HOLDİNG A.Ş.**



2007  
annual  
report

It is known for a fact that in many parts of the world the existing amount of water is way under the existing water need.

Through history numerous people have managed to live without love. However, no one has been able to live without water. Lack of water has been the cause of most of the migrations in history and migrants have always formed groups around lakes, rivers or close to shores, where they have built their settlement centres.

My Experiences III, p. 146 No Water, No Life!

Dr. Üzeyir Garih  
1929-2001



WE WILL ALWAYS  
REMEMBER YOU WITH  
LOVE AND RESPECT...



ALARKO HOLDING A.Ş.



## ANNUAL REPORT 2007

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May 22, 2008  
General Assembly Meeting  
2007 Fiscal Year

Registered Capital  
TRY 500.000.000

Issued Capital  
TRY 215.876.230

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## MESSAGE FROM THE CHAIRMAN

Esteemed Shareholders,

Important political events such as parliamentary and presidential elections marked 2007. Stability and positive developments continued. There were no major deviations in the economic indicators.

Let's have a quick look at the macro-economic values:

Inflation declined slightly more in relation to the values of 2006 and continued to be in single digit levels. The annual Consumer's Price Index increase was 8,39 %.

Economic growth continued. The GDP increase rate was 4,5 %. Total GDP was US\$ 658 billion, and GDP per person US\$ 9.333.

Budget discipline was maintained although 2007 was a year of elections. The average rate of primary surplus to the GDP that was 5,4 % in 2006 decreased to an average of 4,1 %. However, the average rate of the total budget deficit to the GDP increased from 0,6 % in 2006 to 1,6 % in 2007.

While the Net Public Debt was US\$ 183 billion in 2006, in 2007 it reached US\$ 195 billion in 2007. The total Foreign Debt rose from US\$ 206 billion in 2006 to US\$ 247 billion in 2007.

In 2007, there was a foreign capital inflow of US\$ 22 billion through privatizations, acquisitions and partnership and direct investments. Serious foreign capital inflow continued in 2007, and this figure which equalled US\$ 20 billion in 2006 showed an increase of approximately 10 % in 2007. However, there has been a serious decrease in the first three months of 2008.

In 2007, Turkey's integration with world economy gained strength. Total Foreign Trade increased by 25 % over the last year and reached an important level of US\$ 277 billion. On the other hand, the Foreign Trade Deficit and Current Deficit have increased from US\$ 52 billion and US\$ 31 billion respectively in 2006 to US\$ 63 billion and US\$ 38 billion respectively in 2007 showing a certain worsening in these indicators.

The biggest risk for our economy in 2008 is the fluctuation observed in world markets as a result of the mortgage loans crisis in the USA as of the second half of 2007. The mortgage crisis has led to important fluctuations in the world economic market, particularly as of the first months of 2008 and the effects of this have started to be felt in the Turkish market that is increasingly integrating with global markets. In addition the judicial process towards the closing of the party in power has increased the ambiguity in the economy.

On the other hand, the fact that our economy has to a large extent overcome its structural fragility, the discipline in economic policies and the continuing commitment to privatizations, will help the Turkish economy to continue on its way with the least damage from the negative developments in world economy.

As a result, we are maintaining our optimism. However, we are realistic, cautious. As a company, our financial structure is extremely strong against crises. Our future is brilliant.

Yours sincerely,

İshak Alaton  
Chairman

## BOARD OF DIRECTORS



**Ishak ALATON**  
Chairman  
(24.07.2007-22.05.2008)



**İzzet GARİH**  
Vice Chairman  
(24.07.2007-22.05.2008)



**Vedat A. ALATON**  
Vice Chairman  
(24.07.2007-22.05.2008)



**Ayhan YAVRUCU**  
Director  
Chief Executive Officer  
(24.07.2007-22.05.2008)

**Prof. Dr. Ahmet Zeyyat HATİPOĞLU**  
Auditor

(24.07.2007-22.05.2008)

**Prof. Dr. Mustafa Aydın AYSAN**  
Auditor

(24.07.2007-22.05.2008)

**Prof. Dr. Halil Kemal KAFALI**  
Auditor

(24.07.2007-22.05.2008)

**BOARD OF  
AUDITORS**





**Güner KOÇEL**  
Director  
(24.07.2007-22.05.2008)



**Dalia GARIH**  
Director  
(24.07.2007-22.05.2008)



**Leyla ALATON GÜNYELI**  
Director  
(24.07.2007-22.05.2008)



**Işık BİREN**  
Director  
(24.07.2007-22.05.2008)



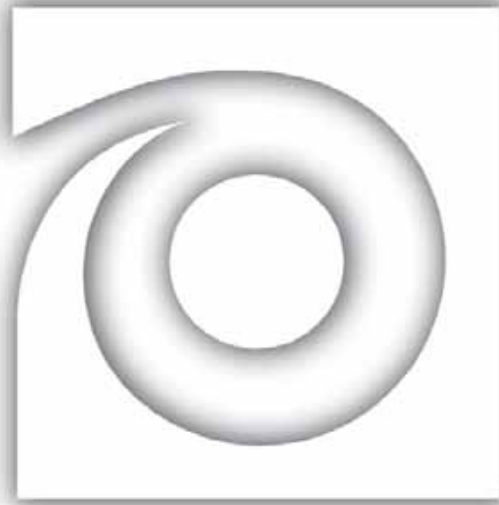
**Ahmet Vural AKIŞIK**  
Director  
(24.07.2007-22.05.2008)

**Independent Auditing Company**

Denet Bağımsız Denetim  
Yeminli Mali Müşavirlik A.Ş.

**(Member firm of  
BDO International)**

# THE ALARKO GROUP OF COMPANIES



ALARKO HOLDİNG A.Ş.

**THE  
CONTRACTING  
GROUP**

|                                                                                                  |               |
|--------------------------------------------------------------------------------------------------|---------------|
| <b>ALSIM ALARKO SAN. TES. VE TİC. A.Ş.</b>                                                       | <b>99,56%</b> |
| ADANA SUBWAY DIVISION                                                                            |               |
| İSTANBUL SUBWAY (TAKSİM - YENİKAPI ELECTRO - MECHANIC SYSTEMS) CONSTRUCTION                      |               |
| ALKENT 2000 LAKE MANSIONS CONSTRUCTION                                                           |               |
| ALSIM ALARKO - OHL - GYO J.V. TCDD ANKARA - ESKİŞEHİR HIGH SPEED TRAIN PROJECT                   |               |
| ALSIM ALARKO - ROSNEFTEGAZSTROY MELEN J.V.                                                       |               |
| TECNIDAS REUNIDAS - ALARKO - AKFEN CONSORTIUM                                                    |               |
| STREICHER - HAUSTAD&TIMMERMANN-GÜNSAYIL - ALSİM ALARKO SAN. TES. VE TİC. A.Ş. J.V                |               |
| ARZEW DESALINATION AND POWER PLANT PROJECT                                                       |               |
| KIRIKKALE TÜPRAŞ REFINERY DHP - CCR CONSTRUCTION PROJECT                                         |               |
| ALSIM ALARKO - GARANTİ KOZA J.V. İSTANBUL METRO 4.LEVENT - AYAZAĞA ROUTE<br>CONSTRUCTION PROJECT |               |
| ASTANA WATER PROJECT                                                                             |               |
| MOSKOW ONCOLOGY HOSPITAL CONSTRUCTION                                                            |               |
| CYPRUS WATER PROJECT ENGINEERING SERVICES                                                        |               |
| ATYRAU - AKTAU ROAD RE-CONSTRUCTION PROJECT                                                      |               |
| İSTANBUL METRO 4.LEVENT-AYAZAĞA SECTION ELECTROMECHANICAL<br>WORKS PROJECT ALARKO - MAKYOL J. V. |               |
| ANTALYA LIGHT RAIL SYSTEM 1. PHASE CONSTRUCTION WORKS PROJECT ALARKO-CAF J. V.                   |               |
| SAKHALIN LNG PROJECT                                                                             |               |

**THE LAND  
DEVELOPMENT  
GROUP**

|                                                                                |               |
|--------------------------------------------------------------------------------|---------------|
| <b>ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.</b>                               | <b>50,94%</b> |
| <b>ALDEM ALARKO KONUT İNŞAAT VE TİCARET A.Ş.</b>                               | <b>99,56%</b> |
| <b>AL-RİVA PROJESİ ARAZİ DEĞER., KONUT İNŞ. VE TİC. A.Ş.</b>                   | <b>40,00%</b> |
| <b>AL-RİVA ARAZİ DEĞER., KONUT İNŞ. VE TİC. A.Ş.</b>                           | <b>40,00%</b> |
| <b>AL-RİVA ARAZİ DEĞER., KONUT İNŞ., TURİSTİK TES., GOLF İŞL. VE TİC. A.Ş.</b> | <b>40,00%</b> |
| <b>ALARKO DEYAAR GAYRİMENKUL GELİŞTİRME A.Ş.</b>                               | <b>49,30%</b> |
| <b>MOSALARKO J.V.</b>                                                          | <b>50,00%</b> |
| AL-KONUT DIVISION                                                              |               |

**THE INDUSTRY  
AND  
TRADE GROUP**

|                                                               |               |
|---------------------------------------------------------------|---------------|
| <b>ALARKO CARRIER SANAYİ VE TİCARET A.Ş.</b>                  | <b>43,19%</b> |
| THE MAIN MANUFACTURING PLANT                                  |               |
| RADIATOR MANUFACTURING PLANT                                  |               |
| İSTANBUL SALES DIVISION                                       |               |
| FREE ZONE BRANCH                                              |               |
| TOTALINE DIVISION                                             |               |
| ANKARA SALES DIVISION                                         |               |
| İZMİR SALES DIVISION                                          |               |
| <b>ALARKO FENNİ MALZEME SATIŞ VE İMALAT A.Ş.</b>              | <b>99,50%</b> |
| <b>ALMÜT ALARKO SİNAİ GEREÇLER İMALAT VE MÜMESSİLLİK A.Ş.</b> | <b>94,30%</b> |
| <b>TÜM TESİSAT VE İNŞAAT A.Ş.</b>                             | <b>49,58%</b> |
| <b>ALAMSAŞ ALARKO AĞIR MAKİNA SAN. A.Ş.</b>                   | <b>78,65%</b> |
| <b>SARET SANAYİ TAAHHÜTLERİ VE TİC. A.Ş.</b>                  | <b>100%</b>   |

**THE  
TOURISM  
GROUP**

|                                                         |               |
|---------------------------------------------------------|---------------|
| <b>ATTAŞ ALARKO TURİSTİK TESİSLER A.Ş.</b>              | <b>99,58%</b> |
| HILLSIDE BEACH CLUB                                     |               |
| HILLSIDE CITY CLUB - ETİLER                             |               |
| HILLSIDE CITY CLUB - İSTİNYE                            |               |
| HILLSIDE CITY CLUB - TRIO                               |               |
| D POINT CINECITY - ETİLER                               |               |
| BONUS PREMIUM CINECITY - TRIO                           |               |
| CINECITY OLIVIUM                                        |               |
| CINECITY KİPA                                           |               |
| HILLSIDE SU HOTEL                                       |               |
| SANDA SPA (HBC, HCC-ETİLER, HCC-İSTİNYE, HCC-TRIO, HSH) |               |

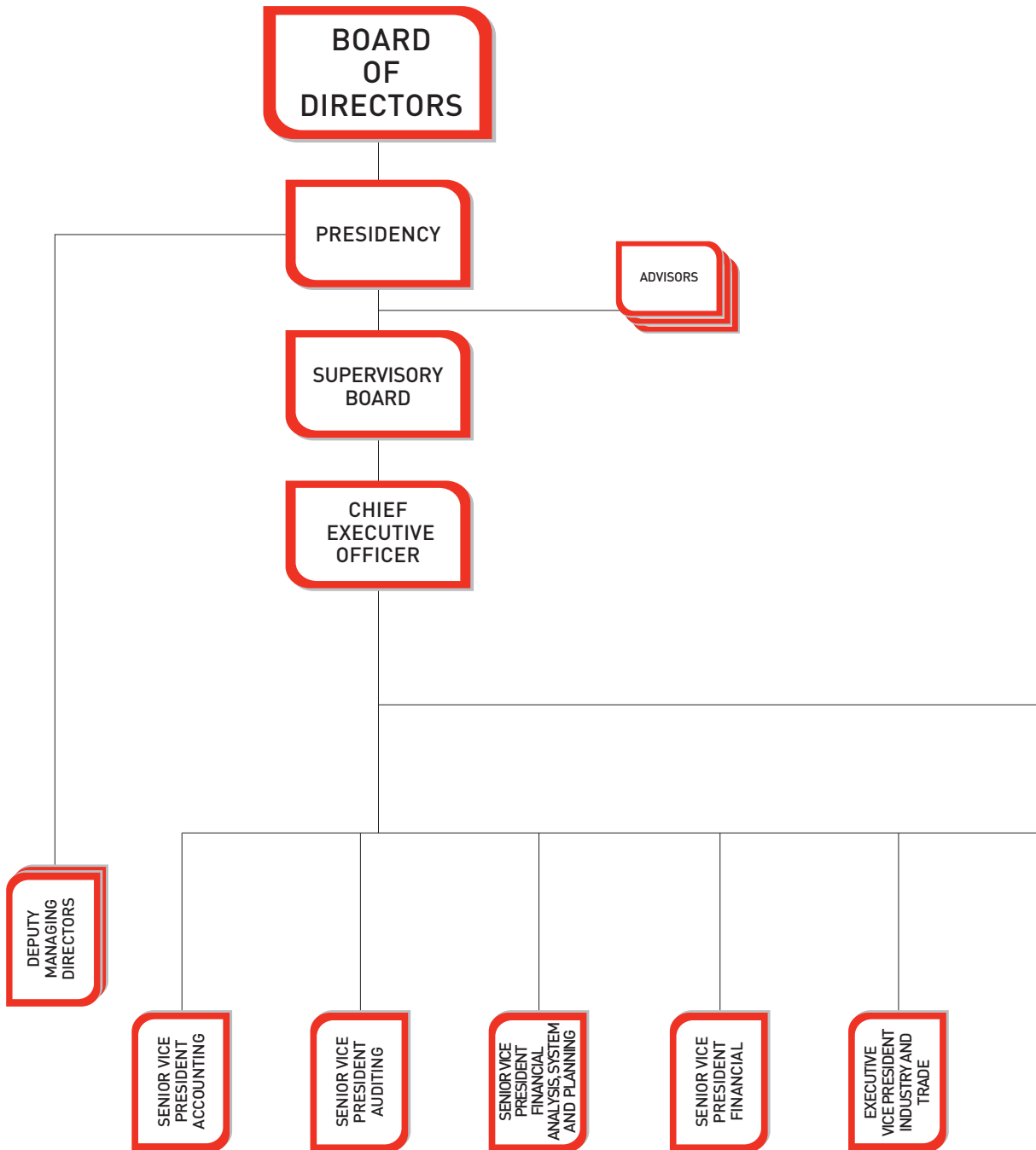
**THE  
ENERGY  
GROUP**

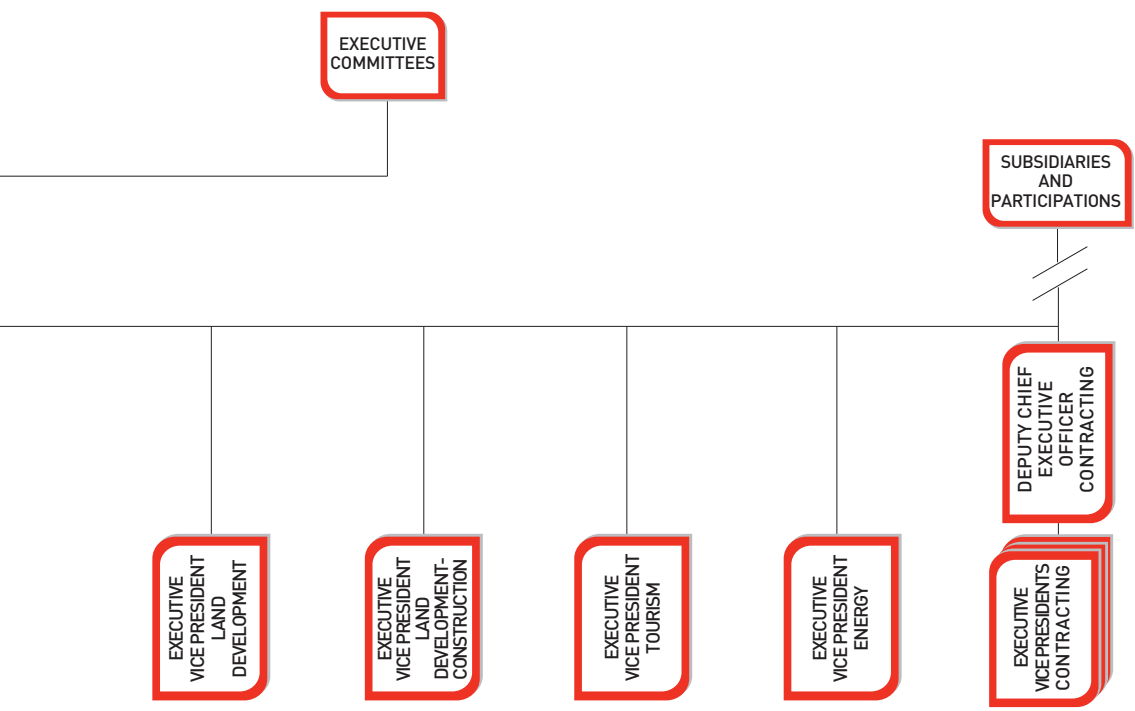
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|---------------------------------------------------------------------|---------------|
| <b>ALTEK ALARKO ELEKTRİK SANTRALLARI TESİS İŞLETME VE TİC. A.Ş.</b> | <b>49,78%</b> |
| HASANLAR HYDROELECTRIC POWER STATION                                |               |
| BERDAN HYDROELECTRIC POWER STATION                                  |               |
| TOHMA HYDROELECTRIC POWER STATION                                   |               |
| KIRKLARELİ NATURAL GAS COMBINED CYCLE POWER PLANT                   |               |
| <b>TEMZET ELEKTRİK ÜRETİM İLETİM A.Ş.</b>                           | <b>49,78%</b> |
| <b>ALARKO ENERJİ ÜRETİM A.Ş.</b>                                    | <b>99,99%</b> |

**THE  
SEAFOOD  
PRODUCTS  
GROUP**

|                                                          |               |
|----------------------------------------------------------|---------------|
| <b>ALFARM ALARKO LERÖY SU ÜRÜNLERİ SAN. VE TİC. A.Ş.</b> | <b>49,99%</b> |
| ATAŞEHİR : MANAGEMENT & SALES OFFICE                     |               |
| SEAFOOD PRODUCTS FACTORY: SUADIYE / İZMİR                |               |
| ANTALYA : SALES OFFICE                                   |               |

# GENERAL ORGANIZATION





# MANAGEMENT STAFF

**CORPORATE PRESIDENT**  
ISHAK ALATON

**DEPUTY MANAGING DIRECTORS**  
İZZET GARIH  
VEDAT AKSEL ALATON

**CHIEF EXECUTIVE OFFICER**  
AYHAN YAVRUCU

**DEPUTY CHIEF EXECUTIVE OFFICER**  
CONTRACTING

M. ALPER KAPTANOĞLU

**SENIOR VICE PRESIDENTS**  
ACCOUNTING  
FINANCIAL ANALYSIS, SYSTEM & PLANNING  
AUDITING

MUSTAFA FİLİZ  
ÜMİT NURİ YILDIZ  
MEHMET AHKEMOĞLU

## EXECUTIVE VICE PRESIDENTS

INDUSTRY & TRADE  
TOURISM  
CONSTRUCTION  
LAND DEVELOPMENT - BUSINESS DEVELOPMENT /  
REAL ESTATE INVESTMENT CO. GENERAL MANAGER  
CONTRACTING - ACCOUNTING  
CONTRACTING - PROJECT FINANCE & LOCAL BUSINESS DEVELOPMENT  
CONTRACTING - CONSTRUCTION

H. ÖNDER ŞAHİN  
EDİP İLKBAHAR  
A. ÖNDER KAZAZOĞLU  
HARUN H. MORENO

AYKUT BAYCAN  
BEKİR BORA  
ONAT BİTİK

## DEPUTY SENIOR VICE PRESIDENTS

ACCOUNTING  
FINANCING  
INFORMATION TECHNOLOGY

EROL UÇMAZBAŞ  
ÖMER ÇELİK  
TURGUT ÇELİK

## DEPUTY EXECUTIVE VICE PRESIDENTS

CONTRACTING - CONSTRUCTION  
CONTRACTING - CONSTRUCTION  
CONTRACTING - LOGISTICS  
CONTRACTING - PLANNING, ANALYSIS & TECHNICAL SUPPORT  
CONTRACTING - BUSINESS DEVELOPMENT - FOREIGN COUNTRIES  
CONTRACTING - CONSTRUCTION  
CONTRACTING - BUSINESS DEVELOPMENT  
CONTRACTING - CONSTRUCTION  
CONTRACTING - CONSTRUCTION  
CONTRACTING - BUSINESS DEVELOPMENT  
CONTRACTING - CONSTRUCTION  
LAND DEVELOPMENT  
LAND DEVELOPMENT - MARKETING, SALES  
INDUSTRY & TRADE  
INDUSTRY & TRADE - DEALER SALES  
INDUSTRY & TRADE - MARKETING AND SUPPORT

A. CEM KOCASOY  
B. BÜLENT AKKAN  
F. NEŞE UCAR  
HALUK MARTAĞAN  
KORHAN UĞUR ÖZBAYSAL  
MEHMET HASİP AKŞİT  
MEHMET UĞUR KURUL  
MUSTAFA V. GAFUROĞLU  
NAİM TÜRKOĞLU  
NURİ SERDAR ERKAN  
TİMUR DURMAZ  
H. ÖZÇELİK ÇATALOĞLU  
KADİR EKE  
İSMET GENCER  
HALUK FERİZOĞLU  
HIRANT KALATAŞ

İBRAHİM BİNER  
KEMAL BIÇAKÇI  
MURAT ÇOPUR  
ADNAN YAĞMUR

INDUSTRY & TRADE - SYSTEM SALES  
INDUSTRY & TRADE - AFTER MARKETS  
INDUSTRY & TRADE - FACTORIES  
ENERGY

**PROJECT CONTRACT MANAGERS, GENERAL MANAGERS, BRANCH MANAGERS,  
ASSISTANT GENERAL MANAGERS**

ABBAS ŞAHİN

CONTRACTING - PROJECT CONTRACT MANAGER - ATYRAU-AKTAU ROAD  
CONSTRUCTION PROJECT

AHMET CİBOĞLU

CONTRACTING - PROJECT CONTRACT MANAGER - MOSCOW ONCHOLOGY  
HOSPITAL PROJECT

KADİR BAŞOĞUL  
M. ALİ GİRGİNCE

CONTRACTING - PROJECT CONTRACT MANAGER  
CONTRACTING - PROJECT CONTRACT MANAGER - TAKSİM-YENİKAPI SUBWAY  
CONSTRUCTION PROJECT

M. GÖKHAN GÜVEN

CONTRACTING - PROJECT CONTRACT MANAGER - TÜPRAŞ İZMİT OIL REFINERY  
DHRP PROJECT

MEHMET HALİL TUNA

CONTRACTING - PROJECT CONTRACT MANAGER - CYPRUS WATER SUPPLY  
PROJECT

S. UFUK TEZER

CONTRACTING - PROJECT CONTRACT MANAGER - TCDD ANKARA - ESKİŞEHİR  
HIGH-SPEED RAILWAY PROJECT

S. VELİ MESTA

CONTRACTING - PROJECT CONTRACT MANAGER - ANTALYA SUBWAY  
CONSTRUCTION PROJECT

ŞAFAK KOLAY

CONTRACTING - PROJECT CONTRACT MANAGER - DSİ MELEN TRANSMISSION  
PIPELINE PROJECT

TAMER ÖZER

CONTRACTING - PROJECT CONTRACT MANAGER - SAKHALIN LNG PROJECT

TARIK ULUNUR BÜYÜKBAY  
TURAN SÜHA ACARBIÇER

CONTRACTING - PROJECT CONTRACT MANAGER  
CONTRACTING - PROJECT CONTRACT MANAGER - ASTANA WATER  
DISTRIBUTION & SEWERAGE PROJECT

TURHAN GÜNERİ

CONTRACTING - PROJECT CONTRACT MANAGER - ATYRAU-AKTAU ROAD  
CONSTRUCTION PROJECT

İBRAHİM CEM ÖZKÖK

CONTRACTING - BRANCH MANAGER - BUSINESS DEVELOPMENT - ANKARA  
OFFICE

BAYRAM ALİ MOLLAOĞLU  
CÜNEYT ALTINOK

CONTRACTING - DEPUTY PROJECT MANAGER  
CONTRACTING - DEPUTY PROJECT MANAGER - TAKSİM-YENİKAPI SUBWAY  
CONSTRUCTION PROJECT

SERDAR KARAHÖYÜK

CONTRACTING - DEPUTY PROJECT MANAGER - 4.LEVENT-AYAZAĞA SUBWAY  
CONSTRUCTION PROJECT

SERDAR SAĞLAM

CONTRACTING - DEPUTY PROJECT MANAGER - TÜPRAŞ KIRIKKALE OIL  
REFINERY DHRP PROJECT

AHMET YÜKSEL VAROL

LAND DEVELOPMENT - ASSISTANT GENERAL MANAGER - FINANCING AND  
ADMINISTRATION

ARİF NEZİH YILMAZ  
BÜLENT TOKAN  
İSMAİL H. YILDIRIM  
LEVENT ÖZMARAL

ENERGY - KIRKLARELİ POWER PLANT MANAGER  
ENERGY - ASSISTANT GENERAL MANAGER - FINANCING AND ADMINISTRATION  
ENERGY - H.E.P.P. OPERATIONS MANAGER  
ENERGY - PROJECT MANAGER

BÜLENT IŞIK

SEAFOOD - GENERAL MANAGER

**ADVISOR**

YUSUF TEZMAN

PRESIDENTIAL ADVISOR - FINANCE

# AGENDA OF THE ORDINARY GENERAL ASSEMBLY

- 1- Moment of silence
- 2- Deliberations and decision on the election of the Presiding Committee.
- 3- Deliberations and decision to authorize the Presiding Committee to sign the minutes of the General Assembly.
- 4-
  - a) Reading of the Board of Directors' Annual Report of 2007 and the Balance Sheet and Income Statement of 2007.
  - b) Reading of the Statutory Auditors' Report.
  - c) Reading of the Independent Auditors' Report
  - d) Approval of the 2007 Balance Sheet and Income Statement.
  - e) Deliberations and decision to acquit the Members of the Board of Directors and the Statutory Auditors' fiduciary responsibilities on account of the company's results in 2007.
- 5- Giving information about donations made by the Company.
- 6- Deliberations and decision on the proposal of the Board of Directors concerning the distribution of the profits.
- 7- Determining the number of Board members for the next operational term, the election of these members in accordance with the provisions of the articles of corporation and deliberations and decision on the salaries to be paid to them.
- 8- Re-election of the Statutory Auditors whose terms in office have expired or election of new auditors and deliberations and decision concerning the salaries to be paid to them.
- 9- Deliberations and decision on granting Board members the authority set forth in Articles 334 and 335 of the Turkish Commercial Code.
- 10- Deliberations and decision concerning the signing of a contract for the auditing of the company's accounts by an independent auditing company selected by the Board of Directors in accordance with the Capital Market Regulations and approval of the draft of the contract.

## Board of Directors



# BOARD OF DIRECTORS' ANNUAL REPORT

Distinguished Shareholders,

We have concluded another year filled with economic and political events. The year 2007 has been a difficult one especially for the world economy. The shrinkage in the housing sector in the USA combined with the subprime mortgage crisis affected all developed economies to a more or lesser degree. In 2008, the economies of developing countries will also be affected by this crisis.

In 2007, Turkey focused on general elections and some socio-political events. As a result, some important issues such as the economy, the EU and structural reforms were postponed. And the negative effects of this situation immediately reflected on the economy. While inflation almost doubled the targeted rate, the current accounts deficit exceeded that of 2006. On the other hand, the growth performance declined by 1,5 points and remained at 4,5%. In some sectors in particular, production rates dropped more than expected.

Despite all the negativeness in 2007, our Group showed a good performance just as in the past years. The decision making and management systems we apply and develop every year succeeded in improving the performance of the companies in our Group and keep the possible losses at a minimum. The correct investment and management decisions made during this period put our Group a step ahead despite all the adverse economic conditions.

2008 will be a very critical year in economic terms both for the world and for Turkey. It would not be mistaken to predict that in addition to the situation in the world, the political ambiguity in Turkey will make this year a very difficult one for those who conduct the economy as well as the top managements of companies.

The shrinkage in liquidity that started in 2007 will inevitably affect the Turkish economy in 2008. Although efforts are being made to counteract this through high interest rates, we have to be ready for adverse developments. The current accounts deficit that has to be financed during this period is estimated to be US\$ 45-55 billion. Just like last year, this deficit is expected to be financed through privatization proceeds, direct investments, loans and short term portfolio investments. However, both liquidity shrinkage and the increase in loan costs must also be scrutinized. We continue to hope that the structural reforms that were not actualized in 2007 will be followed through in 2008.

Our interest in the energy sector is increasing. We are thinking of serious investments in this area. We think that the housing sector will go into a resting period in 2008 and 2009. Therefore, we are maintaining our desire to go into major contracting projects and our efforts to succeed in important projects in the world as well as in Turkey. We expect the government to provide us competitive advantage through incentives and by building close foreign relations.

The improvement of our economy and its stability against shocks from foreign countries is only possible through production, investments and correct employment policies. We believe that growth based on foolproof resources forms the basis of the country's economy.

Our Group concluded 2007 successfully and has made its plans for 2008 taking into consideration all these difficulties. We will continue to take the right decisions at the right time. Our primary objective will be to anticipate matters that could have negative effect on our Group before they come up and to minimize their impact through decisions taken in advance. The investment and management decisions taken in 2008 will be studied more carefully and the most applicable scenario from the financial point will be selected.

As a group that adapts best to the difficult economic and political situation of our country, our objective is to grow in a sound way.

With these thoughts, we present our respects to your esteemed assembly.

# BOARD OF DIRECTORS' ANNUAL REPORT

Our Annual Report has been prepared in accordance with the standards set by the Capital Market Regulations and information regarding our Holding company is given below:

- a)** This Annual Report covers the period between 01.01.2007 and 31.12.2007.
- b)** The terms in office of members of the Board and Statutory Auditors for the year 2007 are given on pages 6 and 7. The financial statements of the operational results obtained by Alarko Holding A.Ş. in 2007 were audited independently by Denet Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş. (member firm of BDO International).
- c)** Our partnership's registered capital ceiling in 2007 was TRY 500.000.000.
- d)** Our issued capital is TRY 215.876.230,- and our consolidated profit before tax in 2007 was TRY 53.553.505.
- e)** Our Annual General Assembly held on 24.07.2007 was attended by 15 of our partners. Our partners with more than 10% of our capital, owned 28,72% of the shares İshak Alaton, 18,18% of the shares İzzet Garih, 18,18% of the shares Dalia Garih. Vedat Aksel Alaton and Leyla Alaton Günyeli own 3,82% of the share. Since financial statements adjusted for inflation indicated a loss in 2004, no dividends were distributed to shareholders. Net dividends of 6% of the total capital and 20% of the paid-in capital were paid for the year 2005. Net dividends of 0,76% of the total capital and 27,4% of the paid-in capital were paid for the year 2006. The proposal for the distribution of the profits for 2007 submitted by our Board of Directors to the approval of the General Assembly is on page 85 of this report. The value of our shares being traded at the İstanbul Stock Exchange at the time this report was prepared was TRY 3,70.
- f)** The total amount of donations made by our partnership to various foundations and associations in 2007 was TRY 1.290.
- g)** The following table includes the subsidiaries of our company with their areas of operation, their capitals and the percentage of shares owned as of 31.12.2007.

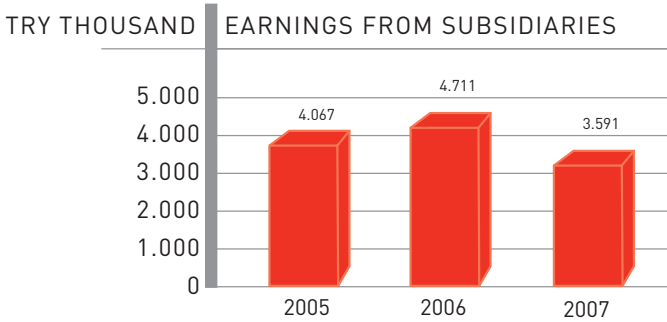
# SUBSIDIARIES AND PARTICIPATIONS

| COMPANIES                                                                          | SECTOR                                                                           | AUTHORIZED CAPITAL (TRY) | PERCENTAGE SHARE (%) |
|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------|----------------------|
| Alarko Carrier Sanayi ve Ticaret A.Ş.                                              | Production of heating and cooling equipment, manufacturing, contracting, tourism | 10.800.000               | 42,03                |
| Alamsaş Alarko Ağır Makina Sanayii A.Ş.                                            | Production of machines and equipment for industrial investments                  | 500.000                  | 52,93                |
| Alsım Alarko Sanayi Tesisleri ve Ticaret A.Ş.                                      | Turnkey contracting construction and tourism                                     | 43.321.865               | 99,53                |
| Alarko Fenni Malzeme Satış ve İmalat A.Ş.                                          | Marketing of industrial and after sales service                                  | 230.000                  | 88,61                |
| Attaş Alarko Turistik Tesisler A.Ş.                                                | Touristic facility management                                                    | 6.500.000                | 0,46                 |
| Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.                                          | Real estate investment                                                           | 5.490.100                | 16,17                |
| Almüt Alarko Sınai Gereçler İmalat ve Mümesillik A.Ş.                              | Manufacturing of technical equipment and representation                          | 50.000                   | 84,00                |
| Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş.                                 | Electric energy production                                                       | 2.000.000                | 48,25                |
| Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.                                  | Production and marketing of seafood                                              | 1.100.000                | 49,94                |
| Aldem Alarko Konut İnşaat ve Ticaret A.Ş.                                          | Housing, construction                                                            | 50.000                   | 0,13                 |
| Al-Riva Projesi Arazi Değerlendirme, Konut İnşaat ve Tic. A.Ş.                     | Housing, construction                                                            | 6.839.064                | 11,55                |
| Al-Riva Arazi Değerlendirme, Konut İnşaat ve Tic. A.Ş.                             | Housing, construction                                                            | 3.308.556                | 2,49                 |
| Al-Riva Arazi Değerlendirme, Konut İnşaat, Turistik Tesis., Golf İşl. ve Tic. A.Ş. | Housing, construction and touristic facility management                          | 10.489.765               | 2,16                 |
| Gönen Gıda Sanayi A.Ş.                                                             | Production of canned goods                                                       | 2.000                    | 0,84                 |
| Yaşar Dış Ticaret A.Ş.                                                             | Export and import                                                                | 90.038.867               | 0,0005               |
| Arı Teknokent Proje Geliştirme Planlama A.Ş.                                       | Technologic Development                                                          | 50.000                   | 1,00                 |
| Mosalarko J.V.                                                                     | Real estate project construction and use                                         | Ruble<br>100.000.000     | 50,00                |
| Tüm Tesisat ve İnşaat A.Ş.                                                         | Construction                                                                     | 141.000                  | 48,16                |
| Saret Sanayi Taahhütleri ve Ticaret A.Ş.                                           | Construction                                                                     | 75.000                   | 99,99                |
| Alarko Deyaar Gayrimenkul Geliştirme A.Ş.                                          | Real estate development, construction and marketing                              | 50.000                   | 1,0                  |

## EARNINGS FROM SUBSIDIARIES

a) Our corporation's shares in dividends paid out over the last three years by the companies in which it has either minority or majority shareholdings:

| (TRY)                                             |                  |                  |                  |
|---------------------------------------------------|------------------|------------------|------------------|
| Company Name                                      | 2005             | 2006             | 2007             |
| Alarko Carrier Sanayi ve Ticaret A.Ş.             | 998.609          | 3.932.806        | 2.262.501        |
| Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.     | 3.041.960        | -                | -                |
| Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.         | -                | 299.094          | 153.535          |
| Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş. | -                | 476.222          | 1.086.019        |
| Almüt Alarko Sınai Ger. İml. ve Müm. A.Ş.         | 23.313           | -                | -                |
| Attaş Alarko Turistik Tesisler A.Ş.               | 3.466            | 2.450            | 5.085            |
| Alamsaş Alarko Ağır Makina San. A.Ş.              | -                | -                | 83.775           |
| <b>TOTAL</b>                                      | <b>4.067.348</b> | <b>4.710.572</b> | <b>3.590.915</b> |



b) The 2006 profits of the companies within the Alarko Group from which we receive dividends, the distributable profits remaining after tax and legal reserves are set aside and the dividends distributed from the past year's reserves are given in the table below.

| (TRY)                                             |                                  |                             |                           |            |
|---------------------------------------------------|----------------------------------|-----------------------------|---------------------------|------------|
| ALARKO GROUP<br>MANAGED COMPANIES                 | Profit For<br>The Period<br>2006 | Distributable<br>Profit (A) | Distributed<br>Profit (B) | (B/A)<br>% |
| Alarko Carrier Sanayi ve Ticaret A.Ş.             | 24.567.873                       | 19.233.154                  | 3.996.000                 | 21         |
| Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.         | 4.916.479                        | 4.740.882                   | 988.218                   | 21         |
| Attaş Alarko Turistik Tesisler A.Ş.               | 2.958.654                        | 2.203.571                   | 1.100.000                 | 50         |
| Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş. | 2.215.320                        | 1.590.334                   | 1.435.015                 | 90         |
| Alamsaş Alarko Ağır Makina San. A.Ş.              | 913.015                          | 737.594                     | 299.996                   | 41         |

# SUBSIDIARIES OF ALARKO GROUP

The Alarko Group of Companies consists of a number of companies and entities operating in various sectors grouped within the framework of Alarko Holding A.Ş. Although the companies within the group are autonomous, they are directed and audited centrally in terms of financing, financial coordination, auditing, legal affairs, management information systems, human resources, promotion, training and organization in accordance with the central coordination and control principle. The companies of the Alarko Group operate in 6 major fields of activity.

## **CONTRACTING GROUP**

## **LAND DEVELOPMENT GROUP**

## **INDUSTRY AND TRADE GROUP**

## **TOURISM GROUP**

## **ENERGY GROUP**

## **SEAFOOD PRODUCTS GROUP**

The activities of the companies and entities in our group for the year 2007 are presented in detail to the comments and evaluation of the general assembly.

## THE CONTRACTING GROUP

Our Contracting Group operates as a general contractor both in Turkey and abroad and carries out large scale infrastructure works, construction of industrial plants, business centers, hotels, hospitals and other such projects.

The contracting sector is the leading sector in which the world's largest scale companies compete. Despite the increasing job opportunities in the world, getting contracts is becoming more and more difficult under these tough competition conditions. Therefore, completing started projects rapidly with maximum profit while increasing market and customer variety is becoming a must in this competitive atmosphere.

Our Group that is active in a vast geography is presently active in numerous projects in an area extending from Algeria in the west to the Sakhalin Island in the east, Yemen-Qatar in the south, and Russia and Kazakhstan in the north. A new office to explore and develop market opportunities and follow up projects in the Gulf countries was established in Qatar in early 2007 and is now active. The increase in oil prices resulted in an increase in investments in this sector and numerous refinery and petrochemical projects have come on the agenda. Major developments are also observed in the area of natural gas and oil pipeline projects. Our organization and management systems are constantly being reviewed. Therefore, in 2007, we continued to develop our business methods so as to attain serious competitive power. Our existing staff was supplemented and training continued intensively due to the increase in business volume. New sources for the purchase of materials and services were explored for cost savings and better quality and important results were obtained. We have also maintained our improvement efforts for works to be completed in the shortest time and faultlessly. Thus, considerable cost savings were obtained in 2007. Continuous and periodical work-site supervision was maintained and effectiveness

of supervision was improved. Thanks to the Occupational Health and Safety Management Systems applied, there has been a serious drop in occupational accidents and our accident rate is now at the level of developed countries. Moreover, the Environment Management Systems applied has enabled us to lower the possible damage of our operations to the environment to acceptable levels. Our company has the ISO 14001, ISO 9001:2000 and OHSAS 18001 certifications and is maintaining its efforts to improve its management systems.

The areas in which the Contracting Group operates can be summarized under the following headings:

- Airports
- Underground and Railway Systems
- Water and Waste Water Treatment Plants
- Gas and Oil Pipelines
- Complete Plants on a Turn-key Basis
- Construction of Business Centers, Residences, Hospitals, Hotels and Schools
- Highways and Dams
- Compressor and Pump Stations
- Power Plants
- Tank Farms
- Petrochemical and Refinery Plants

The projects in progress in 2007 and those recently undertaken are summarized below:

### **TCDD Ankara - İstanbul High Speed Train Project:**

Trial runs of the project have started and all the technical controls that will enable the High Speed Train to run safely at a speed of 250 km/hr will be carried out during the test runs that will last 12 months. The train brought from Italy for the test runs made its first test run at a speed of 30 km/hr and reached the maximum test speed of 275 km/hr in September. At the end of the test runs, the TCDD will start carrying passengers between Ankara and Eskişehir. Thus, the trip that takes 2 hours 30 minutes over the highway will drop to 1 hour by High Speed Train.

### **Adana Metro Project:**

The Adana Rail Transit System Project (RTS) that is to connect the north section of Adana to the south section is proceeding rapidly after obtaining the additional credit facility. When completed, the 14 km long RTS Project with 13 stations will decrease the urban traffic volume in the most congested areas of the city, will diminish noise and air pollution, and provide the inhabitants of Adana comfortable, safe and environment friendly transportation.

Work in accordance with occupational health, safety and environment conditions and international quality standards is carried out 24 hours a day.



### **Istanbul Municipality Taksim - Yenikapı Metro Project**

This project comprises the electro-mechanical and finishing works of the Taksim - Yenikapı section of the metro. The finishing works of the Şişhane Station where passengers access the metro line through two separate concourse buildings and the fabrication on the tracks in the tunnel between Taksim and Şişhane have been started. The project consists of the execution of the finishing works in the Şişhane, Unkapanı, Şehzadebaşı and Yenikapı stations that will function in total compliance with the existing Taksim - 4.Levent Line and on the 5.200 m long double track tunnel. In addition to the finishing works, the project also includes execution of systems such as power supply and distribution system, signalization system, control and communications system, illumination, wireless and telephone system, tunnel and special area air conditioning, as well as the execution of such works as sanitary installations, escalators, elevators and track works for which the design phase is continuing. Moreover, the connection of the operating Aksaray-Airport light metro line with Yenikapı will be executed, thus completing the integration of Atatürk Airport, Esenler Otogar metro and Bosphorus tube crossing. The execution and assembly work on this important line between Taksim and Şişhane which will also be integrated with the İDO Sea buses at Yenikapı is advancing rapidly so as to enable its commissioning at the end of 2008.

### **DSI Melen Water Supply Line Project**

The project has been completed 6 months prior to completion date. The first supply line that is now completed will provide 268 million m<sup>3</sup>/yr of water to Istanbul and with the completion of the 2<sup>nd</sup> and 3<sup>rd</sup> stages one billion m<sup>3</sup>/yr will be supplied to Istanbul. Thus, the project will guarantee the water need of Istanbul until 2040.

### **DSI Cyprus Water Supply Project**

The project consists of taking water from the Alaköprü Dam to be built on the Dragon Stream in Anamur Turkey and following its stabilization in a reservoir close to the shore, transport it to the Turkish Republic of Northern Cyprus through a 80 km long HDPE pipeline with a diameter of 1600 mm designed as a floating system running 250 meters below the level of the Mediterranean. The transported water will then be collected at the Geçitköy Dam to be built in TRNC. The Turkish Patent Institute and the Austrian Patent Institute have cooperated for this system which is a first in the world and have taken the work of our company under protection with a examined Patent. The geophysical, geotechnical, oceanographical, biofouling sea research and measurement work on the route determined between Turkey and Cyprus within the scope of the sea crossing

engineering works which make up the most important section of the project and the model tests of the pipeline, the dynamic and hydraulic analyses have been completed at this stage of the project. 87% of the sea crossing engineering works have been completed, and the project phase of the land facilities consisting of the dams, stabilization tank, pump station, valve chamber and supply line on the land side has been started after obtaining the approval of the employer DSI. Talks to start the construction of the whole project with DSI and the completion of the project work of the ground facilities are planned for the end of October 2008.

### **Istanbul Municipality 4.Levent-Ayazağa Metro Construction**

The 4. Levent - Ayazağa - Maslak - Doğaköy section of the Istanbul Metro, the depot area in Seyrantepe and the connection lines are being undertaken by the Garanti Koza - Alsim Alarko Joint Venture. The project will alleviate the traffic congestion on the Levent - Maslak route and will make an important contribution on the transportation quality and comfort of those living in the Bosphorus - Sarıyer - Zekeriyaköy area and those working at Oto Sanayi and the business centers in the vicinity. As the Municipality changed their decision on the route twice, the original single line tunnel length of 8.500 m is now to be 14.450 m long and an Atatürk Oto Sanayi station has been added to the existing Sanayi and Ayazağa stations. 96 % (13.849 m) of tunnel digging, 58 % (8.427 m) of revetment concrete, 50 % of the cut-cover station building works were completed as of the end of 2007. The rest of the works are planned to be completed in September 2008. The stages of the project will be turned over to the Administration as they are completed.

### **Tüpraş Kırıkkale Refinery DHRP (Diesel - Kerosene) Project**

Construction of the annex buildings to increase the refinery's unleaded gasoline production capacity and to enable attaining the upper limits in diesel oil so as to conform to EU norms is nearing the completion stage. The completion and start operation works of the Natural Draught Water Cooling Tower, TPP Building and Burner System modification and Demi Water Unit within the scope of works planned for the 24 month first phase of the project to be delivered in two stages are continuing. The project will be completed and delivered to TÜPRAŞ within 2008.

### **Moscow Oncology Hospital Construction**

In 2005, a new contract was signed with the Administration to finish the project of the unfinished construction in Moscow. The mobilization works of the project financed by Türk Eximbank are proceeding.

## THE CONTRACTING GROUP

### **Astana Water Supply Project**

The Astana Water Project whose contract was signed at the end of 2005 comprises the rehabilitation and the construction of the annexes and the 120 km long distribution lines network to increase the existing capacity of the drinking and wastewater installations of Astana. It also includes the rehabilitation of the water intake building located nearly 250 m from Lake Vyacheslavka 50 km from Astana and the 17 elevation pump stations at various locations. In addition to new construction works, it also comprises the installation of 155.000 cold and hot water meters to be connected to homes and offices. Completion of the project is planned for 2010. Within this scope, construction works will be executed in 2007 - 2008, electrical and mechanical assembly works in 2009. Tests and commissioning of the project will be completed in 2010.

### **Alkent 2000 Lake Mansions Construction**

The construction of the 3rd phase Lake Mansions of our award winner project Alkent Istanbul 2000 located along the shore of the Büyükçekmece Lake is completed, and delivery to owners will start in the first quarter of 2008. The Mediterranean style Lake Mansions project and landscaping project designed by American architects have made this project one of the most prestigious in Istanbul. The project has been completed in 1,5 years with the high quality construction standards of Alarko and is now at the delivery stage.

### **Atyrau-Aktau Highway Rehabilitation Project**

The project whose contract was signed in 2006 consists of a 122,6 km long route between Opornyl-Beineu in the Caspian Sea region in Kazakhstan. The financing of the project is provided by the "European Bank for Reconstruction and Development". The construction and guarantee period of the project is 24 months. Aggregate production at the Septe site of the project with two sites was completed at the end of 2007. Productions at the Korkol site are planned to be finished by the end of 2008. The completion of the project will facilitate transportation between two major cities on the western strip of Kazakhstan and animate the economy on this route of petrol traffic.

### **Antalya Light Rail System 1st Stage Construction Works Project**

The project whose contract was signed in 2007 will be 11,1 km long. The work consists of the construction and commissioning of the project and 14 cars will be purchased within this scope. There will be 16 stations (2 will be cut-cover), 8 substation buildings, 1 depot area and depot connection line (cut-cover). Mass transportation areas are planned for each end of the line and the occupancy rate at peak hours is assumed to be 95 %.

### **Istanbul Metro 4.Levent - Ayazağa Electromechanical Works Project**

The project whose contract was signed at the end of 2007 comprises the main line from the tail tracks of the 4.Levent station - the end of the 1<sup>st</sup> stage - to the end of the tail tracks of the Hacı Osman Station, as well as the Sanayi, ITU Ayazağa, Atatürk Oto Sanayi, Darüşşafaka, Hacı Osman stations, Seyrantepe Depot Area Connection Lines and the Seyrantepe Depot Area, Atelier and Station Building, the Finishing Works and the Electromechanical Systems Procurement, Assembly and Commissioning works. The Seyrantepe Depot Area, Atelier and Station Building construction work comprises the works related to the tearing down of the existing temporary maintenance atelier at the 4.Levent Station of the 1<sup>st</sup> Stage and opening the tracks to two way commercial operation and its integration with the Taksim Control Center and the formation of the Seyrantepe traffic control center. The project is planned to be completed in 2010.

### **Tüpraş İzmit Refinery DHRP (Diesel - Karosene) Project**

Within the scope of the Tüpraş İzmit DHRP project whose construction started in 2003, production of environment friendly diesel oil containing a sulphur percentage in conformity with EU norms started at the Diesel - Kerosene Unit in July 2007 and the CCR unit which is to increase production of unleaded gasoline production went into operation in May 2007. The 40 mw congeneration unit within the scope of the same contract has been put in operation and delivered to Tüpraş.

### **Sakhalin LNG Project**

Construction of the world's largest natural gas liquefaction plant on the Sakhalin Island in the Russian Federation was completed in 2007. Test production has started at the plant whose contract was signed in 2004 and intensive construction work took 48 months. This plant of major importance to the Russian Federation is a leader in this area from the view point of capacity and technology. Commercial production at the plant will start in 2008.





## THE LAND DEVELOPMENT GROUP



The Land Development Group designs and constructs satellite towns with full infrastructure, recreation areas, operated by modern management methods both at home and abroad. Our group that constructs quality buildings with more than 40 years of know-how and experience has earned itself a dependable corporate identity on the market. Our Group that creates a difference and offers a new life style in each project it develops has created the most prestigious land development projects in the country.

The 2007 activities and future projects of our Group are summarized below.



### **ALKENT İSTANBUL 2000**

800 families are enjoying a privileged life at Alkent 2000 Recreation Town, one of the most prestigious settlements of İstanbul with its original concept. The new project to be constructed in this settlement in Büyükçekmece with a view over the lake and surrounded by greenery has been designed as the third phase "LAKE MANSIONS". The 63 mansion type, large size villas with large gardens of this new phase of this most qualified project of Alkent 2000 were offered to the market last year. The construction of the project has been completed to a great extent and will start to be delivered to owners in the first quarter of 2008.

### **RİVA PROJECT**

The authorizations regarding the setting of the construction site were obtained in 2006 and the site was set. The projects based on the authorization prepared were approved by the Beykoz Municipality and sent to the Preservation of Cultural and Natural Entities Board. However, as the İstanbul Municipality is conducting a new planning project in this area, we were asked to stop the project until the end of the planning work, so the project file is still waiting at the Board.

As a result of these developments, in 2007 all the land owners of the Riva area cooperated with the Metropolitan Planning Organization of the İstanbul Municipality on efforts to finalize the new plan of the area as soon as possible. In the mean time, the infrastructure projects involving the whole of the Riva area were completed as a result of work carried out with the other land owners and the results were sent to the municipality and relevant departments for approval. However, our partner has gone to court for the annulment of the partnership agreement.

# THE LAND DEVELOPMENT GROUP

## NEW SATELLITE TOWN PROJECTS

Designing of new satellite town projects for earthquake resistant and quality residence requirements in preferred areas within the limits of Istanbul has begun. We plan to start on these projects following meetings with land owners. Our efforts for a composite project consisting of a hotel, residences and shopping mall in a favorable location of Istanbul are ongoing.

On the other hand, we have formed a 50 % - 50 % partnership with the Deyaar Development PJSC, a company established in Dubai and a leader in land development, housing and business center constructions. The company founded with a capital of approximately TRY 77 million is planning to go into land and project development activities in Turkey.

We have started to search for appropriate projects to conduct in collaboration and are planning to start two projects in 2008.

## ALARKO REAL ESTATE INVESTMENT COMPANY

Despite all the uncertainty in the economies of developed countries, Turkey completed 2007 with



a growth rate of approximately 4,5 % and with the interest of foreign investors, positive developments in the real estate market have continued. Inflation dropped to a certain extent as a result of the severe financial and monetary policies applied and efforts were made to pave the way of real estate markets with the completion of the legal infrastructure of the mortgage system.

Activity in the real estate sector will accelerate when loan interests will drop with the mortgage system. Our company is maintaining its efforts for new projects and will put into effect new housing, hypermarket, shopping center and other similar real estate projects on land by our company at the appropriate time.

Our company is continuing to work on the Lake Mansions project which is the 3<sup>rd</sup> phase of Alkent 2000. Most of the construction work of this project has been completed and delivery to owners will start in the first quarter of 2008.

Our Company started to earn considerable long-term fixed income by including Fethiye Hillside Beach Club Holiday Village and Alkent Etiler Çarşı, located in of one of the most prestigious residential projects Istanbul into our portfolio earlier. Moreover, the value increase of these real estates has strengthened the assets of our partnership.



## THE INDUSTRY AND TRADE GROUP



Our Industry and Trade Group produces and markets heating, ventilating, air conditioning units and pumps, and gives after-sales services for these products.

As a result of the strategic partnership made with Carrier, one of the world's leading companies in its field, the sales of Air Handling Units, Roof-tops and Fan Coils manufactured using Carrier technology and brand and developed and improved in cooperation, was maintained in 2007 both in the domestic and international markets. The necessary certification for the cooling, heat pump and gas fired types of roof-tops, was completed and production and sales of this product in full series, six types continued. Our company, the sole manufacturer of Roof-tops (48-50AZ/UZ016 - 042), is taking advantage of this and rapidly increasing its sales in the international markets. Therefore, we will continue to develop our products to suit the changing market demands and concentrate on marketing activities to increase our sales. The 39 HQ air handling units have shown a successful sales performance and proved that they are a leader product in the sector. In the chillers, Carrier's successful ozone friendly Puron series Aquasnap and R134a refrigerant Aquaforce series have attained a gratifying position on the market this year. In 2008, we are aiming at increasing our market share with all these main and auxiliary products and attaining maximum profitability.

In the luxury combi segment, the more compact, 3\* efficiency class 24 kw capacity model of the new Serena combi was presented to the market with its new digital look. The 32 kw capacity model will

be launched in January 2008. Sales of the Harmony and Trendy combis is continuing. The new series of 3\* efficiency Supercomfort combi with boiler has been added to our product range. The E series was added to the product range in the standard segment condensing combi and our condensing appliance reached a share of approximately 40 % in our sales. Production of the Atag economic condensing combi B series will start in the third quarter of 2008. The sales percentage of condensing combis in the range of classical combis went from 3,5 % in 2006 to 6 % in 2007. Work has started for the local production of condensing combis. Our market share in the combi market has been maintained in general and has increased in that of the condensing combi. The radiator packing and palette loading system renovation project has been completed and the new systems will be in operation as at the end of January 2008.

Burner development activities were maintained, ALF 130/2, 180/2 and ALM 125/2, 174/2, burners were offered to the market, and production of MS 7-8 and L 7-8 burner types was ended. Work on the 4 casing liquid fuel burners to replace the L, MS, RL, RMS 9-10 models will start in 2008. The ALG 120/2 burner will be added to our product range at the end of February 2008. In addition, we will work on modulation of gas burners. Boilers, radiator valves and expansion tanks that are complementary products for the heating system are supplied from local manufacturers with the Alarko brand and sold to the market. The expansion tank supplier was changed and replaced by a more economic source. The ADA and ATA unit heaters, the oldest Alarko products that are still sold on the market, have been redesigned, developed and offered to the market.

Important work was carried out in 2007 in pumps, one of our major activity areas. Work towards creating an economic and competitive series in the 4 inch submersible pumps was completed. In line with the success and experience obtained with the 8131 N series in the 8 inch series the 8090 N model, a high yield series suitable for sprinkling, was developed and offered to the market. An

## THE INDUSTRY AND TRADE GROUP



improvement made in the 8 inch submersible pump motors resulted in the change of axial bearing systems. The durability and life span of the motor was improved with this new system consisting of fewer pieces. All stainless steel 6 inch submersible pumps were offered to the market in July 2007. Improvements were also made on our ALD pressure tanks and the new high hydraulic performance and yield ALDF series with frequency inverter technology was offered to the market. Thus the number of different types went from 7 to 14 and models from 63 to 126. Twin type circulation pumps (HCPC 5/10 D and HCPC 6/13 D) were developed and presented to the market in August 2007. Efforts to promote all circulation pumps to the IP protection class were started.

Sales of Carrier, Toshiba and Alarko brand individual and light commercial air conditioners continued and resulted in price variety to address all kinds of customer groups. Moreover, in addition to price variety, all the requirements of the market were addressed with 28 different series. Our company also contributes to the development of environmental awareness in Turkey with its products using environment friendly refrigerants. In addition, we provide energy saving with products that have the developed DC inverter technology "A class" energy labels. We have a choice of 5 different Toshiba and Airstage brand products using the variable refrigerant flow (VRF) system. All requirements of customers who care about technology, energy saving and initial investment

costs are met and we have reached a leader position in the VRF market.

Our company that obtained the ISO 9000, ISO 14000, OHSAS 18000 and SA 8000 (Social Accountability) certificates earlier, has gone through various audits in this area successfully and has transformed quality into a company culture. This quality level will continue to be maintained with no concessions.

### PRODUCTION ACTIVITIES

#### Main Production Plant

The facilities of our main production plant situated in the Gebze Industrial Zone extends over an area of 60.000 m<sup>2</sup> consisting of a covered area of 20.000 m<sup>2</sup> for production, 2.000 m<sup>2</sup> for offices, 2.000 m<sup>2</sup> for the testing and Research and Development building, and social and training facilities. The following products are manufactured at this plant:

#### Central Air Handling:

- Air Handling Units
- Fan-Coilers
- Roof-top Air Handling Units
- Heat Exchangers

#### Heating:

- Natural Gas and LPG Fired Combi Boilers
- Light and Heavy Oil and Gas Burners
- Heat Exchangers

#### Water Pressurizing:

- Submersible Pumps and Motors
- Circulation Pumps
- Water Boosters

The ACE (Achieving Competitive Excellence) project, which is used in all the regions of UTC to which Carrier is associated, is being implemented at our Gebze complex. Our Testing and Research and



Development Departments collaborate regularly with universities and TUBITAK (Turkish Institute for Scientific and Technical Research) to develop and improve products. Important improvements have also been made in our production with technology transfer from Carrier.

### **Radiator Production Plant**

The panel radiator manufacturing plant is located in the Istanbul Dudullu Organized Industrial Zone. The plant, whose production capacity doubled thanks to expansion and modernization work that was completed in 2006, covers a closed area of 12.000 m<sup>2</sup>. The plant manufactures Alarko brand radiators for the domestic market and Carrier brand as well as various OEM brand radiators for exports.

### **TRADING AND MARKETING ACTIVITIES**

Our company has an extensive and effective distribution and service network in Turkey and sales offices in Istanbul, Ankara, Izmir, Adana and Antalya, and a total of 305 dealers and 379 after-sales service units over the country. Our dealers and service network have earned a special place in the sector with their showrooms and well-trained personnel. Keeping in mind the trends of the market, in addition to products manufactured at our plants we have included imported products to our product range. Due to our customer focused service approach, we offer our dealers a large variety of products and complete solutions to our customers.

Supplementary products sold in addition to those

manufactured at our own plants are:

- Automatic Control Equipment
- Duct Equipment and Filters
- Axial Fans
- Cold Rooms
- Air-Conditioners for Operating Theaters
- Aspirators
- Radiator valves and Thermostatic valves

Building automation systems converting complicated buildings such as large business centers, hotels, hospitals into "intelligent buildings" for smooth operation create a serious difference as complete solutions. Operating theater air conditioners for hospitals and special solutions for telecommunications are also within our expertise area. In addition to central system boiler and burner solutions in heating, we offer combi radiator packages in individual heating thus offering a variety of choice for every customer profile. In individual air conditioners, in addition to Carrier and Alarko brands we are offering Flair brand equipment that provide more economic solutions and Toshiba brand equipment for the highest segment where we have attained an important sales volume.

### **TOTALINE DIVISION**

Since 2002 our Totaline spare parts markets offers spare parts and technical service equipment for heating, air-conditioning and pressurizing products. With headquarters in Istanbul, Totaline has markets in Istanbul, Ankara and Izmir and sales points in Istanbul and Bursa. In addition, service being given within the scope of the "Maintenance Agreements" for the heating and cooling equipments and systems in large facilities emerges as a rapidly developing area.

Training of our dealer and service personnel and our own personnel is carried out in our modern training centers. Technical as well as personal development subjects are taken up at training sessions.

As in previous years, in 2007, our company realized numerous highly prestigious projects in the areas of heating, air-conditioning, hygienic air-conditioning and building automation.



# THE TOURISM GROUP



"Leisure Management" defined as "spending leisure time in the most productive and top quality manner" has become a rapidly growing sector in the world. **Alarko Tourism Group** that is one of the first companies that represents Turkey in this industry is continuing its development in the corporate framework. **The Tourism Group** develops different concepts that help people feel good and spend leisure time in the most enjoyable way. It is a leader in the sector with the successful marketing of the concepts developed, its excellent service quality, products and activities, and the added value created. Always aiming at being "beyond competition", the group is maintaining the success achieved in "making people feel well" with the **SANDA SPA chain, HILLSIDE BEACH CLUB Holiday Village, HILLSIDE SU HOTEL, the sports-recreation centers HILLSIDE CITY CLUB - ETILER, HILLSIDE CITY CLUB - TRIO, HILLSIDE CITY CLUB - İSTİNYE** that went into operation at the İstinyePark project in December 2007, and the **CINECITY CINEMAS**.

## **HILLSIDE BEACH CLUB - Fethiye**

**Hillside Beach Club**, located along its own bay in Fethiye, is maintaining its leadership in Turkish tourism with its high occupancy rate and service quality. This 1<sup>st</sup> class holiday village that earns many national and international awards every year has hosted approximately 25.000 guests in 2007. The club offers its guests the holiday of their dreams with its friendly personnel, unique natural setting and service quality exceeding expectations. The club adheres to the principle of continuous renovation with surprise innovations put into effect every year and thus, the percentage of guests returning to the club increases every year. In the 2007 season, **Hillside Beach Club**, that bases its price policy on the principle of "getting one's money's worth" rather than on high demand reached an exceptional occupancy rate and as a result of evaluations made on quality was awarded

the "**Best Holiday Village and Resort Award**" by Skali International, an organization combining all the different branches of travel and tourism with 500 clubs and 25.000 members in 80 countries.

## **HILLSIDE SU HOTEL - Antalya**

The **Hillside Su** deluxe hotel in Konyaaltı, Antalya, is one of the important examples of the **Alarko Tourism Group's** policy of making use of its know-how in the service sector in selected projects through operating agreements. **Hillside Su** has emerged as the first concept hotel that the world famous Design Hotels Group selected to cooperate with in Turkey and has introduced a new hotel concept to Turkey and the world with its original design, the dynamic life style it offers its guests, and its simple, unprecedented and surprising innovations. **Hillside Su** is open all year long as a holiday hotel and at the same time often hosts meetings of various international companies with its fully equipped meeting halls. Since its opening, **Hillside Su** has been quoted in approximately 80 international publications and been the cover of many of them. **Hillside Su** continues to assume an important role in the promotion of Turkey thanks to the interest of the world press, the distinguished groups and celebrities it has hosted.

## **HILLSIDE CITY CLUB - Etiler**

With 17 years of "know-how" and "conscious sports" motto **Hillside City Club-Etiler** has become the precursor of the fitness concept as a sector in Turkey and is a real life-center where the club feeling dominates. The club is also a first in the customer oriented recreation centers area particularly preferred by the professional business world. In addition to offering the new sports trends in the world to Turkey simultaneously, the **Hillside City Club-Etiler** has created a considerably large "community" by organizing tours, cultural tours, tournaments, parties to help enrich the social life





of its members. In 2007, the Club continued to cooperate with numerous national and international companies that want to be associated with the Club. Having achieved to maintain its record number of members this year as well, the Club continued to form a strong synergy with the D-Point Cinecity Cinemas, Mezzaluna Restaurant, Starbucks Coffee, D&R, Sanda Day Spa, Mos Hair Saloon, Sun Vital Solarium it houses and to be sought after by guests who visit the Club.

#### **HILLSIDE CITY CLUB - TRIO**

Operated by the **Alarko Tourism Group** since 2003, **Hillside City Club - Trio**, shortly succeeded in becoming an alternative to Bağdat Avenue on the Asian Side. With approximately 5.500 members, from investors' point of view, **Hillside City Club-Trio** is a giant "recreation center", one of the largest of its kind in Europe that has added value to the Kozyatağı area. With sports halls, indoor-outdoor swimming pools, indoor basketball court, squash, racquetball and tennis courts, as well as many operations such as the Bonus Premium Cinecity Cinemas with 7 cinema theaters, Mezzaluna Restaurant, Il Chianti Wine Bar, Sosa Café, Toastop, Starbucks Coffee, D&R, Mos Hairdresser, Sun Vital Solarium, Bal Peteği Children's Club and SANDA DAY SPA extending over an area of 23.500 m<sup>2</sup> **Hillside City Club - Trio** is making a major contribution to group synergy.

#### **HILLSIDE CITY CLUB - İstinye**

**Alarko Tourism Group's** new venture **Hillside City Club-İstinye** opened its doors as a colorful life center extending over a total area of 6.000 m<sup>2</sup> in the İstinyePark Shopping Center in October 2007. At İstinyePark, the **Hillside City Clubs** that offer service to a total of 9.000 members at **Etiler** and **Trio** created a pleasure and life center with a "brand new leisure concept" that will meet all the requirements of urban dwellers. In addition to sports facilities including indoor and outdoor swimming pools, the gym which offers the possibility of exercising accompanied by a DJ and the cardio areas, Express Gym, Butts&Gutts, Pilates and Group Exercise Studios, the Club offers not only its members but also its guests other operations where they can enjoy quality leisure time. Kitchenette, the well-known restaurant chain of the Doors Group, Bahçecik hairdresser, Şükrü

Dudu barber shop, Patika Bookstore, DVD Street where one can rent DVDs, Sun Vital Solarium, Before'n After Café and SANDA DAY SPA are among the operations that complement the leisure world concept and were selected by Hillside as "the best".

#### **CINECITY CINEMAS**

Our **Tourism Group** that operates the **Cinecity Cinemas** since 1993 hosts approximately 1.000.000 people every year thanks to the unique service given. Today, the **Cinecity Cinemas** that has 3 cinema theaters at Hillside - Etiler, 6 at Zeytinburnu Olivium Outlet Center, 7 at Hillside - Trio and 9 at Izmir Kipa Shopping Center, create a pleasant synergy with the famous restaurants and cafés in its operation, emerges from the traditional cinema concept with the original services it offers and develops, its continuous innovations, the concepts it creates and its boutique cinema approach that associates it with "quality".

The objective of the **Tourism Group** for the **Cinecity Cinemas** is to continue operating cinemas in boutique locations and an increasing number of cinema theaters in large cities.

#### **SANDA DAY SPA**

Six years ago, the **Tourism Group** introduced the natural SPA culture that created great interest in the world to the Turkish people in **Fethiye - Hillside Beach Club**. The **Alarko Tourism Group** has transformed the **SANDA SPAs** designed according to a synthesis of Far Eastern, Mediterranean and local influences into Turkey's first and largest SPA chain. The Group that has **SANDA SPAs** offering services with Turkish and Far Eastern therapist in a total of 6 branches at the Hillside Hotels and Hillside Sports Centers is proceeding in its objective of developing particularly in large cities. The last branch of the chain started its operation with 11 rooms at **Hillside City Club - İstinye**.

#### **HILLSIDER MAGAZINE**

**Hillsider Magazine**, an **Alarko Tourism Group** publication, celebrated its 12<sup>th</sup> anniversary in 2007 and profitably continues its "exemplary" role in the world of publication with its rich content and advertisements of national and international companies.

# THE ENERGY GROUP

Keeping in mind that the energy requirement in Turkey will increase in parallel with the growth in the economy, our Energy Group has accelerated its investments in this sector. Therefore, projects are being prepared to increase the capacity of existing power plants and the construction of new plants. The activities of the Group in 2007 and work related to new power plants are summarized below.

## Power Plants in Operation

Energy production is continuing at the **Düzce-Hasanlar, Tarsus-Berdan** and **Malatya-Tohma Hydroelectric Power Plants** that are among the first examples of the Build-Operate-Transfer model in Turkey.

Our Kırklareli Natural Gas Combined Cycle Power Plant with a capacity of 82 MWe that started commercial operation in 2005 has a production capacity of 600 million kwh. Approximately 700

million kwh net production was attained in our four operating plants in 2007. A license modification request to double the capacity of our Kırklareli Natural Gas Combined Cycle Power Plant was made to the Electricity Market Board (EPDK) and the construction of the new plant with an installed capacity of 82 MWe will start in the first quarter of 2008. With the new investment to be made, our production capacity will increase to 612 GWh. This project will go into operation as a simple-cycle plant in the first half of 2009 and as a combined cycle later.

## New Power Plant Projects

Our Energy Group is proceeding its endeavors related to numerous hydroelectric and thermal power plant projects in order to increase the production capacity. These projects are summarized below.

## Hydroelectric Power Plant Projects

**Karakuz Power Plant:** This power plant to be built on the Körkün River within the boundaries of the Adana province will have an installed capacity of 87 MWe and a production capacity of 300 GWh/yr. The license tender for the construction of this plant was won in 2005 and the water usage contract was signed in 2006. The production license from the Energy Market Board was obtained in November 2006. Expropriation work will start following the preparation and approval of the conclusive project and the acquisition of the Environmental Impact Assessment report in 2008. Construction work is expected to start at the last quarter of 2008 after financing is obtained.







**Mut Power Plant:** The bilateral agreement signed between the USA and Turkey for the Mut hydroelectric power plant with an installed capacity of 30 MWe and a production capacity of 172 GWh to be constructed on the Göksu River within the boundaries of the Mersin province is to be annulled and a production license is to be given to the partners of the project. Alsim A.Ş., one of the companies in our Group of Companies, is among the partners of this project and this project will be one of our Group's when according to the contract to be signed a license is obtained from the Electricity Market Board.

### Thermal Power Plant Projects

**Samsun - Çarşamba Power Plant :** We have applied to the Electricity Market Board for the combined cycle natural gas power plant with an installed capacity of 485 MWe and a production capacity of

3.300 GWh/yr. Following the acquisition of the license for this project, we are targeting to start construction work at the last quarter of 2008.

**Çanakkale - Ezine Power Plant :** This plant where imported hard coal will be used as fuel is a project with an installed capacity of 500 MWe and a production capacity of 3.250 GWh/yr. Application to the Electricity Market Board has been made and work will start after the license is obtained.

**Karabiga Power Plant :** A plot of land of 685 acres was bought in Karabiga to build an imported hard coal thermal power plant with an installed capacity of 1.200 MWe to 1.600 MWe and a license application was made to the Electricity Market Board in 2007. We are planning to start this project in 2008.



## THE SEAFOOD PRODUCTS GROUP



Alfarm A.Ş., established in 1991 for breeding and processing salmon, is also offering salmon, sea trout and other kinds of fish processed at its own plant to the domestic and export markets.

### Activities, New Projects and Products of 2007

Thanks to the partnership established with the Lerøy Group ASA, one of the leaders in its sector, in 2005, we have attained an important competitive advantage. Sales of imported Norwegian salmon through market chain channels was maintained and country wide sales attained through fish market fishmongers and fish sellers. Promotion activities for fresh salmon continued in Turkey as a whole in 2007 and thus our annual distribution objectives were exceeded.



Activities towards the marketing, product introduction and expanding the distribution organization were accelerated and important steps were taken in efforts to increase sales volume. Moreover, our sales and stock control systems were reviewed and the barcode system was adopted in 2007. By integrating with the system of our partner Lerøy, our products will be traceable from the egg stage to the table.

Our engineers continued to develop new smoked salmon and smoked trout product at our plant and the newly developed products have reached the



market shelves. In addition to these products, the imports of frozen meat, herring and shrimps has been increased and sales have continued. All the investments planned for 2007 were accomplished and quality, capacity and product variety were increased.

Within the scope of promotion activities, we have participated in the ANFAŞ Fair in February 2007 and the Brussels ESE 2007 Fair in April 2007 with our partner Lerøy and also participated in various fairs and organizations to increase our brand and product recognition.



### **New Objectives and New Investments Planned**

The investments planned for 2008 include steak machine, additional fresh fish storage, deboning machine, a new laboratory, and setting up the barcode system. When completed, these investments will increase our capacity and product range.

Our brand development efforts will be completed and the Alarko-Leröy brand will come to the fore. Promotional efforts in the written and visual media will be started with our newly designed packaging that will enable our target customers to recognize our brand and products.

As a result of the development of the tourism sector in our country and the increasing awareness about



consuming sea products, the success of the sales network we have established in the Mediterranean and Aegean regions is continuing. In addition, we are developing our sales network in the Black Sea, Central and Southeast Anatolia regions through newly established distributor channels. Our efforts to export other sea products either produced at our facilities or by other domestic producers through the Leröy channel are ongoing. In 2008, we will focus on marketing activities towards exporting our products.

Our sales and marketing activities towards market chains that are continually increasing their market share in the sales of sea products and our sales in



these markets will be increased with products with private label agreements. We will focus on the production and import of processed sea products with a high added value and the sales of these products will be increased with special contracts made with market chains.

Our company has increased the sale of high quality products under the Alarko-Leröy brand, and has made great strides in the import and sales of fresh salmon in particular. We now plan to focus on exports and concentrate our efforts on this issue.

# SOCIAL AND INDUSTRIAL ACTIVITIES

## EMPLOYMENT

A total of 3219 people consisting of 1387 white collar employees, mainly engineers and architects, 1832 technicians and workers were employed by the companies and enterprises within the body of Alarko Holding A.Ş. in 2007.

In addition, an average of 3107 people were employed by the sub-contractors and external workshops. The severance pay load of Alarko Holding A.Ş. as of 31 December 2007 was TRY 609.534,12 (excluding participations).

## TRAINING

In 2007, the personnel received a total of 78.018 man/hour of training given within the group and a grand total of 90.083 man/hour of training including training given by outside groups. Technical, financial, administrative and computer training seminars were organized within the group and our personnel were given the opportunity to attend seminars in their related areas organized by well-known training institutions. In addition, on the job training sessions on welding, assembly and other production techniques, construction, ISO 9000 and Occupational Security were organized. Training given to Alarko Carrier Sanayi ve Ticaret A.Ş. dealers and service units continued.

## EMPLOYEE-EMPLOYER RELATIONS AND RIGHTS GRANTED

Keeping in mind the economic situation in Turkey, efforts were made to establish a realistic equilibrium between employees and employer and find solutions that would not disadvantage employees under present economic conditions. A collective labor agreement covering the period 01.09.2006 - 31.08.2008 was signed and put in effect between the companies in our group and MESS - Türk Metal.

## ALARKO EDUCATION AND CULTURE FOUNDATION

In the 2007 - 2008 school year, the Alarko Education - Culture Foundation, established in 1986, gave scholarships to 39 students in their last year of university or in graduate programs in the engineering, civil engineering, finance, business administration departments of various universities, 26 students studying in technical or vocational high-schools and 25 successful children of our employees in need of financial support. Thus, more than 1200 university students and more than 600 high school students have so far been granted gratis scholarships from our Foundation.

On the other hand, our Foundation continued to sponsor various cultural and artistic events this year, too. Our Foundation continues to cooperate with outstanding scientific and cultural foundations.

## ALARKO FUTURE'S CLUB

The future of the Alarko group of companies is in the young generations who are university graduates, dynamic, hard-working, clever, creative, knowledgeable, have the ambition and desire to move up, and expect a future at Alarko.

In 2007, the Alarko Future's Club maintained its activities aiming at the professional and personal development of qualified young people to give them the opportunity to understand the benefits of team spirit and cooperation and become the well-trained experts or managers that will lead Alarko to the future.

# ÜZEYİR GARİH'S VIEW

## THE IMPORTANCE OF ROTATION IN THE MANAGEMENT SYSTEMS OF CORPORATIONS



In our country the process of corporatization developed mainly in the 1950s. Today, the management of many large corporations is or shortly will be handled by the second generation. In this process of growing, the corporation changed from person based management to system based management, in other words, they have transformed from work shops to factories, from grocery shops to supermarkets. The growing corporations organized their accounting systematic on the basis of cost and profit responsibility centers and have appointed a manager to each of this type of centers, thus creating a backbone cadre formed by experts such as accountant, stock keeper, personnel manager etc. Most of the time, the growing corporations have not been able to train this backbone cadre within their body but have placed them in their positions through transfers from other companies.

Except for the profit or financial responsibility centers, we find this type of cadres that should be similar and in some cases homothetic in the various sites of contracting companies and also in the independent companies subsidiaries of holding companies.

The knowledgeable and expert persons at the top bring or develop systems which are compatible with the way they were brought up to every unit that they manage. The differences among these systems which may be perfect in themselves is the fact that it makes it difficult for the parent company to supervise them and also it leads to jealousy, envy and friction among the personnel.

The best way to solve this is to ascertain that these basic cadres described as the "Backbone" are trained within the corporate "School" and lead their units to their objectives through compatible systems. In fact, in large corporations there is a conscious or unconscious "School" of approach to matters or implementation. With the exception of important matters such as supervisor-clerk, employee-employer, sales person-client, planner-executer,

accounting reporting, this "School" comes to the fore in such systems as allowances, permissions, advance payments, warehousing, computers, etc. What is as important as being "the best" in these aspects is most probably for them to be "compatible" with one another.

What is expected in a military squad is having all the individual soldiers take the same length steps rather than each one taking maximum length steps. Otherwise, the soldiers will inevitably fall onto one another.

Even though there are central organizations that impose the basic methods in large corporations, every three years and on the condition that it is at the same time in each unit and only one person at a time, rotating people such as managers, financiers, personnel managers or stock keepers between different units or subsidiaries provides compatibility and great advantage. Effectuating this rotation among top management is very healthy for the organization and helps improvement.

The person that has been rotated compares the systematic of his old and new position and chooses the "better" method. The systems in the different units come together and they harmonize with one another. Moreover and most important, some taboos are broken.

In a corporation with numerous units, within a period of 15 years at the end of this rotation, each unit is managed with an optimum system but systems that harmonize and are compatible with each other. The main body becomes healthy and powerful. It is pointed out that this system was implemented among the top management of unrelated companies in the public sector in England and India and that it proved to be very successful. We advise that all rather large corporations try the rotation system slowly starting with top management and accelerate according to the results obtained from experiences.

\* This article was taken from the August 1990 edition of "DENEYİMLERİM 1".

# BUSINESS VOLUME

We present to the view of our shareholders the following table which shows the consolidated results of the last five years in figures and the volume we have reached as a result of the activities which we described in earlier section of the report.

| Companies and Businesses<br>According to Activities | Consolidated Results<br>(Thousand TRY) |                |                |                | Consolidated           | Total            |
|-----------------------------------------------------|----------------------------------------|----------------|----------------|----------------|------------------------|------------------|
|                                                     | 2003                                   | 2004*          | 2005           | 2006           | 2007<br>(Thousand TRY) |                  |
| Contracting & Land Development                      | 31.099                                 | 55.306         | 432.447        | 465.541        | 527.099                | 624.584          |
| Industry & Trade                                    | 155.870                                | 203.092**      | 227.066**      | 248.237**      | 287.613**              | 298.086          |
| Tourism                                             | 31.100                                 | 36.416         | 37.637         | 43.995         | 45.114                 | 45.161           |
| Energy                                              | 9.178                                  | 13.786**       | 7.957**        | 50.594**       | 92.898**               | 92.899           |
| <b>TOTAL</b>                                        | <b>227.247</b>                         | <b>308.600</b> | <b>705.107</b> | <b>808.367</b> | <b>952.724</b>         | <b>1.073.790</b> |

\* Amounts adjusted for inflation.

\*\* The total of the turnovers is taken in order to be in accordance with the previous years.

## Perspectives for 2008

Our company has adopted the principle of working according to a plan and it has made it a tradition to reflect this in its annual reports. Our aim is to contribute to the comparison of the results of 2007 with the volumes which we foresee for 2008 and to their evaluation.

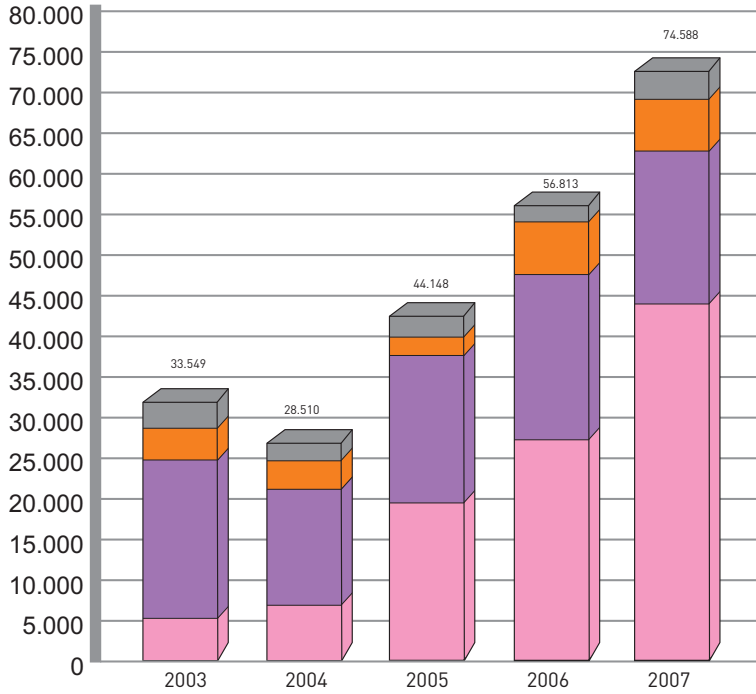
Starting from this point, the turnovers planned for 2008 are as follows according to groups of activities :

| Companies and Businesses<br>According to Activities | 2008                        |                      |
|-----------------------------------------------------|-----------------------------|----------------------|
|                                                     | Consolidated (Thousand TRY) | Total (Thousand TRY) |
| Contracting & Land Development                      | 618.810                     | 623.811              |
| Industry & Trade                                    | 328.238                     | 333.038              |
| Tourism                                             | 55.301                      | 55.301               |
| Energy                                              | 121.367                     | 121.367              |
| <b>TOTAL</b>                                        | <b>1.123.716</b>            | <b>1.133.517</b>     |

# TAXES PAID AND PERSONNEL EXPENSES

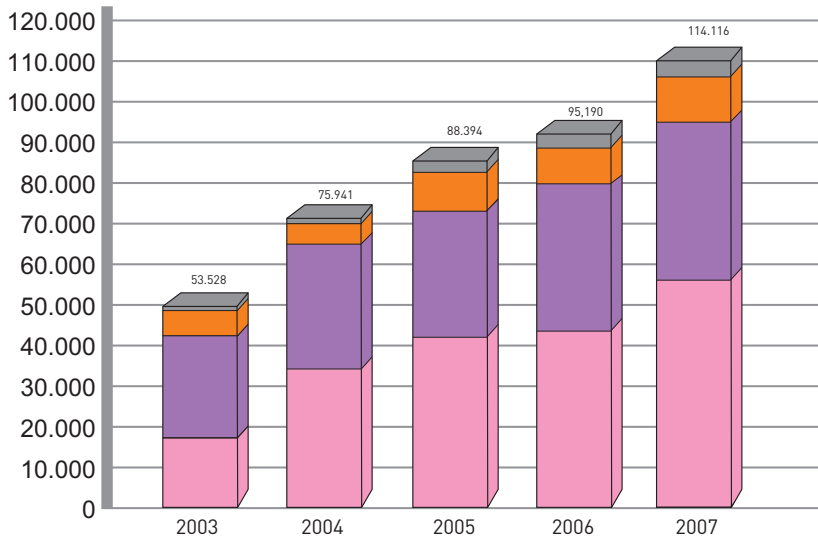
(Thousand TRY)

## TAXES PAID



(Thousand TRY)

## PERSONNEL EXPENSES



## DEVELOPMENTS IN THE LAST FIVE YEARS

The development trend of our holding company's balance sheet items, profits, equity participations and dividends in the last five years are shown below.

|                                                                             | 2003       | 2004          | 2005          | 2006          | 2007          |
|-----------------------------------------------------------------------------|------------|---------------|---------------|---------------|---------------|
| <b>Profit / Loss before Tax (TRY)</b>                                       | 15.918.082 | (2.446.328)** | 67.867.271*** | 52.388.820*** | 53.553.505*** |
| <b>Equity Participation (TRY) *</b>                                         | 46.131.045 | 15.479.298    | 15.644.952    | 14.515.798    | 12.313.344    |
| <b>Capital (TRY)</b>                                                        |            |               |               |               |               |
| • Issued                                                                    |            |               |               |               |               |
| - As free shares                                                            | 11.127.284 | 11.127.284    | 11.127.284    | 171.927.284   | 210.923.514   |
| - Against cash                                                              | 4.952.716  | 4.952.716     | 4.952.716     | 4.952.716     | 4.952.716     |
| Total                                                                       | 16.080.000 | 16.080.000    | 16.080.000    | 176.880.000   | 215.876.230   |
| • Registered                                                                | 25.000.000 | 25.000.000    | 25.000.000    | 500.000.000   | 500.000.000   |
| <b>Dividends</b>                                                            |            |               |               |               |               |
| • Net dividends<br>(Per share with a par value of TRY 1)                    |            |               |               |               |               |
| - According to paid-in capital                                              | -          | -             | 0,20          | 0,274         | 0,398         |
| - According to total capitalization<br>(including distributed bonus shares) | -          | -             | 0,06          | 0,0076        | 0,0091        |
| • Net dividend rates                                                        |            |               |               |               |               |
| - According to paid-in capital                                              | -          | -             | 20,4 %        | 27,4 %        | 39,8 %        |
| - According to total capitalization<br>(including distributed bonus shares) | -          | -             | 6,3 %         | 0,76 %        | 0,91 %        |

\* The amounts in the participations line for the year 2003 includes subsidiaries and affiliates but only affiliates for the years 2004, 2005, 2006 and 2007.

\*\* Amounts consolidated and adjusted for inflation

\*\*\* Consolidated amounts



# REPORT ON COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

## 1. Statement Of Compliance With Corporate Management Principles

Our Company takes due care to implement the rules mentioned in Corporate Management Principles published by the Capital Markets Board. Explanations on this issue are here below.

## PART I - SHAREHOLDERS

### 2. Unit in Charge of Relations with Shareholders

The duties of the unit in charge of relations with shareholders are carried out by the Shareholders' Department formed within the Alarko Group of Companies.

The director and staff of the department are; Lawyer Aysel Yürür and Emel Ecevit.

For communication:

Phone : (90 212) 310 33 00 - (90 212) 227 52 00 Pbx

Fax : (90 212) 236 42 08

e-mail : aysel.yurur@alarko.com.tr

The general assembly meeting of the Company was held, documents to be referred by the shareholders at the meeting were prepared and outcomes of the meeting were communicated to the İstanbul Stock Exchange and Capital Markets Board for publishing during the year. Questions of about 120 investors have been answered during this period.

### 3. Exercise of Right to Obtain Information by the Shareholders

Questions of the shareholders commonly relate to investments, turnover, capital increase and dividend payments of the company. Some 120 questions were asked within the year. Questions and answers given were communicated to the Board of Directors. Company's articles of association contain no provision regarding appointment of an independent auditor. No request was made during the year for the appointment of an independent auditor.

### 4. Information About the General Assembly

The Ordinary annual general assembly meeting of the company was held with a quorum of 73,54 %. Representatives of the media attended the meeting.

Invitation to the meeting was made by letters sent to shareholders and the İstanbul Stock Exchange was duly notified.

The activity report, auditors' report, financial statement, articles of association, meeting agenda and profit distribution proposal by the Board of Directors were presented to the shareholders at the company's headquarters prior to the general assembly meeting. The İstanbul Stock Exchange and Capital Markets Board were notified of the profit distribution proposal prior to the general assembly meeting. At the general assembly meetings, the shareholders exercise their right to ask questions and such questions are duly answered. No proposal was made other than by major shareholders.

The Company's articles of association contain no provision regarding vesting the authority for making decisions on splitting, sale, purchasing and letting of assets in the general assembly. The minutes of the general assembly meeting are maintained at the Company's headquarters open to the shareholders for review.

### 5. Voting Rights and Minority Rights

Voting rights bear no concession. Minority shares are not represented at the management. No cumulative voting is applicable.

### 6. Policy and Time of Profit Distribution

No concession is granted in connection with participation in Company's profits. Profit distribution is carried out within the period set forth in applicable laws. The amount of profit available for distribution will be determined taking into account the new investments to be made and liquidity status if the Capital Markets Board terminates profit distribution obligation in 2008 and the following years.

### 7. Transfer of Shares

There is no specific provision limiting the hand over of shares in the company's articles of association.



## **PART II - PUBLIC INFORMATION AND TRANSPARENCY**

### **8. Company's Informing Policy**

Annual information and future expectations of the company are announced to the public by the Chief Executive Officer through the printed and visual media upon closing of the annual ordinary general assembly meeting. The necessary information is given to the public by the President of the Board of Directors and the Chief Executive Officer during the year.

Any material situation that evolves during the year is announced to the public in a timely manner. Responsibility for observing any and all matters that may require announcement exclusively to the public and answering the question asked to the company rests with the Directorate of Shareholders' Service. Questions asked to the company during the year verbally or in writing are answered by this department and the Board of Directors is informed accordingly. The person in charge of implementing the company's informing policy is Chief Executive Officer Ayhan Yavrucu.

### **9. Announcement of Special Cases**

During the year 2007, announcements in connection with 29 special cases were made. 4 additional explanations was requested by the Istanbul Stock Exchange.

### **10. Company's Web-Site and Content**

Alarko Holding A.Ş. has a web-site. The company's web address is: [www.alarko.com.tr](http://www.alarko.com.tr) "Report on Compliance with Corporate Management Principles of Capital Markets Board" which contains a number of links for the following headings may be accessed from the "Investor Relations" link of the web-site.

Information provided in Corporate Management Principles, Part II, Article 1.11.5 as mentioned in Article 10 of this report is accessible via the following links as well.

## **LIST OF LINKS**

### **1) STATEMENT OF COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES**

#### **PART I - SHAREHOLDERS**

- 2) Shareholders' Relations Department
- 3) Exercise of Right to Demand Information by the Shareholders
- 4) Information on General Assembly
- 5) Voting Rights and Minority Rights
- 6) Policy and Time of Profit Distribution
- 7) Transfer of Shares

#### **PART II - PUBLIC INFORMATION AND TRANSPARENCY**

- 8) Company's Informing Policy
- 9) Announcement of Special Cases
- 10) Company's Web-site and Content
  - Trade Register information
  - Recent partnership and management structure
  - Detailed information on preference stocks
  - Current text of Company's Articles of Association including date and issue number of Trade Register Gazettes where amendments thereto are published.
  - Announcement of special cases
  - Annual Reports
  - Periodical Financial Statements and Reports
  - Registration Statements and Public Offering Circulars
  - Agendas of General Assembly Meetings
  - Lists of Attendance and Minutes of General Assembly Meetings
  - Specimen form for Voting by Proxy
  - Specimen form for compulsory information prepared in collection of share certificates or proxy by way of invitation.
  - Minutes of Board Meetings where important decisions that may affect the value of Capital Market Tools are taken.
  - Frequently Asked Questions (demands for information, questions and denunciations to the Company

- and their answers)  
11) Announcement of Real Person Plenary Shareholder (s)  
12) Publication of Insiders

### **PART III - OWNERS OF INTEREST**

- 13) Informing the Owners of Interest
- 14) Participation of Owners of Interest in Management
- 15) Human Resources Policy
- 16) Information on Relations with Customers and Suppliers
- 17) Social Accountability

### **PART IV - BOARD OF DIRECTORS**

- 18) Structure, Composition of Board of Directors and Independent Members of Board of Directors
- 19) Qualifications of Board of Directors
- 20) Mission, Vision and Strategic Objectives of the Company
- 21) Risk Management and Internal Control Mechanism
- 22) Powers and Responsibilities of Board Members and Managers
- 23) Operational Principles of Board of Directors
- 24) No Business or Competition with the Company
- 25) Rules of Ethics
- 26) Number, Composition and Independence of Board of Directors' sub-committees
- 27) Financial Rights Granted to Board of Directors

### **11. Announcement of Real Person Plenary Shareholder (s)**

The real person plenary shareholders of the Company are announced by the Company upon request.

### **12. Announcement of Insiders**

List of insiders has been announced to public in the Annual Report of 2004 and the names of insiders as of the end of 2007 are as follows:

- İshak Alaton
- İzzet Garih
- Vedat Aksel Alaton
- Ayhan Yavrucu
- Güner Koçel
- Dalia Garih
- Leyla Alaton Günyeli
- Işık Biren
- Ahmet Vural Akışık
- Mustafa Filiz
- Ümit Nuri Yıldız
- Mehmet Ahkemoğlu
- Erol Uçmazbaş
- Ömer Çelik
- Aysel Yürür
- Süleyman İnal
- Melis Aylıkçı

### **PART III - OWNERS OF INTEREST**

#### **13. Informing The Owners of Interest**

Owners of interest of the company are regularly informed on matters of interest to them. Employees of the company are informed through annual meetings held regularly. In addition, developments within the company are announced on a continuous basis through the periodical "Bizim Dünyamız" and "News" published biannually.

On the other hand, a comprehensive information effort is carried out through our web-site, e-bulletins and annual reports.



#### **14. Participation of Owners of Interest in Management**

No particular model has been developed regarding participation of owners of interest in the company's management. Rights of owners of interest are protected by virtue of applicable legislation.

#### **15. Human Resources Policy**

The human resources policy of the company is defined in the manual "Our Policy" issued annually and announced to the employees in annual meetings.

Recruitment criteria to be strictly complied with by the staff in charge of recruitment are defined in writing. The physiological, psychological, and intellectual characteristics required by each job are taken into consideration in the recruitment process. These characteristics are measured and evaluated by a written test. Following the initial evaluation by the human resources department, the candidate is also interviewed by manager of the particular unit to employ the candidate.

All employees are treated fairly and equally in terms of training and promotion opportunities, training plans and policies aiming at improving the knowledge, skills and experience of the employees are developed. The employees receive regular training every year.

Job descriptions are developed for every position. Performance and reward criteria are determined on a yearly basis and are implemented upon agreement with the employees. The performance and evaluation system used in measuring and evaluating the individual performance is taken into account during wage and career planning.

On the other hand, a certain number of personnel are granted "Golden Badge" as a result of their outstanding performance. Employees winning the "Invention Prize" competition are also awarded. Thus, the creative personnel are motivated. A safe working environment is provided for the personnel and it is improved continuously.

#### **16. Information on Relations with Customers and Suppliers**

Alarko Holding A.Ş. is a holding company providing services to companies in the group. Focused mainly on customers our company measures and evaluates the level of customer satisfaction on a permanent basis. Our personnel are subject to continuous training in order to enhance customer satisfaction.

Quality standards for goods and services are strictly adhered to and maximum care is taken to comply with those standards. Therefore, quality warranty is provided and any goods or services found to be below the quality standards are compensated immediately.

#### **17. Social Accountability**

Alarko Holding A.Ş. is extremely sensitive to social responsibility issues and therefore, acts in accordance with the regulations and ethical rules regarding the environment, consumers and public health. Alarko Holding A.Ş. and the Group companies operating within its framework and the personnel, experts and subsidiary industries have adopted and apply the principles below in order to protect nature and the environment in all their operations.

- To follow and apply the stipulations of acts, statutes, bylaws and standards regarding the environment.
- To take the necessary measures to prevent air, water, soil and noise pollution in all their operations.
- To protect plant and animal life and ensure the recycling of wastes.
- To cooperate with official and private associations and enterprises to develop policies and systems for environmental protection.
- To maintaining research to improve the environment friendly properties of our products and production methods.
- To reduce consumption of natural resources and energy to optimum levels.
- To provide continuous training programs to contribute to and increase the environmental protection awareness of our members. To use the most advanced technology available to attain these objectives.

There is no litigation or warning filed against our company neither during the current year nor in the past for damages to the environment.

The Alarko Education-Culture Foundation established in 1986 to work in the area of education and culture has granted scholarships to a large number of students. Since its establishment, the foundation has granted scholarships to more than 1200 university students and more than 600 high-school students. The Foundation's scholarships are not to be refunded. A total of 92 students were granted scholarships in the 2007-2008 school year.

## **PART IV - BOARD OF DIRECTORS**

### **18. Structure, Composition and Independent Members of Board of Directors**

#### **Board of Directors**

|                      |                      |
|----------------------|----------------------|
| İshak Alaton         | Chairman             |
| İzzet Garih          | Vice Chairman        |
| Vedat Aksel Alaton   | Vice Chairman        |
| Ayhan Yavrucu        | Member               |
| Dalia Garih          | Member               |
| Leyla Alaton Günyeli | Member               |
| Güner Koçel          | Member (Independent) |
| Işık Biren           | Member (Independent) |
| Ahmet Vural Akışık   | Member (Independent) |

There are three independent members in the Board of Directors.

Board members are in no way restricted in assuming positions in other organizations or entities not related to the Company.

### **19. Qualifications of Board Members**

Minimum qualifications required in election of Board members comply with the Corporate Management Principles of Capital Markets Board. Articles of Association of the Company contains no such principles as due care is taken in the election of Board members in accordance with the said principles.

### **20. Mission, Vision and Strategical Objectives of the Company**

Rather than being the largest, the main vision of the company is to become one of the strongest, most reliable and respected companies worldwide supplying goods and services of global quality by being honest to the state, the customers, shareholders and employees in all its operations.

The company's main mission is to offer goods and services exceeding the expectations of its customers and to satisfy its clients, shareholders and employees by integrating information, technology and the human factor in a creative organization.

Strategic objectives developed by the Chief Executive Officer, evaluated by the Audit Consultation and Approval Committee and submitted to the Board of Directors for approval. The realization level of the approved objectives is communicated to the Board and the Audit Consultation and Approval Committee and their realization level is evaluated.

### **21. Risk Management and Internal Control Mechanism**

A risk management and internal control mechanism is set by the Board of Directors. Managerial risks are reviewed periodically by the Audit Consultation and Approval Committee constituted by the members of the Holding's Board of Directors. The said Committee has decided to establish, audit and update an internal control mechanism within the Group in general. In accordance with this decision, the Auditing Group of the Group of Companies has been given the responsibility to supervise the establishment of the internal control mechanism and check its functioning. The Auditing Group inspects the internal control mechanism regularly against the approved annual audit plans and submits its opinion and findings to top management.

Furthermore, the Auditing Committee established reviews the said matters and advises the Audit Consultation and Approval Committee accordingly. The Audit Consultation and Approval Committee and the Committee in charge of Auditing determine the measures to be taken and instruct the company's managers via the Chief Executive Officer.



## **22. Powers and Responsibilities of Board Members and Managers**

Powers and responsibilities of Board members and managers are set forth in the company's articles of association.

## **23. Operational Principles of Board of Directors**

The Board has convened 21 times within the year. Actual participation to the meetings was established. Board decisions are taken unanimously. No weighed voting right or negative veto right is granted to the Board members.

## **24. No Business or Competition with the Company**

As per the decision taken at the general assembly, the Board members are not banned to do business or compete with the company within the year.

## **25. Rules of Ethics**

Rules of ethics approved by the Company's Board of Directors and the Audit, Consultation and Approval Committee and agreed upon by all Alarko Holding A.Ş. personnel and managers and defined in the ALARKO Group of Companies' Philosophy are summarized here below. These rules are concordance with the policies, objectives, procedures and principles of Alarko.

- Acting honestly in all business activities towards the Government, Clients, Shareholders, Personnel, Partners, and Sub- and By- Industries.
- Protecting the environment and maintaining the inter-company social balance in all its activities.
- Orienting the customers without forcing and giving priority to their needs.
- Maintaining high quality at all times, trying to supply the best at the lowest price even when the customers are satisfied and contented with what is already given.
- Achieving the profits deserved by the shareholders under the current conditions.
- Give priority to teamwork as a corporation performing systematically on the basis of pre-defined procedures, share profit, loss, success and failure.

Our policies are shaped by this philosophy. And this philosophy is affixed at easily visible points in various units of our company and subsidiaries. In addition, all employees are informed through the annual Policy Meeting and Our Policy Book. Our existing and newly recruited personnel are regularly trained on this philosophy and related rules. Our philosophy including the rules of ethics is accessible via the internet and our web-site [www.alarko.com.tr](http://www.alarko.com.tr). All Alarko Holding personnel are obliged to act in compliance with these rules. Rules of ethics are followed-up by the superiors of all employees in hierarchical order. Employees are responsible of immediately notifying the management of any act or behavior contrary to the rules of ethics.

Any contrary act or behavior noticed, notified or suspected by the Board of Auditors, the Auditing Committee, the Chief Executive Officer or other managers are reviewed by the Board of Directors or instructed to be reviewed by the Auditing Committee to ensure compliance therewith.

Disciplinary sanctions are applied by the Chief Executive Officer authorized by the Board of Directors to doers of actually proven contrary acts.

## **26. Number, Composition and Independence of Board of Directors' Sub-committees**

The auditing committee is established within the legal term and performs the duties set forth in the communiqué of the Capital Markets Board. The members of this committee are İzzet Garih and Vedat Aksel Alaton.

After approving the strategic decisions the Audit Consultation and Approval Committee consisting of 5 members of the Board of Directors presents them to the Board.

## **27. Financial Right Granted to Board of Directors**

No rights or interests are granted to the Board members including remuneration as per the decision of the General Assembly. No money is lent to the company's Board members or managers including credit utilization or suretyship.

A close-up photograph of water splashing, with several droplets and ripples visible against a light blue background. The water is in motion, creating a dynamic and textured appearance.

**INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS**

# INDEPENDENT AUDITORS' REPORT



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## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors and Shareholders Alarko Holding A.Ş.

We have audited the accompanying consolidated financial statements of Alarko Holding A.Ş. (the Parent Company) which comprise the consolidated balance sheet as at December 31, 2007, and the consolidated statements of income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The balance sheets as of 31 December 2007 and the statements of income, changes in equity and cash flows for the year then ended related to the subsidiary Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. and the joint venture company Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.Ş. of Alarko Holding A.Ş., which represent 21,86 % of the consolidated balance sheet total as of 31 December 2007 and 35,90 % of the total income stated in the consolidated statement of income for the year then ended have been audited by another independent auditor.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with financial reporting standards issued by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with independent 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 whether the consolidated financial statements are free from material misstatement.

Our independent audit involves the application of independent auditing techniques to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of the independent auditing techniques including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, is made by our professional judgment. In making those risk assessments; the internal control system of the entity is taken into consideration. However, this is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control but for displaying the relationship between the consolidated financial statements and the internal control system prepared by the entity in order to design audit procedures that are appropriate in the circumstances. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Alarko Holding A.Ş. as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards issued by the Capital Markets Board.



## Explanatory Paragraphs

As of 31 December 2007 the financial statements of the subsidiaries Alsim Alarko KZ in which the Parent Company has a 100 % interest and Temzet Üretim İletim A.Ş. and Betagas SRL in which the Parent Company has a 50 % interest, have low operating volumes and do not materially affect the consolidated financial statements, hence the companies referred to above have not been included in the consolidation.

The Parent Company has established a merger with Anmak Holding A.Ş. through transferring its entire assets and liabilities and the merger contract has been registered as at 13 July 2007.

Upon establishment of the merger between Alarko Holding A.Ş. and Anmak Holding A.Ş. through transferring the entire assets and liabilities, the subsidiaries Saret Sanayi Taahhütleri ve Ticaret A.Ş. and Sansal İnşaat Sanayi ve Ticaret A.S. in which the Parent Company has a 100 % interest have been included in the consolidated financial statements as of 31 December 2007 through full consolidation method.

The Parent Company has made a capital increase in 2007 accounting period through utilizing internal resources. The totals used in the said capital increase are lower than the internal resources stated in the legal books as well as the internal resources calculated as per the CMB accounting standards.

As described in Note 43 to the consolidated financial statements, the Company Management has stated that the profit to be distributed in accordance with the accompanying consolidated financial statements is higher than the profit to be distributed stated in the legal books, hence the profit to be distributed stated in the legal books is taken as basis in profit distribution.

İstanbul,  
4 April 2008

Denet Bağımsız Denetim  
Yeminli Mali Müşavirlik A.Ş.  
Member firm of BDO International

**DENET**  
Yeminli Mali Müşavirlik A.Ş.

Ömür Günel  
Partner in charge

# ALARKO HOLDİNG A.Ş.

## CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2007 AND 2006 (TRY)

| ASSETS                                            | Note | 31 December 2007     | 31 December 2006     |
|---------------------------------------------------|------|----------------------|----------------------|
| <b>Current Assets</b>                             |      | <b>1.012.394.059</b> | <b>948.343.659</b>   |
| Liquid Assets                                     | 3,4  | 253.487.178          | 229.316.965          |
| Marketable Securities (net)                       | 3,5  | 108.730.590          | 99.873.720           |
| Trade Receivables (net)                           | 3,7  | 319.948.395          | 276.588.739          |
| Receivables from Financial Leasings (net)         | 3,8  | 29.811               | -                    |
| Due from Related Parties (net)                    | 3,9  | 3.774.291            | 3.438.764            |
| Other Receivables (net)                           | 10   | 1.088.527            | 12.471.987           |
| Biological Assets (net)                           | 11   | -                    | -                    |
| Inventories (net)                                 | 3,12 | 158.885.195          | 120.426.188          |
| Receivables from Deferred Project Contracts (net) | 3,13 | 139.880.907          | 183.377.698          |
| Deferred Tax Assets                               | 3,14 | -                    | -                    |
| Other Current Assets                              | 15   | 26.569.165           | 22.849.598           |
| <b>Long Term Assets</b>                           |      | <b>278.315.386</b>   | <b>243.491.020</b>   |
| Trade Receivables (net)                           | 3,7  | 723.678              | 720.460              |
| Receivables from Financial Leasings (net)         | 3,8  | 63.888               | -                    |
| Due from Related Parties (net)                    | 3,9  | -                    | -                    |
| Other Receivables (net)                           | 10   | 50.250               | -                    |
| Financial Assets (net)                            | 3,16 | 12.313.344           | 14.515.798           |
| Positive/Negative Goodwill (net)                  | 3,17 | (1.269.257)          | (821.312)            |
| Investment Properties (net)                       | 3,18 | 2.038.448            | 2.138.886            |
| Real Estates Held For Trading (net)               | 3,12 | -                    | -                    |
| Tangible Assets (net)                             | 3,19 | 212.904.589          | 181.758.755          |
| Intangible Assets (net)                           | 3,20 | 8.354.211            | 4.602.575            |
| Deferred Tax Assets                               | 3,14 | -                    | 8.654.823            |
| Other Long Term Assets                            | 15   | 43.136.235           | 31.921.035           |
| <b>Total Assets</b>                               |      | <b>1.290.709.445</b> | <b>1.191.834.679</b> |

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

| LIABILITIES AND EQUITY                                                             | Note        | 31 December 2007     | 31 December 2006     |
|------------------------------------------------------------------------------------|-------------|----------------------|----------------------|
| <b>Short Term Liabilities</b>                                                      |             | <b>472.539.208</b>   | <b>463.130.421</b>   |
| Financial Liabilities (net)                                                        | 3,6         | 55.231.829           | 51.803.211           |
| Current Portion of                                                                 |             |                      |                      |
| Long Term Liabilities (net)                                                        | 3,6         | 8.743.867            | 6.560.969            |
| Liabilities from Financial Leasings (net)                                          | 3,8         | 605.921              | 1.080.003            |
| Other Financial Liabilities (net)                                                  | 3,6         | 135.920              | 498.321              |
| Trade Payables (net)                                                               | 3,7         | 199.946.819          | 181.605.815          |
| Due to Related Parties (net)                                                       | 3,9         | 1.232.503            | 207.085              |
| Advances Received                                                                  | 3,21        | 85.980.198           | 84.886.023           |
| Ongoing Construction Contract Income (net)                                         | 3,13        | 80.054.539           | 82.367.804           |
| Debt Provisions                                                                    | 3,23        | 15.321.925           | 27.794.729           |
| Deferred Tax Liabilities                                                           | 3,14        | -                    | -                    |
| Other Liabilities (net)                                                            | 10          | 25.285.687           | 26.326.461           |
| <b>Long Term Liabilities</b>                                                       |             | <b>65.853.299</b>    | <b>78.490.990</b>    |
| Financial Liabilities (net)                                                        | 3,6         | 16.493.483           | 23.994.306           |
| Liabilities from Financial Leasings (net)                                          | 3,8         | 1.182                | 575.633              |
| Other Financial Liabilities (net)                                                  | 3,6         | 1.054.587            | 776.747              |
| Trade Payables (net)                                                               | 3,7         | 585.704              | -                    |
| Due to Related Parties (net)                                                       | 3,9         | -                    | -                    |
| Advances Received                                                                  | 3,21        | 20.744.151           | 39.584.854           |
| Debt Provisions                                                                    | 3,23        | 13.567.165           | 13.370.065           |
| Deferred Tax Liabilities                                                           | 3,14        | 13.136.133           | -                    |
| Other Liabilities (net)                                                            | 10          | 270.894              | 189.385              |
| <b>MINORITY INTEREST</b>                                                           | <b>2,24</b> | <b>80.576.031</b>    | <b>96.352.442</b>    |
| <b>EQUITY</b>                                                                      |             | <b>671.740.907</b>   | <b>553.860.826</b>   |
| Share Capital                                                                      | 25,26       | 215.876.230          | 176.880.000          |
| Adjustment on Cross Shareholding                                                   | 25          | (587.562)            | (555.126)            |
| Capital Reserves                                                                   |             | 135.535.203          | 129.603.938          |
| Share Premium                                                                      |             | -                    | -                    |
| Share Premium of Cancelled Shares                                                  |             | -                    | -                    |
| Revaluation Fund                                                                   |             | -                    | -                    |
| Revaluation Fund of Financial Assets                                               |             | (115.721)            | (118.916)            |
| Differences Arising from Inflation Adjustment in Equity                            | 27          | 135.650.924          | 129.722.854          |
| Profit Reserves                                                                    | 29          | 85.496.884           | 38.286.695           |
| Legal Reserves                                                                     |             | 5.183.494            | 2.228.043            |
| Statutory Reserves                                                                 |             | -                    | -                    |
| Extraordinary Reserves                                                             |             | 80.733.244           | 33.005.106           |
| Special Reserves                                                                   |             | -                    | -                    |
| Profit on Disposal of Tangible Assets and Investments to be Added to Share Capital |             | -                    | -                    |
| Foreign Currency Translation Differences                                           |             | (419.854)            | 3.053.546            |
| Net Profit/(Loss) for the Period                                                   |             | 37.644.509           | 48.311.969           |
| Retained Earnings / (Accumulated Losses)                                           | 30          | 197.775.643          | 161.333.350          |
| <b>Total Liabilities and Equity</b>                                                |             | <b>1.290.709.445</b> | <b>1.191.834.679</b> |

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

## ALARKO HOLDING A.Ş.

### CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (TRY)

| INCOME FROM PRINCIPAL ACTIVITIES                                       | Note        | 31 December 2007   | 31 December 2006    |
|------------------------------------------------------------------------|-------------|--------------------|---------------------|
| Income From Sales (net)                                                | 37          | 747.947.561        | 634.637.827         |
| Cost of Sales (-)                                                      | 37          | (653.364.471)      | (595.772.882)       |
| Service Income (net)                                                   | 37          | -                  | -                   |
| Other Income From Principle<br>Activities/interest+dividend+rent (net) |             | -                  | -                   |
| <b>GROSS PROFIT FROM PRINCIPAL ACTIVITIES</b>                          |             | <b>94.583.090</b>  | <b>38.864.945</b>   |
| Operating Expenses (-)                                                 | 38          | (65.320.044)       | (49.411.744)        |
| <b>NET PROFIT/(LOSS) FROM PRINCIPAL ACTIVITIES</b>                     |             | <b>29.263.046</b>  | <b>(10.546.799)</b> |
| Other Income and Profits                                               | 39          | 128.298.008        | 205.583.829         |
| Other Expense and Losses (-)                                           | 39          | (97.726.373)       | (116.815.779)       |
| Financial Expenses (-)                                                 | 40          | (4.595.996)        | (21.685.259)        |
| <b>OPERATING PROFIT</b>                                                |             | <b>55.238.685</b>  | <b>56.535.992</b>   |
| Net Monetary Profit/(Loss)                                             | 41          | -                  | -                   |
| <b>MINORITY INTEREST</b>                                               | <b>2,24</b> | <b>(1.685.180)</b> | <b>(4.147.172)</b>  |
| <b>PROFIT BEFORE TAX</b>                                               |             | <b>53.553.505</b>  | <b>52.388.820</b>   |
| Taxes                                                                  | 3,42        | (15.908.996)       | (4.076.851)         |
| <b>NET PROFIT FOR THE PERIOD</b>                                       |             | <b>37.644.509</b>  | <b>48.311.969</b>   |
| <b>EARNINGS PER SHARE</b>                                              | <b>3,43</b> |                    |                     |
| - Ordinary                                                             |             | 0,187              | 0,274               |
| - Revised                                                              |             | 0,187              | 0,257               |

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

# ALARKO HOLDING A.Ş.

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (TRY)

| A. CASH FLOWS FROM PRINCIPAL ACTIVITIES                                         | Note      | 31 December 2007    | 31 December 2006    |
|---------------------------------------------------------------------------------|-----------|---------------------|---------------------|
| Net Profit Before Tax (+)                                                       |           | 53.553.505          | 52.388.820          |
| Adjustments:                                                                    |           |                     |                     |
| Amortisation (+)                                                                |           | 20.797.747          | 24.334.958          |
| Termination Indemnity                                                           |           | 857.611             | 1.122.167           |
| Provision for Debts                                                             |           | (14.806.768)        | 10.346.634          |
| Profit From Foreign Currency Exchange (-)                                       |           | -                   | -                   |
| Profit From Marketable Securities or Long Term Investment (-)                   |           | (591.532)           | (1.622.281)         |
| Goodwill amortisation (-)                                                       |           | 139.351             | (60.027)            |
| Income on Disposal of Tangible Assets                                           |           | -                   | -                   |
| Interest income (-)                                                             |           | (25.685.394)        | (14.196.714)        |
| Interest expense (+)                                                            |           | -                   | -                   |
| <b>Net Income Before Working Capital Changes (+)</b>                            |           | <b>34.264.520</b>   | <b>72.313.557</b>   |
| Decrease (+)/Increase (-) in trade operations and other receivables             |           | (43.362.874)        | (80.246.991)        |
| Decrease (+)/Increase (-) in balances due from related parties and shareholders |           | (335.527)           | (331.808)           |
| Increase (-) in inventories                                                     |           | (38.459.007)        | (31.242.376)        |
| Decrease (+)/Increase (-) in other receivables                                  |           | 11.333.210          | (11.644.608)        |
| Increase in other current assets (-)                                            |           | (14.934.767)        | (19.824.709)        |
| Increase (-)/Decrease (+) in balances due from ongoing construction contracts   |           | 43.496.791          | (27.525.025)        |
| Increase in trade payables(+)                                                   |           | 18.926.708          | 51.837.472          |
| Increase (+) in balances due to related parties and shareholders                |           | 1.025.418           | 29.000              |
| Increase (+)/Decrease (-) in advances received                                  |           | (17.746.528)        | 58.606.890          |
| Effect of foreign currency difference on deferred tax                           |           | 16.618.131          | (385.301)           |
| Increase (+)/Decrease (-) in ongoing construction contract income               |           | (2.313.265)         | (30.332.393)        |
| Increase (+)/Decrease (-) in other liabilities                                  |           | (959.265)           | 11.148.457          |
| Net cash related to principal activities (+)                                    |           | -                   | -                   |
| Interest payments (-)                                                           |           | -                   | -                   |
| Tax payments (-)                                                                |           | (9.062.717)         | (4.999.626)         |
| <b>Net cash provided from/(used in) principal activities</b>                    | <b>44</b> | <b>(1.509.172)</b>  | <b>(12.597.461)</b> |
| <b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>                                 |           |                     |                     |
| Acquisition of financial assets, net(-)                                         |           | 2.202.454           | 1.129.154           |
| Acquisition of marketable securities (-)                                        |           | (8.856.870)         | 18.261.306          |
| Increase (+)/Decrease (-) in positive / negative goodwill                       |           | 308.594             | -                   |
| Acquisition of tangible assets, net (-)                                         |           | (49.747.828)        | 18.934.206          |
| Acquisition of investment properties (-)                                        |           | -                   | (84.901)            |
| Acquisition of real estates to be held for trading (-)                          |           | -                   | -                   |
| Cash inflows related to disposal of tangible assets (+)                         |           | -                   | -                   |
| Increase in intangible assets, net (-)                                          |           | (5.846.952)         | (799.570)           |
| Interest received (+)                                                           |           | 25.685.394          | 14.196.714          |
| Dividend received (+)                                                           |           | 591.532             | 1.622.281           |
| <b>Net cash provided from/(used in) investing activities</b>                    | <b>44</b> | <b>(35.663.676)</b> | <b>53.259.190</b>   |
| <b>C. CASH FLOWS FROM FINANCIAL ACTIVITIES</b>                                  |           |                     |                     |
| Cash inflows related to issuance of capital stock (+)                           |           | -                   | -                   |
| Decrease (-)/Increase (+) in leasing liabilities                                |           | (1.048.533)         | 593.346             |
| Increase in leasing receivables (+)                                             |           | (93.699)            | -                   |
| Decrease (-)/Increase (+) in financial liabilities                              |           | (1.973.868)         | (4.775.641)         |
| Value increase (+)/decrease (-) in financial assets                             |           | 1.524.363           | 1.478.809           |
| Effect of mergers                                                               |           | 82.766.704          | -                   |
| Effect of increase in shareholding of subsidiaries                              |           | (1.491.633)         | -                   |
| Increase in Parent Company shares acquired by the subsidiary at nominal value   |           | (32.436)            | -                   |
| Effect of consolidation rate change                                             |           | -                   | (103.057)           |
| Foreign currency translation differences                                        |           | (1.033.955)         | 3.791.963           |
| Effect of consolidation by equity method                                        |           | 11.826              | 465.816             |
| Dividends paid (-)                                                              |           | (1.509.297)         | (1.125.600)         |
| Increase in minority interest (+)                                               |           | (15.776.411)        | 2.647.680           |
| <b>Net cash provided from/(used in) financial activities</b>                    | <b>44</b> | <b>61.343.061</b>   | <b>2.973.316</b>    |
| Increase (+)/Decrease (-) in liquid assets                                      | 3         | 24.170.213          | 43.635.045          |
| Liquid assets at the beginning of the period                                    | 4         | 229.316.965         | 185.681.920         |
| <b>Liquid assets at the end of the period</b>                                   | <b>4</b>  | <b>253.487.178</b>  | <b>229.316.965</b>  |

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

ALARKO HOLDING A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(TRY)

|                                                     | Share Capital      | Adjustment on Cross Shareholding | Differences Arising from Inflation Adjustment on Equity | Revaluation of Financial Assets | Legal Reserves   | Extraordinary Reserves | Prior Year Profit  | Foreign Currency Translation Differences | Profit for the Period | Total              |
|-----------------------------------------------------|--------------------|----------------------------------|---------------------------------------------------------|---------------------------------|------------------|------------------------|--------------------|------------------------------------------|-----------------------|--------------------|
| Balance as at 1 January 2006                        | 16.080.000         | (983.605)                        | 290.522.854                                             | (107.250)                       | 820.935          | 18.457.091             | 116.753.206        | (741.176)                                | 60.238.872            | 501.040.927        |
| Capital increase                                    | 160.800.000        | 428.479                          | (160.800.000)                                           | -                               | -                | -                      | (428.479)          | -                                        | -                     | -                  |
| Effect of consolidation by equity method            | -                  | -                                | -                                                       | -                               | 57.567           | -                      | 408.249            | -                                        | -                     | 465.816            |
| Value increase/decrease in financial assets         | -                  | -                                | -                                                       | (11.666)                        | -                | -                      | 1.490.475          | -                                        | -                     | 1.478.809          |
| Transfer of 2005 year profit                        | -                  | -                                | -                                                       | -                               | -                | -                      | 60.238.872         | -                                        | (60.238.872)          | -                  |
| Transfer to reserves                                | -                  | -                                | -                                                       | -                               | 1.350.445        | 14.554.553             | (15.904.998)       | -                                        | -                     | -                  |
| Effect of consolidation rate change                 | -                  | -                                | -                                                       | -                               | (904)            | (6.538)                | (98.375)           | 2.759                                    | -                     | (103.058)          |
| Dividends paid                                      | -                  | -                                | -                                                       | -                               | -                | -                      | (1.125.600)        | -                                        | -                     | (1.125.600)        |
| Foreign currency translation difference             | -                  | -                                | -                                                       | -                               | -                | -                      | -                  | 3.791.963                                | -                     | 3.791.963          |
| Net profit                                          | -                  | -                                | -                                                       | -                               | -                | -                      | -                  | -                                        | 48.311.969            | 48.311.969         |
| <b>Balance as at 31 December 2006</b>               | <b>176.880.000</b> | <b>(555.126)</b>                 | <b>129.722.854</b>                                      | <b>(118.916)</b>                | <b>2.228.043</b> | <b>33.005.106</b>      | <b>161.333.350</b> | <b>3.053.546</b>                         | <b>48.311.969</b>     | <b>553.860.826</b> |
| Capital increase                                    | 11.917.165         | (32.436)                         | -                                                       | -                               | -                | -                      | (11.917.165)       | -                                        | -                     | (32.436)           |
| Effect of mergers                                   | 27.079.065         | -                                | 5.928.070                                               | 3.195                           | 1.490.844        | 28.940.063             | 19.303.179         | 22.288                                   | -                     | 82.766.704         |
| Effect of consolidation by equity method            | -                  | -                                | -                                                       | -                               | -                | -                      | 11.826             | -                                        | -                     | 11.826             |
| Value increase/decrease in financial assets         | -                  | -                                | -                                                       | -                               | -                | -                      | 1.524.363          | -                                        | -                     | 1.524.363          |
| Transfer of 2006 year profit                        | -                  | -                                | -                                                       | -                               | -                | -                      | 48.311.969         | -                                        | (48.311.969)          | -                  |
| Transfer to reserves                                | -                  | -                                | -                                                       | -                               | 1.464.607        | 18.788.075             | (20.252.682)       | -                                        | -                     | -                  |
| Effect of increase in shareholding of subsidiaries  | -                  | -                                | -                                                       | -                               | -                | -                      | (1,491,633)        | -                                        | -                     | (1,491,633)        |
| Effect of companies excluded from the consolidation | -                  | -                                | -                                                       | -                               | -                | -                      | 2,461,733          | (2,461,733)                              | -                     | -                  |
| Dividends paid                                      | -                  | -                                | -                                                       | -                               | -                | -                      | (1,509,297)        | -                                        | -                     | (1,509,297)        |
| Foreign currency translation difference             | -                  | -                                | -                                                       | -                               | -                | -                      | -                  | (1,033,955)                              | -                     | (1,033,955)        |
| Net profit                                          | -                  | -                                | -                                                       | -                               | -                | -                      | -                  | -                                        | 37,644,509            | 37,644,509         |
| <b>Balance as at 31 December 2007</b>               | <b>215.876.230</b> | <b>(587,562)</b>                 | <b>135,650,924</b>                                      | <b>(115,721)</b>                | <b>5,183,494</b> | <b>80,733,244</b>      | <b>197,775,643</b> | <b>(419,854)</b>                         | <b>37,644,509</b>     | <b>671,740,907</b> |

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

# ALARKO HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

### 1. Organization and Principal Activities

Alarko Holding A.Ş. (the Parent Company) has been established in 1972 and its subsidiaries, affiliates, and jointly controlled entities operate in different fields such as contracting, construction, land development, industry, commerce, tourism, energy, and production and trading of fishery products. In the following sections, Alarko Holding A.Ş. and its subsidiaries, affiliates and jointly controlled entities whose financial statements are subject to consolidation will be referred to as "Alarko Group/the Group".

The names, principal activities and the direct/indirect shareholdings of subsidiaries, affiliates and jointly controlled entities which are subject to consolidation are as follows:

| Name of the Company                                                           | Principle Activity                                                          | Shareholding of the Group (%) |                  |
|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------|-------------------------------|------------------|
|                                                                               |                                                                             | 31 December 2007              | 31 December 2006 |
| <b>Subsidiaries:</b>                                                          |                                                                             |                               |                  |
| Alsim Alarko San. Tes. ve Tic. A.Ş. (Turkey)                                  | Contracting and construction                                                | 99,56                         | 96,41            |
| Aldem Alarko Konut İnşaat ve Tic. A.Ş. (Turkey)                               | Building construction                                                       | 99,56                         | 96,31            |
| Attaş Alarko Turistik Tesisler A.Ş. (Turkey)                                  | Touristic Facility Management                                               | 99,58                         | 94,66            |
| Alarko Fenni Malzeme Satış ve İmalat A.Ş. (Turkey)                            | Marketing of Industrial Products and After-Sales Services                   | 99,90                         | 65,50            |
| Almüt Alarko Sınai Gereçler İmalat ve Müm. A.Ş. (Turkey)                      | Production, Marketing and Dealership of Technical Equipment                 | 94,30                         | 65,44            |
| Alamsaş Alarko Ağır Makina Sanayii A.Ş. (Turkey)                              | Production of Machinery and Equipment for Industrial Investments            | 78,65                         | 52,93            |
| Alarko Gayrimenkul Yatırım Ort. A.Ş. (Turkey) **                              | Purchase and Sales of Real Estates and Market Tools Related to Real Estates | 50,94                         | 49,19            |
| Construction of Alsim-Moscow Pediatric Hospital (Russia)                      | Construction of Oncology Hospital For Children in Moscow-Russia             | 99,56                         | 96,41            |
| Alsim-Kazakhstan - Astana Branch (Kazakhstan)***                              | Construction Project of Kazakhstan-Astana Airport                           | -                             | 96,41            |
| Alsim-Aktobe Branch (Kazakhstan)***                                           | Rehabilitation Project of Roads between Kazakhstan - Western Kazakhstan     | -                             | 96,41            |
| Construction Project of Alsim-Bishkek Almaty Road (Kazakhstan)***             | Road Construction Project                                                   | -                             | 96,41            |
| Alsim-Algeria Arzew Desalination and Power Plant Construction (Algeria)       | Algeria-Arzew Desalination Project                                          | 99,56                         | 96,41            |
| Alsim - TCDD (Turkey)                                                         | TCDD Ankara-Eskişehir Railway Rehabilitation Project                        | 99,56                         | 96,41            |
| Alsim-Rosneftgastroy JSC İş Ort. (Turkey)***                                  | DSİ Melen Water Supply Project Construction                                 | 99,06                         | 95,93            |
| Ayrau Atrau Road Construction Project (Kazakhstan)                            | Road Construction Project                                                   | 99,56                         | 96,41            |
| Astana Water Project (Kazakhstan)****                                         | Water Project                                                               | 99,56                         | -                |
| Saret Sanayi Taahhütleri ve Ticaret A.Ş.*****                                 | Contracting and construction                                                | 100,00                        | -                |
| Sansal İnşaat Sanayi ve Ticaret A.Ş.*****                                     | Construction Products Purchase and Sale                                     | 100,00                        | -                |
| Alsim-Caf Ort. Antalya Light Rail System Construction Phase 1 - (Turkey)***** | Light Rail System Project                                                   | 99,56                         | -                |

\* Included in the consolidation by full consolidation method.

\*\* Public company listed in the Istanbul Stock Exchange.

\*\*\* Projects have been completed, hence it has been transferred to Alsim Alarko San. Tes. ve Tic. A.Ş. as of 31 December 2007.

\*\*\*\* Included in the consolidation as of 31 December 2007 by full consolidation method.

\*\*\*\*\* Due to the merger constituted by Alarko Holding A.Ş. and Anmak Holding A.Ş., Saret Sanayi Taahhütleri ve Ticaret A.Ş. and Sansal İnşaat Sanayi ve Ticaret A.Ş. are included in the consolidation as subsidiaries.

| Name of the Company                                                   | Principle Activity                                           | Shareholding of the Group (%) |                  |
|-----------------------------------------------------------------------|--------------------------------------------------------------|-------------------------------|------------------|
|                                                                       |                                                              | 31 December 2007              | 31 December 2006 |
| <b>Jointly Controlled Entities* :</b>                                 |                                                              |                               |                  |
| Alarko Carrier Sanayi ve Ticaret A.Ş. (Turkey) **                     | Heating, Cooling , Air conditioning Equipment Manufacturing  | 43,19                         | 42,09            |
| Altek Alarko Elektrik Sant. İşl. ve Tic. A.Ş. (Turkey)                | Power Generation                                             | 49,89                         | 38,44            |
| QAO Mosalarko (Russia)                                                | Russia-Real Estate Project, Construction and Usage           | 50,00                         | 50,00            |
| Alsim-E.M.İ.T. SpA İş Ort. (Turkey)                                   | İzmit Bay Waste Water Distillation Plant Construction        | 39,82                         | 38,56            |
| Alsim-Akfen İnşaat Tur. ve Tic. A.Ş. İşl. Ort. (Turkey)               | Tüpraş İzmit Refinery Sulphur Reduction Project Construction | 49,78                         | 48,20            |
| Streicher-Haustad & Timmermann Günsayıl-Alsim A.Ş. (Turkey)           | Bakü-Tiflis- Ceyhan Crude Oil Pipe Line Project              | 49,78                         | 48,20            |
| Garanti Koza Alsim Joint Venture (Turkey)                             | Underground construction                                     | 49,78                         | 48,20            |
| Obrascon Huarte Alsim SA - Alsim Alarko San.Tes. ve Tic. A.Ş. (Spain) | TCDD Ankara - Eskişehir Railway rehabilitation project       | 44,80                         | 43,38            |
| Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş. (Turkey) ***        | Production and Marketing of Fishery Products                 | 49,99                         | -                |

\* Included in the consolidation by joint control method.

\*\* Public company listed in the Istanbul Stock Exchange.

\*\*\* Included in the consolidation by equity method as of 31 December 2006 and by joint control method as of 31 December 2007 upon merger of Alarko Holding A.Ş. and Anmak Holding A.Ş.

#### Affiliates \*

|                                                                             |                                                           |       |       |
|-----------------------------------------------------------------------------|-----------------------------------------------------------|-------|-------|
| Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş. (Türkiye)                 | Production and Marketing of Fishery Products              | -     | 40,99 |
| Al-Riva Projesi Arazi Değ. Konut İnş. ve Tic. A.Ş. (Turkey) **              | Residence, Construction                                   | 12,13 | 12,11 |
| Al-Riva Arazi Değ. Konut İnş. ve Tic. A.Ş. (Turkey) **                      | Residence, Construction                                   | 2,63  | 2,62  |
| Al-Riva Arazi Değ. Konut İnş., Tur. Tes. Golf İşl. ve Tic. A.Ş. (Turkey) ** | Residence, Construction and Touristic Facility Management | 2,28  | 2,28  |

\* Included in the consolidation by equity method.

\*\* The Parent Company has 40% interest in these affiliates.

The address of the Parent Company's head office is as follows:

Muallim Naci Cad. No : 69 Ortaköy / İSTANBUL

As of 31 December 2007 and 2006, the shareholding structure of the Parent Company is as follows (TRY):

| As of 31 December 2007, |                 | As of 31 December 2007, |                 |
|-------------------------|-----------------|-------------------------|-----------------|
| Name                    | Shareholding    | Name                    | Shareholding    |
| İshak Alaton            | 28,72 %         | Anmak Holding A.Ş.      | 69,40 %         |
| İzzet Garih             | 18,18 %         | Other*                  | 30,60 %         |
| Dalia Garih             | 18,18 %         |                         | <u>100,00 %</u> |
| Vedat Aksel Alaton      | 3,82 %          |                         |                 |
| Leyla Alaton Günyeli    | 3,82 %          |                         |                 |
| Other*                  | 27,28 %         |                         |                 |
|                         | <u>100,00 %</u> |                         |                 |

\* Represents shareholdings of less than 10 %.

The shares of Alarko Holding A.Ş. are traded in the Istanbul Stock Exchange since 24 May 1989 and 26,46% of the Company shares are offered to public as of 31 December 2007.

Alarko Carrier Sanayi ve Ticaret A.Ş., a jointly controlled entity, is registered at the Capital Markets Board (CMB) and 14,77 % of its shares are offered to public. The shares are traded at the Istanbul Stock Exchange since 27 January 1992. The subsidiary, Alarko Gayrimenkul Yatırım Ortaklığı A.Ş., is registered at the Capital Markets Board (CMB) and 49 % of its shares are offered to public. The shares are traded at the Istanbul Stock Exchange since 1996.



The average number of employees during the period with respect to categories is as follows:

|                | 31 December 2007 | 31 December 2006 |
|----------------|------------------|------------------|
| Salary earners | 1.509            | 1.617            |
| Wage earners   | 1.960            | 1.349            |
|                | <u>3.469</u>     | <u>2.966</u>     |

## 2. Presentation of the Financial Statements

### (a) Basis of Presentation:

The Alarko Group maintain their books of account and prepare their statutory financial statements in accordance with the prevailing commercial and financial legislation. As stated below, certain adjustments and reclassifications have been made during the preparation of the accompanying consolidated financial statements in order to comply with the Communiqué nr XI/25. The adjustments reflected to the accompanying consolidated financial statements are summarized in Note 2 (b) and 2 (d).

The functional currencies of the subsidiaries and jointly controlled entities of the Company in Spain, Russia, Algeria, and Kazakhstan are Euro, Ruble, Dinar and Tenge, respectively. With respect to the CMB Communiqué Nr. XI/25, the balance sheet items are translated into TRY at the foreign exchange rate at the balance sheet date, and income and expenses are translated at the yearly average rate. Profits or losses arising from translation are stated in the "foreign currency translation differences" account under the equity.

### (b) Adjustment of Financial Statements During Hyper-Inflationary Periods:

Section 15 of the Communiqué Nr XI/25 deals with the effects of inflation on financial statements and requires that financial statements prepared in the currency of a high inflation economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms. As per the resolution of the CMB dated 17 March 2005 Nr 11/367 the application of inflation adjustment of the financial statements has ended in 2005, hence the financial statements are restated at the purchasing value of the Turkish Lira as at 31 December 2004.

The restatement of the accompanying consolidated financial statements in New Turkish Lira is calculated by means of conversion factors derived from the countrywide wholesale price index published by the TSI. Such indices and conversion factors are as follows:

| Date             | Index   | Conversion Factor |
|------------------|---------|-------------------|
| 31 December 2001 | 4.951,7 | 1,70              |
| 31 December 2002 | 6.478,8 | 1,30              |
| 31 December 2003 | 7.382,1 | 1,14              |
| 31 December 2004 | 8.403,8 | 1,00              |

The following principles have been applied in the preparation of the restated financial statements as of 31 December 2004:

- Financial statements are stated in terms of the measuring unit current at 31 December 2004 and the corresponding figures for the previous periods are restated in the same terms.
  - Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
  - Non-monetary assets and liabilities, are restated by applying the relevant conversion factors.
  - The effect of general inflation is included in the statements of income as "Net Monetary Gain / (Loss)".
- The additions to non-monetary items subsequent to 1 January 2005 are stated at their nominal values.

Balance sheet items denominated in foreign currency are translated to TRY at the foreign exchange rate prevailing at the balance sheet date and the income and expense items denominated in foreign currency are translated to TRY at the yearly average rate. Profits or losses from translations are stated in the translation differences under the equity account group.

### (c) Consolidation Principles:

Consolidation is realized within the Parent Company, Alarko Holding A.S. and the direct and indirect shareholdings of the Parent Company within its affiliates, subsidiaries, and jointly controlled entities are as follows:

|                                                 | 31 December 2007 | 31 December 2006 |
|-------------------------------------------------|------------------|------------------|
| <b>Subsidiaries*</b>                            |                  |                  |
| Alsim Alarko San.Tes. ve Tic. A.Ş.              | 99,56 %          | 96,41 %          |
| Aldem Alarko Konut İnsaat ve Tic. A.Ş.          | 99,56 %          | 96,31 %          |
| Attaş Alarko Turistik Tesisler A.Ş.             | 99,58 %          | 94,66 %          |
| Alarko Fenni Malzeme Satış ve İmalat A.Ş.       | 99,90 %          | 65,50 %          |
| Almüt Alarko Sınai Gereçler İmalat ve Müm. A.Ş. | 94,30 %          | 65,44 %          |
| Alamsaş Alarko Ağır Makina Sanayii A.Ş.         | 78,65 %          | 52,93 %          |

|                                                               |          |         |
|---------------------------------------------------------------|----------|---------|
| Alarko Gayrimenkul Yatırım Ort. A.Ş.                          | 50,94 %  | 49,19 % |
| Alsim-Moskova Pediatric Hospital Construction                 | 99,56 %  | 96,41 % |
| Alsim-Kazakhstan-Astana Branch                                | -        | 96,41 % |
| Alsim-Aktobe Branch                                           | -        | 96,41 % |
| Alsim-Bishkek Almaty Road Construction Project                | -        | 96,41 % |
| Alsim-Algeria-Arzew Desalination and Power Plant Construction | 99,56 %  | 96,41 % |
| Alsim TCDD Turkey                                             | 99,56 %  | 96,41 % |
| Alsim-Rosneftgastroy JSC. İş Ort.                             | 99,06 %  | 95,93 % |
| Ayrau Atrau Road Construction Project                         | 99,56 %  | 96,41 % |
| Astana Water Project                                          | 99,56 %  | -       |
| Saret Sanayi Taahhütleri ve Ticaret A.Ş.                      | 100,00 % | -       |
| Sansal İnşaat Sanayi ve Ticaret A.Ş.                          | 100,00 % | -       |
| Antalya Light Rail System Construction Phase I (Turkey)       | 99,56 %  | -       |

#### Jointly Controlled Entities\*\*

|                                                                       |         |         |
|-----------------------------------------------------------------------|---------|---------|
| Alarko Carrier Sanayi ve Ticaret A.Ş.                                 | 43,19 % | 42,09 % |
| Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş.                    | 49,89 % | 38,44 % |
| OAÖ Mosalarko                                                         | 50,00 % | 50,00 % |
| Alsim-E.M.İ.T SpA İş Ort.                                             | 39,82 % | 38,56 % |
| Alsim-Akfen İnşaat Tur ve Tic. A.Ş. İş Ort.                           | 49,78 % | 48,20 % |
| Obrascon Huarte Lain SA - Alsim Alarko San. Tes. ve Tic. A.Ş. (Spain) | 44,80 % | 43,38 % |
| Streicher-Haustad & Timmermann-Günsayıl-Alsim A.Ş.                    | 49,78 % | 48,20 % |
| Garanti - Koza - Alsim Ortak Girişimi                                 | 49,78 % | 48,20 % |
| Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş. (Turkey)            | 49,99 % | -       |

#### Affiliates\*\*\*

|                                                              |         |         |
|--------------------------------------------------------------|---------|---------|
| Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş. (Turkey)   | -       | 40,99 % |
| Al-Riva Projesi Arazi Değ. Konut İnş. ve Tic. A.Ş.           | 12,13 % | 12,11 % |
| Al-Riva Arazi Değ.Konut İnş. ve Tic. A.Ş.                    | 2,63 %  | 2,62 %  |
| Al-Riva Arazi Değ.Konut İnş. Tur.Tes. Golf İşl. ve Tic. A.Ş. | 2,28 %  | 2,28 %  |

\* Included in the accompanying consolidated financial statements by full consolidation method.

\*\* Included in the accompanying consolidated financial statements by joint control method.

\*\*\* Included in the consolidated financial statements as per the equity method.

Consolidated financial statements have been prepared on the basis of principles stated below:

#### Full Consolidation Method:

- All balance sheet items except for the paid in capital of the Parent Company and the subsidiaries as well as their equities at the acquisition date are added, and inter-company balances are eliminated.
- The Parent Company's interest in the subsidiaries; The Long Term Financial Assets account of the Parent Company is reciprocally set off against the Share Capital accounts of the Subsidiaries.
- As of the acquisition date, the Parent Company's shareholding in its subsidiaries is set off against the portion of share capital it owns in the subsidiary's equity for once. The equity of the subsidiary at the acquisition date should be drawn up according to the market value of the subsidiary's net assets at that date. If the cost value of the Parent Company's shareholding in its subsidiary is more than the nominal value of the part of the share capital in the subsidiary's equity, the difference is recorded as positive goodwill in the consolidated balance sheet as a separate item and it is amortised over the useful life of the future economic benefits that are expected to flow to the Parent Company. The amortisation period cannot exceed 20 years. If the cost value of the investment is less than the nominal value of the share capital of the subsidiary, the difference is recorded as the negative goodwill in the assets as a negative item and is also amortised over 20 years at maximum.
- Minority interests are deducted from all equity account group items including the paid in/issued share capital of subsidiaries included in the consolidation and are recognized as "Minority Interests" in the consolidated balance sheet before the equity account group and in the statement of income.
- The purchases and sales among the Parent Company and its Subsidiaries and the profit and losses arising from these transactions are eliminated in the Consolidated Income Statement. Further, profit and losses arising from the purchase or sale of marketable securities, stocks, tangible and intangible assets, long term financial assets and other assets among the consolidated group companies are also eliminated.

### Joint Control Method

- Assets, liabilities, and equity as well as income and expenses stated in the financial statements of jointly controlled entities within the scope of consolidation are subject to consolidation in respect of the rate of interest of the Parent Company within these entities and the consolidated financial statements are prepared upon consolidation adjustments made accordingly.
- The Parent Company's shareholding within these entities is set off from Long Term Financial Assets of the Parent Company and the Share Capital account in the jointly controlled entities.

### Equity Method:

- Affiliates are stated at the acquisition cost.
- For the period starting as of the date the affiliate is acquired by the Parent Company until the balance sheet date, the Parent Company's share of the increases and decreases in the affiliate's equity are either added to or deducted from the acquisition cost of the affiliate. The increases and decreases corresponding to the equity share in comparison with the acquisition cost are stated in the income statement as profit and loss, respectively. In case where the differences arise from equity items other than profit and loss, adjustments in the relevant items need also to be made in the equity of the Parent Company. The dividends received from affiliates are deducted from the related investments.
- As of the acquisition date and the subsequent acquisitions of shares, the positive or negative difference between the acquisition value of the affiliate's shares owned by the Parent Company and the value stated in the equity account of the affiliate's balance sheet prepared on the basis of the fair values of such shares is recorded as goodwill for once in the consolidated balance sheet as separate items and amortised as defined in the full consolidation method. Goodwill and amortisation calculations for the affiliates acquired in the prior periods are made, and the results are reflected in the profit and loss of the prior periods.

### (d) Adjustments

The accompanying consolidated financial statements have been prepared in accordance with the Communiqué Nr XI/25 with the below mentioned adjustments which are not stated in the statutory records:

- Provision for doubtful receivables
- Provision for trademark and royalty
- Inventory provision
- Rediscount calculation on maturity cheques, notes receivable, customers, and suppliers
- Discount on loans as per the effective interest method
- Depreciation adjustment
- Termination indemnity adjustment
- Deferred tax adjustment
- Evaluation of listed financial assets as per the market value
- Recognition of contract income as income and expense as per the percentage of completion method
- Elimination of inter group balances and transactions as per the consolidation procedure
- Leasing adjustment
- Provision for guarantee for sales
- Adjustment of income related to future months
- Provision for litigation expenses
- Calculation of goodwill and amortisation

### (e) Comparative Information and Adjustment of Prior Period Financial Statements:

Balance sheets as of 31 December 2007 and 2006 and notes to these balance sheets as well as the statements of income, changes in equity, and cash flows for the years then ended have been presented comparatively. In order to comply with the presentation of the current period financial statements, the comparative information is reclassified when deemed necessary.

### f) Offsetting:

Offsetting financial assets and liabilities can only be made under the conditions where the offsetting transaction is legally allowed and the company has an intention in this respect or where the acquisition of assets and fulfillment of liabilities are realized simultaneously.

## 3. Accounting Techniques and Valuation Procedures Applied

### (a) Financial Instruments :

Financial instruments consist of the financial assets and liabilities stated below :

#### i. Liquid Assets

Liquid assets consist of cash, bank accounts, cheques received, and money in transit.

Cash is composed of New Turkish Lira and foreign currency balances. The New Turkish Lira balances are stated at face values, and the foreign currency balances are translated into New Turkish Lira at the foreign currency purchasing rate issued by the Central Bank as at the balance sheet date.

Bank accounts consist of demand and time deposit accounts and the related interest accrued. New Turkish Lira deposit accounts are stated at face values and foreign currency accounts are translated into New Turkish Lira at the foreign currency purchasing rate issued by the Central Bank as at the balance sheet date.

The cheques received with maturity dates exceeding the balance sheet date are stated in trade receivables and are rediscounted at a rate equivalent to the interest rate of government bonds constituted in stock markets or other organized markets. Cheques denominated in foreign currency are subject to rediscount at Libor, Euribor and Tibor rates.

#### **Fair Value**

Fair value is the amount for which a financial instrument could be exchanged between two willing parties in an arm's length transaction. It is primarily considered the same as the quoted value of the financial instrument; however in case there is no quoted value, the purchase or sales value of an instrument is deemed to be the fair value of the financial instrument.

As the foreign currency cash and cash equivalents are translated into New Turkish Lira at the foreign exchange rates valid at the balance sheet date, it is assumed that the fair values of these assets approximate to their book values.

As the deposit accounts, cash and cheques received are converted into cash in very short terms, and as there is no risk of value decrease, their book values are deemed to approximate to their fair values.

#### **ii. Trade Receivables**

Trade receivables are financial assets created by the Alarko Group through selling goods and services directly to the customers. Trade receivables are subject to rediscount.

#### **Fair Value**

Rediscounted trade receivables and doubtful receivables for which provisions are accrued are assumed to approximate to the fair values of these assets.

#### **iii. Related Parties**

The shareholders, board members and administrative personnel such as the general manager, their immediate relatives as well as the related companies, affiliates and partnerships of the Alarko Group are regarded as related parties.

#### **iv. Financial Lease Receivables**

The asset subject to financial leasing is recognised in the financial statements as a receivable amounting to the equivalent of net lease investment total. The difference between the gross leasing receivables and the current value of leasing receivables is defined as unearned financial income. The lease income representing the total unearned financial income at the date of transaction is associated with the statement of income such that the net investment within the scope of leasing creates a fixed rate of periodical income throughout the period of leasing.

#### **v. Short and Long Term Bank Loans and Trade Payables**

Short and long term bank loans are stated at the value computed through addition of the principal amount and the interest expenses accrued as of the balance sheet date, discounted as per the effective interest method. Trade payables are financial liabilities created by the Alarko Group through purchasing goods and services directly from the suppliers and are stated at their discounted values.

#### **Fair Value**

The fair value of the short and long term bank loans are assumed to be equivalent to the recorded values computed by adding the accrued interest liabilities calculated over the prevailing interest rate as of the balance sheet dates on the cost of the mentioned financial debts. Similarly, discounted values of trade payables are considered to be equivalent to their fair values.

**(b) Financial Risk Management:**

**i. Interest Risk**

The financial loan agreements of the Alarko Group are based on USD, Euro and JPY and the interest rate is fixed. It is assumed that the reference interest rate will not change substantially as the payments are made in foreign currency and for that reason, the interest rate is presumed to stay at a negligible level.

**ii. Foreign Currency Risk**

Balances of foreign currency transactions of Alarko Group arising from the operations, investment and financial activities as of the reporting date are stated in note 28. Alarko Group may be exposed to foreign currency risk in relation to the receivables and payables in foreign currency. The said foreign currency risk is followed up and kept under controlled limits through continuous analysis of foreign currency position.

**iii. Doubtful Receivables Risk**

Alarko Group has made provisions for doubtful receivables occurred until the reporting date.

**iv. Liquidity Risk**

The Alarko Group create funds through converting short term financial instruments such as trade receivables into cash. The excess portion of the liquid assets (current assets - inventories) over the short term payables of the Group is stated below in relation to the corresponding periods (TRY):

---

|                  |             |
|------------------|-------------|
| 31 December 2007 | 380.969.656 |
| 31 December 2006 | 364.787.050 |

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**v. Counterparty Risk**

Retaining the financial instruments may lead to failure of the counterparty to fulfill the terms and conditions of the agreement. The Company management takes measures to prevent such risks through limiting the average risk for the counterparty (except for the related parties) at each agreement, and receiving guarantees if necessary.

**(c) Inventories:**

Inventories are stated at the lower of cost and net realizable value. Cost is determined by using the moving weighted average cost method for the raw material, supplies, semi finished products, finished products, merchandise and other stocks. Accordingly, real estates held for trading in inventories are stated at cost adjusted as per the inflationary effects. However, the expertise value which constitutes the basis of fair value of real estates held for trading in inventories is compared with the adjusted acquisition costs, and in the event that the expertise value is lower than the adjusted value, provision is made for value decrease as per the provisions stated in the "Impairment of Assets" section. Such impairment is determined and applied for all real estates held for trading in inventories separately.

**(d) Marketable Securities:**

Alarko Group has classified its marketable securities as financial assets held for trading and financial assets held to maturity. Financial assets held for trading are those that are acquired for the purpose of generating profit through fluctuations in price or similar elements created in the market within short term, or those that are a part of a portfolio aimed to generate profit in short term, regardless of any reason for acquisition. Financial assets held for trading are initially reflected to the balance sheet at their cost values including the transaction costs and at their market value in the succeeding periods. In the event that the prices providing basis for the market value are not realized under the prevailing market conditions, it is affirmed that the market value cannot be determined reliably, and the values calculated by using the determinant prices issued by the Turkish Central Bank are considered as the market values. The realized and unrealized gains and losses are recognized in the statement of income.

Financial assets held for trading consist of private sector marketable securities investment fund participation documents and they are valued over the acquisition price issued by the related investment fund at the balance sheet date.

Government bonds with fixed or predetermined payment conditions and fixed maturities which are meant to be held until the maturity date for which the necessary conditions including the funding capacity are fulfilled in order to be held until the maturity date are classified as financial assets to be retained until the maturity date. The initial recording of the investments to be retained until maturity is stated at cost. Investments to be held until the maturity are stated at their values discounted by using the effective interest rate method.

**(e) Financial Assets :**

The Alarko Group has classified its financial assets as financial assets available for sale.

Financial assets available for sale are those assets other than the loans and receivables, held-to-maturity investments and held for trading investments. Financial assets available for sale are valued at their fair value in the periods subsequent to the initial recognition.

Financial assets available for sale representing shareholdings in which the direct and indirect votes of the Group is below 20% or with insignificant influence even if above 20%, or those that do not have material effect on financial statements, or are not traded in the active markets or whose fair values cannot be determined reliably, are reflected in the financial statements as of 31 December 2004 at their restated cost values, less provision for value decrease, if any (except for those stated by the equity method). Financial assets available for sale which are traded at stock markets and whose fair values can be calculated reliably are recognized in the financial statements at their fair values.

Profits and losses originating from changes in the fair value of financial assets available for sale are stated in the financial assets value increase fund account within the statement of changes in equity.

**(f) Tangible Assets :**

Tangible assets are stated at cost less their accumulated depreciation and less the value decrease, if any. Tangible assets have been restated using the measuring unit current at 31 December 2004 based on the dates of acquisition. Acquisitions subsequent to 1 January 2005 are stated at their nominal values. Depreciation of tangible assets is made over the inflation-adjusted amounts and the nominal values of the acquisitions subsequent to 1 January 2005 on a straight-line basis as per the estimated useful lives of these assets. Information related to the approximate useful lives of the assets is as follows:

---

|                                |            |
|--------------------------------|------------|
| Buildings                      | 3-50 years |
| Land improvements              | 4-50 years |
| Machinery, plant and equipment | 4-40 years |
| Motor vehicles                 | 2-15 years |
| Furniture and fixtures         | 3-50 years |
| Other tangible assets          | 2-20 years |

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**(g) Intangible Assets :**

Intangible assets are stated at cost less their accumulated amortization and less the value decrease, if any. Intangible assets have been restated using the measuring unit current at 31 December 2004 based on the dates of acquisition. Acquisitions subsequent to 1 January 2005 are stated at their nominal values. Amortization of intangible assets is made over the totals adjusted with respect to inflation accounting and the nominal values of acquisitions subsequent to 1 January 2005, considering the approximate useful lives of the assets as stated in the following:

---

|                         |            |
|-------------------------|------------|
| Rights                  | 2-19 years |
| Special costs           | 2-19 years |
| Other intangible assets | 5 years    |

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**(h) Leased Assets and Leasing Liabilities :**

The Alarko Group recognizes assets acquired through financial leasing at the lower of the fair value of the related assets in the consolidated balance sheet and the current value of the minimum lease payments as at the balance sheet date. In the calculation of the current value of the minimum lease payments as at the balance sheet date, the valid interest rate in the financial leasing transaction is used in discounting the lease payment related to future periods. As of the balance sheet date, leasing liabilities related to the principal amount are stated in the balance sheet as short and long term with respect to their maturities and the interest expenses related to the current period are attributed to the statement of income.

Assets acquired through financial leasing are included in the related tangible assets in the consolidated balance sheet and are subject to depreciation as per the lower of their economical life and the leasing period.

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|                                |            |
|--------------------------------|------------|
| Machinery, plant and equipment | 4-10 years |
|--------------------------------|------------|

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**(i) Assets and Liabilities in Foreign Currency :**

Assets and liabilities in foreign currency are translated into foreign exchange rates as announced by the Turkish Central Bank as at the balance sheet dates. Transactions in foreign currencies during the period are translated into New Turkish Lira at the actual rates applicable on the transaction date. Exchange gains and losses resulting from such translations are included in the statements of income. The Central Bank foreign exchange rates used by the Alarko Group in translating foreign exchange balances into New Turkish Liras as at the balance sheet dates are as follows:

|     | 31 December 2007 |         | 31 December 2006 |         |
|-----|------------------|---------|------------------|---------|
|     | Purchasing       | Selling | Purchasing       | Selling |
| USD | 1,1647           | 1,1703  | 1,4056           | 1,4124  |
| EUR | 1,7102           | 1,7184  | 1,8515           | 1,8604  |
| CHF | 1,0273           | 1,0339  | 1,1503           | 1,1577  |
| GBP | 2,3259           | 2,3381  | 2,7569           | 2,7713  |
| JPY | 0,0103           | 0,0104  | 0,0118           | 0,0119  |
| SEK | 0,17981          | 0,18168 | 0,20355          | 0,20567 |
| SAR | 0,31115          | 0,31211 | 0,37592          | 0,37660 |

**(j) Impairment of Assets :**

In case where the book value of an asset exceeds its recoverable value, a provision for impairment loss is taken so as to bring the book value of the asset down to the level of its fair value and the amount of the provision is recorded in the income statement as an expense.

On the other hand, the recoverable value of cash generating assets is deemed to be the higher of net selling price and the value in use. The value in use of those assets represents the net present value of net cash inflows to be acquired through continuous usage and sales of the assets, discounted at a reasonable discount rate.

**(k) Investment Properties :**

Investment properties are recognized in the financial statements after the accumulated depreciation and value decrease is deducted from the adjusted acquisition cost.

The expertise values taken as the basis for the fair value of investment properties are compared with the adjusted acquisition costs and in the event that the expertise value is lower than the adjusted acquisition cost, provision is made as per the conditions stated in the section on impairment. Such impairment is determined and applied separately for each investment property.

Depreciation is calculated as per the economical lives of investment properties by straight-line method on pro rata basis. The depreciation rates determined and applied as per the economical lives of the investment properties are as follows:

|           |    |
|-----------|----|
| Buildings | 5% |
|-----------|----|

**(l) Construction Contracts :**

The construction contracts related to the deferred construction works undertaken as contractor are accounted by the percentage of completion method. The contract income and expenses are recognized as income and expense items in the event that a reliable assumption is made for the value of returns on the construction contract. The comparison of the total contract expenses incurred at the end of the related accounting period with respect to the total forecast contract costs represents the percentage of completion. This rate is utilized in the recognition of contract income for the current period in the financial statements.

If a reliable forecast cannot be made on the outcome of the construction contracts, the total contract costs for the period of undertaking is recognized in the financial statements, whereas in regard to the construction proceeds, only the portion corresponding to the recoverable volume of the undertaken contract costs are recognized. If the total contract costs are likely to exceed the total contract proceeds, the expected loss is recognized as expense in the financial statements.

**(m) Borrowing Costs:**

Borrowing costs are recognized as expense. Borrowing costs related to the qualifying assets are included directly in the cost of the related qualifying asset. Upon completion of the necessary operations to make the qualifying asset ready for use or sale, the capitalization of the borrowing costs are discontinued. The net balance of TRY (250.160) [31 December 2006- TRY 232.883] remaining after the deduction of foreign exchange differences from the interest expenses directly related to the investments in progress is included in the cost of the related asset.

**(n) Deferred Taxes :**

Deferred taxes are calculated on the temporary differences that arise between the deductible tax base and the book values of assets and liabilities, by using the liability method. The primary temporary differences arise from the income and expense items that are reported in different periods with respect to the Communiqué Nr XI/25 and the tax legislation. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated with the assumption that the Alarko Group will have taxable income during the future periods.

An enterprise should offset current tax assets and current tax liabilities if the enterprise has a legally enforceable right to set off the recognised amounts, provided that the tax assets and tax liabilities are subject to the tax legislation of the same jurisdiction.

**(o) Income Taxes :**

Corporate earnings are subject to corporation tax at a rate of 20%. In case investment allowance is deducted in the calculation of taxable income, same as with other profits exempted from corporation tax, no withholding calculation is required in cases where such earnings are not distributed. However in case the investment allowance used is based on the supplementary articles 1 and 6 of the Income Tax Law (ITL) which have been annulled by Law nr 4842, income tax withholding, whether distributed or not, is calculated at a rate of 19,8% according to the Provisional Articles 61 and 69 of ITL. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax withholding at a rate of 15% (10% before 26 July 2006). However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19,8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings. On the other hand, no withholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 20% on the profits declared for interim periods to be deducted from the corporation tax.

For those benefiting from investment allowance according to the provisional article 69 of the Income Tax Law, the corporation tax and corporate provisional tax rate is 30%.

With respect to the article 298 (bis) of the Tax Law amended by Law 5024, the inflation adjustment application which started in 2004 has ended as the increase in the wholesale price indices for the last 36 months and the last 12 months ended March 2005 are below 100% and 10%, respectively. Also in the 31 December 2007 and 2006 accounting periods, the criteria of 100% and 10% have not been realized simultaneously and for that reason no inflation adjustment has been applied.

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

As of 31 December 2007 and 2006 income tax provisions have been made in accordance with the prevailing tax legislation.

**(p) Provision for Termination Indemnity :**

Under Turkish Labour Law Article 25/II, the Group is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service. This entitlement is limited to TRY 2.030,19 in respect of each year of service as of 31 December 2007 (31 December 2006 - TRY 1.857,44).

Alarko Group has determined the termination indemnity liability stated in the accompanying consolidated financial statements as per the recognition and valuation principles stated in "Employee Benefits" section 29 of the Communiqué Nr XI/25. As the characteristics of the termination indemnity liabilities are similar to the "Post Employment Benefit Plans" stated in this section, these liabilities are calculated and stated in the financial statements on the basis of below mentioned "Proposed Unit Loan Method" and other various assumptions.

- The dates that the employees will gain their pension rights are determined with respect to the prevailing social security laws with consideration to their past employment durations.

- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the lower of the current salaries / wages and the value of the termination indemnity upper limit determined by the Labour



Law for 31 December 2007 and 2006 to remain constant for restatement purposes, and later on, this value is reduced by the actual discount rate of 5,71% (31 December 2006 - 5,71%) calculated upon the assumption that the expected annual inflation rate will be 5% (31 December 2006 - 5%) and the expected discount rate will be 11% (31 December 2006 - 11%), which represents the proposed average interest rate per annum of the government bonds, in order to determine the current net value of the termination indemnity liability at the balance sheet date.

- Actuarial calculation is needed to determine the ratio of the employees to gain their right for receiving termination indemnity to the total number of employees. This calculation is made through determining the ratio of former Company personnel who received their termination indemnity rights to the total number of personnel.

#### **(r) Revenues and Expenses :**

The accrual basis of accounting is applied for the recognition of revenues and expenses. The accrual concept requires that revenue, income and profits should be matched with costs, expenses and losses belonging to the same period. Maturity difference income and expenses on maturity sales and acquisitions, are calculated as per the effective interest rate method during their maturity periods and as per the accruals concept, they are stated among the other income and expense items.

#### **(s) Earnings / (Loss) per Share :**

Earnings/(loss) per share is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Companies in Turkey can increase their share capital through distributing shares (bonus shares) from retained earnings and differences arising from inflation adjustment of equity to their current shareholders on a pro rata basis. When calculating profit/(loss) per share, these bonus shares are recognized as issued shares. Therefore, the weighted average of shares used in the calculation of profit/(loss) per share is derived through retroactive application with respect to bonus shares.

#### **(t) Accounting Estimates :**

During the preparation of financial statements in accordance with the Communiqué Nr XI/25, the Management is required to disclose the balance sheet value of the assets and liabilities stated in the financial statements as of the balance sheet date and explanations regarding off balance sheet liabilities, and to provide assumptions that might affect the totals of income and expense realized during the period. However, actual results may vary from these results.

#### **(u) Subsequent Events:**

If the Group receive information after the balance sheet date about conditions that existed at the balance sheet date, they update the financial statements that relate to those conditions, in the light of the new information. If non-adjusting events after the balance sheet date are material, the Group disclose them during the related period.

#### **(v) Conditional Assets and Liabilities:**

Assets and liabilities that originate from past incidents and whose presence is not fully under the company management control as it can only be confirmed through the realization of one or more indefinite incidents to take place in the future are not included in the financial statements and are deemed as conditional liabilities and assets.

#### **(y) Segment Reporting :**

The activities of Alarko Group are classified under seven sectors, namely, holding, tourism, industry and commerce, energy, contracting, land development and fishery products (\*).

(\*). The fishery products group has been included in the consolidation as per the equity method as of 31 December 2006. As of 31 December 2007, the said group is included in full consolidation as a jointly controlled entity.

#### 4. Liquid Assets

Liquid assets consist of the following (TRY) :

|                                 | 31 December 2007   | 31 December 2006   |
|---------------------------------|--------------------|--------------------|
| Cash                            | 208.809            | 232.774            |
| Banks                           | 251.505.460        | 227.682.689        |
| TRY demand deposit              | 604.715            | 487.215            |
| Foreign currency demand deposit | 4.078.059          | 1.479.947          |
| TRY time deposit                | 43.576.910         | 45.397.235         |
| Foreign currency time deposit   | 202.046.541        | 179.237.701        |
| Blocked time deposit accounts   | 1.199.235          | 1.080.591          |
| Cheques received                | 1.637.390          | 1.321.255          |
| Other liquid assets             | 135.519            | 80.247             |
|                                 | <u>253.487.178</u> | <u>229.316.965</u> |

#### 5. Marketable Securities

Marketable securities consist of the following (TRY) :

|                                                | 31 December 2007   | 31 December 2006  |
|------------------------------------------------|--------------------|-------------------|
| Financial Assets Held for Trading              |                    |                   |
| -Investment Funds                              | 50.777.241         | 42.064.923        |
| Financial Assets to be Retained Until Maturity |                    |                   |
| -Public Sector Notes and Bonds                 | 57.953.349         | 57.808.797        |
|                                                | <u>108.730.590</u> | <u>99.873.720</u> |

As of 31 December 2007, the interest rates of financial assets to be retained until maturity vary between 4,75% and 5,59% ( 31 December 2006 - 2,75 % - 6,01 %).

#### 6. Financial Liabilities

Financial liabilities consist of the following (TRY) :

|                                                    | 31 December 2007  | 31 December 2006  |
|----------------------------------------------------|-------------------|-------------------|
| Short Term Bank Loans                              | 55.231.829        | 51.803.211        |
| Principal and Interest Payments of Long Term Loans | 8.743.867         | 6.560.969         |
| Long Term Bank Loans                               | 16.493.483        | 23.994.306        |
| Short Term Other Financial Liabilities             | 135.920           | 498.321           |
| Long Term Other Financial Liabilities              | 1.054.587         | 776.747           |
|                                                    | <u>81.659.686</u> | <u>83.633.554</u> |

The maturities of short and long term loans vary between 03.01.2008 and 14.12.2012.

#### 7. Trade Receivables and Payables

Short term trade receivables consist of the following (TRY) :

|                                                     | 31 December 2007   | 31 December 2006   |
|-----------------------------------------------------|--------------------|--------------------|
| Customers                                           | 197.312.038        | 150.998.166        |
| Due from related parties                            | 35.519.396         | 27.320.627         |
| Rediscount on balances due from related parties (-) | (14.812)           | (19.897)           |
| Notes receivable                                    | 36.912.927         | 30.289.683         |
| Rediscount on receivables (-)                       |                    |                    |
| Notes receivable                                    | (473.651)          | (537.368)          |
| Post dated cheques                                  | (560.562)          | (512.372)          |
| Customers                                           | (542.380)          | (596.976)          |
| Deposits and guarantees given                       | 43.654.970         | 54.907.104         |
| Other short term receivables                        | 8.140.469          | 14.739.772         |
| Doubtful trade receivables                          | 2.673.149          | 2.416.921          |
| Provision for doubtful trade receivables (-)        | (2.673.149)        | (2.416.921)        |
|                                                     | <u>319.948.395</u> | <u>276.588.739</u> |

Long term trade receivables consist of the following (TRY) :

|                               | 31 December 2007      | 31 December 2006      |
|-------------------------------|-----------------------|-----------------------|
| Customers                     | 8.511                 | 9.316                 |
| Notes receivable              | 135.462               | 212.129               |
| Rediscount on receivables (-) |                       |                       |
| Notes receivable              | (11.889)              | (37.364)              |
| Deposits and guarantees given | 591.594               | 536.379               |
|                               | <b><u>723.678</u></b> | <b><u>720.460</u></b> |

Short term trade payables consist of the following (TRY) :

|                                  | 31 December 2007          | 31 December 2006          |
|----------------------------------|---------------------------|---------------------------|
| Suppliers                        | 113.790.722               | 97.891.895                |
| Due to related parties           | 9.224.631                 | 8.904.393                 |
| Rediscount on payables (-)       |                           |                           |
| Suppliers                        | (1.118.268)               | (974.549)                 |
| Related parties                  | (26.075)                  | (28.125)                  |
| Deposits and guarantees received | 37.779.304                | 26.120.757                |
| Other trade payables             | 40.296.505                | 49.691.444                |
|                                  | <b><u>199.946.819</u></b> | <b><u>181.605.815</u></b> |

Long term trade payables consist of the following (TRY) :

|                            | 31 December 2007      | 31 December 2006 |
|----------------------------|-----------------------|------------------|
| Suppliers                  | 628.963               | -                |
| Rediscount on payables (-) |                       |                  |
| Suppliers                  | (43.259)              | -                |
|                            | <b><u>585.704</u></b> | <b><u>-</u></b>  |

## 8. Financial Lease Assets and Liabilities

Short and long term financial lease receivables consist of the following (TRY):

|                                        | 31 December 2007        | 31 December 2006        |
|----------------------------------------|-------------------------|-------------------------|
| Gross financial lease receivables      | 125.739                 | -                       |
| Unearned interest income               | (32.040)                | -                       |
| <b>Total</b>                           | <b><u>93.699</u></b>    | <b><u>-</u></b>         |
|                                        | <b>31 December 2007</b> | <b>31 December 2006</b> |
| Short term financial lease receivables | 29.811                  | -                       |
| Long term financial lease receivables  | 63.888                  | -                       |
| <b>Total</b>                           | <b><u>93.699</u></b>    | <b><u>-</u></b>         |

Liabilities arising from short and long term financial lease transactions consist of the following (TRY):

|                                                                 | 31 December 2007      | 31 December 2006        |
|-----------------------------------------------------------------|-----------------------|-------------------------|
| Total financial lease liabilities                               | 667.624               | 1.933.544               |
| Interest payable (-)                                            | (60.521)              | (277.908)               |
|                                                                 | <b><u>607.103</u></b> | <b><u>1.655.636</u></b> |
| Financial lease liabilities with maturities extending to 1 year | 605.921               | 1.080.003               |
| Financial lease liabilities with maturities exceeding 1 year    | 1.182                 | 575.633                 |
|                                                                 | <b><u>607.103</u></b> | <b><u>1.655.636</u></b> |

## 9. Due From and To Related Parties and Transactions

Balances due from related parties consist of the following (TRY):

|                                                  | 31 December 2007        | 31 December 2006        |
|--------------------------------------------------|-------------------------|-------------------------|
| E.M.I.T. S.p.A.                                  | -                       | 124.354                 |
| Max Streicher GmbH Co.                           | 2.830.117               | 2.991.829               |
| Obrascon Huarte Lain SA-(OHL)                    | 13.468                  | 1.337                   |
| OHL-Alsim Alarko GYO Ortak Girişim Projesi       | 387.043                 | 321.244                 |
| Alfarm Alarko Lerøy Su Ürünleri San.ve Tic. A.S. | 543.663                 | -                       |
|                                                  | <b><u>3.774.291</u></b> | <b><u>3.438.764</u></b> |

Balances due to related parties consist of the following (TRY):

|                                   | 31 December 2007        | 31 December 2006      |
|-----------------------------------|-------------------------|-----------------------|
| Dividends payable to shareholders | 204.770                 | 6.367                 |
| Obrascon Huarte Lain SA-(OHL)     | 150.493                 | 200.718               |
| Max Streicher GmbH Co.            | 877.240                 | -                     |
|                                   | <b><u>1.232.503</u></b> | <b><u>207.085</u></b> |

Sales to related parties consist of the following (TRY):

|                                                   | 31 December 2007        | 31 December 2006      |
|---------------------------------------------------|-------------------------|-----------------------|
| Anmak Holding A.Ş.                                | -                       | 19.987                |
| Alsim A.Ş.-Wacon Hillwater Terrasan               | 360.978                 | 7.239                 |
| Al-Riva Proje Ar. Değ. Konut İnş.Tic. A.Ş.        | 415.131                 | 650.842               |
| Al-Riva Arazi Değ. Konut İnş. ve Tic. A.Ş.        | 1.972                   | 1.790                 |
| Al-Riva Ar. Değ. Kon. İnş.Tur. Tes. Golf A.Ş.     | 5.663                   | 4.870                 |
| Tüm Tesisat ve İnşaat A.Ş.                        | 1.811                   | 1.686                 |
| Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş. | -                       | 90.446                |
| Alsim Alarko A.Ş.-Rana Int. Ltd.                  | 80.638                  | 2.419                 |
| Alsim A.Ş.-Akfen A.Ş. Çarşamba Havaalanı          | 220.901                 | 1.874                 |
| Alarko Deyaar Gayrimenkul Geliştirme A.Ş.         | 10.630                  | -                     |
| <b>Total</b>                                      | <b><u>1.097.724</u></b> | <b><u>781.153</u></b> |

Purchases from related parties consist of the following (TRY):

|                                                | 31 December 2007 | 31 December 2006     |
|------------------------------------------------|------------------|----------------------|
| Al-Riva Arazi Değ. Konut İnş. ve Tic. A.Ş.     | -                | 31.987               |
| Alfarm Alarko Leröy Su Ürün. San. ve Tic. A.Ş. | -                | 5.114                |
| <b>Total</b>                                   | <b><u>-</u></b>  | <b><u>37.101</u></b> |

#### 10. Other Receivables and Liabilities

Short term other receivables consist of the following (TRY):

|                                              | 31 December 2007        | 31 December 2006         |
|----------------------------------------------|-------------------------|--------------------------|
| Other miscellaneous receivables              | 1.088.091               | 1.155.309                |
| Due from Turkish Ministry of Foreign Affairs | -                       | 11.312.665               |
| Due from personnel                           | 436                     | 4.013                    |
| Other doubtful receivables                   | 6.259                   | 6.099                    |
| Provision for other doubtful receivables (-) | (6.259)                 | (6.099)                  |
|                                              | <b><u>1.088.527</u></b> | <b><u>12.471.987</u></b> |

Long term other receivables consist of the following (TRY):

|                                 | 31 December 2007     | 31 December 2006 |
|---------------------------------|----------------------|------------------|
| Other miscellaneous receivables | 50.250               | -                |
|                                 | <b><u>50.250</u></b> | <b><u>-</u></b>  |

Short term other liabilities consist of the following (TRY):

|                                               | 31 December 2007         | 31 December 2006         |
|-----------------------------------------------|--------------------------|--------------------------|
| Due to personnel                              | 22.711                   | 9.236                    |
| Due to T.C. Devlet Demiryolları İşletmesi     | 8.296.521                | 9.200.655                |
| Due to Türkiye Petrol Rafinerileri A.Ş.       | -                        | 6.806.583                |
| Other miscellaneous liabilities               | 1.160.317                | 151.195                  |
| Expense accruals                              | 2.282.579                | 1.521.676                |
| Income related to future months               | 1.733.227                | 1.129.461                |
| Taxes, duties, and other withholdings payable | 8.618.739                | 5.265.153                |
| Social security premiums payable              | 1.954.705                | 1.750.497                |
| Other Special Consumption Tax                 | 33.478                   | 34.424                   |
| VAT calculated                                | 190.171                  | 221.641                  |
| Other VAT                                     | 747.996                  | 235.940                  |
| Other liabilities                             | 245.243                  | -                        |
|                                               | <b><u>25.285.687</u></b> | <b><u>26.326.461</u></b> |

Long term other liabilities consist of the following (TRY):

|                                | 31 December 2007      | 31 December 2006      |
|--------------------------------|-----------------------|-----------------------|
| Income related to future years | 270.894               | 189.385               |
|                                | <b><u>270.894</u></b> | <b><u>189.385</u></b> |

## 11. Biological Assets

None (2006 : None).

## 12. Inventories

Inventories consist of the following (TRY):

|                            | 31 December 2007   | 31 December 2006   |
|----------------------------|--------------------|--------------------|
| Raw materials and supplies | 65.609.490         | 43.897.466         |
| Semi finished products     | 1.627.515          | 1.923.261          |
| Finished products          | 6.181.318          | 5.179.324          |
| Merchandise (*)            | 76.559.456         | 54.498.287         |
| Other inventories          | 212                | 777                |
| Inventory provision (-)    | (933.917)          | (911.381)          |
| Order advances given       | 9.841.121          | 15.838.454         |
|                            | <b>158.885.195</b> | <b>120.426.188</b> |

(\*) As of 31 December 2007, a portion of the merchandise inventory corresponding to a net amount of TRY 71.483.041 consists of real estates held for trading (31 December 2006 - TRY 45.692.837). Details as of 31 December 2007 and 2006 are presented in the following page.

As of 31 December 2007 and 2006, details of real estates held for trading consist of the following (TRY):

| Real Estate Project            | 31 December 2007    |                    |                | 31 December 2006    |                   |                |
|--------------------------------|---------------------|--------------------|----------------|---------------------|-------------------|----------------|
|                                | Adjusted Book Value | Expertise Value    | Expertise Date | Adjusted Book Value | Expertise Value   | Expertise Date |
| Land share (1 Parcel)          | 673.408             | 6.908.000          | 12.12.2007     | 914.353             | 5.119.000         | 15.12.2006     |
| Project cost                   | 51.382.186          | 58.241.000         | 12.12.2007     | 24.281.037          | 56.496.000        | 15.12.2006     |
| <b>Total</b>                   | <b>52.055.594</b>   | <b>65.149.000</b>  |                | <b>25.195.390</b>   | <b>61.615.000</b> |                |
| Land in Büyükçekmece           |                     |                    |                |                     |                   |                |
| Cost of land (5 Parcels)       | 4.321.594           | 7.690.000          | 12.12.2007     | 4.321.594           | 7.100.000         | 15.12.2006     |
| Alkent İstanbul 2000 - 1 Villa |                     |                    |                |                     |                   |                |
| Cost                           | -                   | -                  | -              | 1.344.261           | 1.070.000         | 15.12.2006     |
| Impairment loss (-)            | -                   | -                  | -              | (274.261)           | -                 |                |
| <b>Total</b>                   | <b>-</b>            | <b>-</b>           | <b>-</b>       | <b>1.070.000</b>    | <b>1.070.000</b>  |                |
| Land in Maslak                 |                     |                    |                |                     |                   |                |
| Cost of land                   | 15.105.853          | 29.390.000         | 12.12.2007     | 15.105.853          | 28.445.000        | 15.12.2006     |
| <b>Total</b>                   | <b>71.483.041</b>   | <b>102.229.000</b> |                | <b>45.692.837</b>   | <b>98.230.000</b> |                |

**Real Estate Project:** The construction license of 63 villas and 1 social facility constructed on an area of 239.466 m<sup>2</sup> on section 106, parcel 18 in Büyükçekmece Eskice District included in the investment properties portfolio is received on 21 October 2005 and the sales transactions have started. As of 31 December 2007, sales contracts are made for 35 villas.

**Land in Büyükçekmece:** There are 5 parcels of land with a total area of 819.272 m<sup>2</sup>

**Land in Maslak:** It is planned to construct a mall on an area of 18.962 m<sup>2</sup> in Maslak, İstanbul.

The total insurance on inventories as of 31 December 2007 and 2006 amount to TRY 300.000 and TRY 898.858, respectively. Furthermore, the All Risk on Construction and Employer's Financial Accountability insurance totals for the Real Estate Project amount to TRY 35.983.360.

## 13. Balances Due From Ongoing Construction Contract and Contract Income

Costs and forecast earnings related to the ongoing construction contracts are as follows (TRY):

|                                                         | 31 December 2007  | 31 December 2006   |
|---------------------------------------------------------|-------------------|--------------------|
| Costs related to the ongoing contraction contracts      | 1.507.720.308     | 1.653.740.543      |
| Forecast earnings                                       | 224.428.875       | 235.863.570        |
| Less: Total contract income billed as of the period end | (1.672.322.815)   | (1.788.594.219)    |
|                                                         | <b>59.826.368</b> | <b>101.009.894</b> |

The net balance stated above is classified in the accompanying consolidated balance sheets as follows (TRY):

|                                               | 31 December 2007         | 31 December 2006          |
|-----------------------------------------------|--------------------------|---------------------------|
| Due from Ongoing Construction Contracts (net) | 139.880.907              | 183.377.698               |
| Ongoing Construction Contract Income          | (80.054.539)             | (82.367.804)              |
|                                               | <b><u>59.826.368</u></b> | <b><u>101.009.894</u></b> |

#### 14. Deferred Tax Assets and Liabilities

Temporary differences creating a basis for deferred tax calculations and deferred tax assets/liabilities and deferred tax income/expenses are as follows (TRY):

| Temporary Income / (Expense) Differences                                                   | 31 December 2007 | 31 December 2006 |
|--------------------------------------------------------------------------------------------|------------------|------------------|
| Difference between the book value of inventories and their tax bases, net                  | (7.765)          | (43.923)         |
| Valuation difference in deferred construction costs                                        | 458.338.134      | 309.166.459      |
| Valuation difference in deferred construction contract income                              | (514.562.407)    | (343.633.613)    |
| Financial expense not subject to depreciation                                              | 37.716           | 56.320           |
| Inventory provision                                                                        | 995.178          | 631.962          |
| Provision for other doubtful receivables                                                   | 36.566           | 141.375          |
| Royalty provision                                                                          | 228.676          | 91.159           |
| Litigation expense                                                                         | 1.372.207        | 1.225.950        |
| Provision for guarantee                                                                    | 965.198          | 287.804          |
| Adjustment on rediscount on customers and notes receivable                                 | (394.070)        | (294.584)        |
| Adjustment related to rediscount on suppliers and notes payable                            | (53.031)         | (361.521)        |
| Valuation difference in financial instruments                                              | 155.590          | 388.290          |
| Termination indemnity                                                                      | 6.174.936        | 5.663.977        |
| Valuation difference related to non-monetary accounts                                      | (293.986)        | (166.328)        |
| Net difference between the book values of tangible and intangible assets and the tax bases | (19.445.360)     | (12.807.119)     |
| Investment allowance                                                                       | 1.908.836        | 5.008.437        |
| Total Temporary Income/(Expense) Differences                                               | (64.543.582)     | (34.645.355)     |
| Deferred Tax Assets/(Liabilities)                                                          | (13.136.133)     | 8.654.823        |

The tax rate used for companies with investment allowance and that for other companies is 30% and 20%, respectively. As per the current tax legislation, the deferred tax rate calculated over the valuation differences in construction contract income is 20% and the tax rate used in deferred tax calculation for the joint venture company OAO Mosalarko (Russia) is 24%. Furthermore, deferred tax is calculated over the investment allowance with and without incentives at 10,2% and 30%, respectively.

|                                                          | 31 December 2007           | 31 December 2006        |
|----------------------------------------------------------|----------------------------|-------------------------|
| Current period deferred tax assets / (liabilities)       | (13.136.133)               | 8.654.823               |
| Reversal of prior period deferred tax liabilities/assets | (8.654.823)                | (5.314.546)             |
| Effect of mergers                                        | 16.618.131                 | (385.301)               |
| <b>Deferred tax income / (expense) (Note 42)</b>         | <b><u>( 5.172.825)</u></b> | <b><u>2.954.976</u></b> |

#### 15. Other Current/Non-current Assets and Short/Long Term Liabilities

Other current/short term assets consist of the following (TRY):

|                                    | 31 December 2007         | 31 December 2006         |
|------------------------------------|--------------------------|--------------------------|
| Expenses related to future months  | 2.460.901                | 1.619.648                |
| Income accruals                    | 5.098.897                | 2.508.736                |
| Deferred VAT                       | 12.889.302               | 10.312.313               |
| Other VAT                          | 747.779                  | 235.729                  |
| Job advances                       | 11.925                   | 12.012                   |
| Personnel advances                 | 1.536                    | 2.150                    |
| Prepaid taxes and funds            | 5.186.680                | 8.035.901                |
| Special consumption tax            | 33.478                   | 34.424                   |
| Other miscellaneous current assets | 138.667                  | 88.685                   |
|                                    | <b><u>26.569.165</u></b> | <b><u>22.849.598</u></b> |

Other non-current/long term assets consist of the following (TRY):

|                                      | 31 December 2007  | 31 December 2006  |
|--------------------------------------|-------------------|-------------------|
| Expenses related to future year      | 1.379.984         | 636.595           |
| Prepaid taxes and funds              | 41.756.061        | 31.284.260        |
| Other miscellaneous long term assets | 190               | 180               |
|                                      | <b>43.136.235</b> | <b>31.921.035</b> |

## 16. Financial Assets

| Affiliates ;                                                       | 31 December 2007     |                      | 31 December 2006     |                      |
|--------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                    | Participation Rate % | Participation Amount | Participation Rate % | Participation Amount |
| Al-Riva Proje Ar. Değ. Konut İnş. ve Tic. A.Ş.                     | 12,13                | 4.695.468            | 12,11                | 4.785.083            |
| Al-Riva Arazi Ar. Değ. Konut İnş. ve Tic. A.Ş.                     | 2,63                 | 95.661               | 2,62                 | 161.405              |
| Al-Riva Arazi Değ. Konut İnş. Turistik Tes. Golf İsl. ve Tic. A.Ş. | 2,28                 | 1.153.919            | 2,28                 | 1.175.972            |
| Isı Sanayi Araştırma ve Geliştirme A.Ş.                            | 3,93                 | 7.348                | 2,65                 | 7.348                |
| San-Bir San. Hiz. İsl. ve Tic. A.Ş.                                | 1,21                 | 2.643                | 1,18                 | 2.643                |
| Alfarm Alarko Leröy Su Ürün. San. ve Tic. A.Ş. [*].                | -                    | -                    | 40,99                | 2.450.094            |
| Other (**)                                                         | -                    | 304.137              | -                    | 303.227              |
|                                                                    |                      | <b>6.259.176</b>     |                      | <b>8.885.772</b>     |
| Subsidiaries ;                                                     |                      |                      |                      |                      |
| Tüm Tesisat ve İnşaat A.Ş.(***)                                    | 49,58                | 355.714              | 1,38                 | 12.565               |
| Temzet Elektrik Üretim İletim A.Ş.(***)                            | 50,00                | 5.561.576            | 50,00                | 5.561.576            |
| Alarko SA (***)                                                    | 42,33                | 50.129               | 41,25                | 48.852               |
| Alsim Alarko KZ (***)(****)                                        | 100,00               | 7.033                | 100,00               | 7.033                |
| Betagas SRL (***)                                                  | 50,00                | 54.716               | -                    | -                    |
| Alarko Deyaar Gayrimenkul Geliştirme A.Ş.(**)(****)                | 49,34                | 25.000               | -                    | -                    |
|                                                                    |                      | <b>6.054.168</b>     |                      | <b>5.630.026</b>     |
| <b>Total</b>                                                       |                      | <b>12.313.344</b>    |                      | <b>14.515.798</b>    |

(\*) Included in the consolidation by equity method as of 31 December 2006. As of 31 December 2007, it is included in the consolidation by joint control method upon merger of Alarko Holding A.Ş. and Anmak Holding A.Ş.

(\*\*) Less than 1%.

(\*\*\*) The related companies are not included in the consolidation as the volume of their activities is low and they do not have a significant effect on the consolidated financial statements.

(\*\*\*\*) Alsim Alarko KZ has been established as a limited liability company in Kazakhstan and registered by official institutions as at 4 August 2006.

(\*\*\*\*\*)Alarko Deyaar Gayrimenkul Geliştirme A.Ş. has been registered by official institutions as at 8 November 2007.

## 17. Positive/Negative Goodwill

As of 31 December 2007, TRY 1.269.257 of goodwill stated in the consolidated financial statements (31 December 2006 - TRY 821.312) originates from the merger of Alarko Holding A.S. and Anmak Holding A.S. as of 31 December 2007 upon which Alarko Holding A.S. has transferred the shares of Alarko Carrier Sanayi ve Ticaret A.S. and Altek Alarko Elektrik Sant. Tes. İsl. ve Tic. A.Ş., Alsim Alarko San. Tes. ve Tic. A.Ş. has acquired the shares of Aldem Alarko Konut İnşaat ve Tic. A.Ş. and Alarko Holding A.S. has acquired the shares of Alamsaş Alarko Ağır Makina Sanayii A.Ş., and the goodwill calculated at the transaction date and the accumulated amortization calculated as of the balance sheet date are as follows (TRY):

As of 31 December 2007;

| Date of transaction           | Positive Goodwill (Gross) | Accumulated Amortisation | Positive Goodwill, net |
|-------------------------------|---------------------------|--------------------------|------------------------|
| 21 June 1994                  | 161.302                   | (110.693)                | 50.609                 |
| 07 October 1998               | 218.549                   | (102.353)                | 116.196                |
|                               | <b>379.851</b>            | <b>(213.046)</b>         | <b>166.805</b>         |
| Date of transaction           | Negative Goodwill (Gross) | Accumulated Amortisation | Negative Goodwill, net |
| 10 December 2007              | 684.764                   | (11.413)                 | 673.351                |
| 31 January 2002               | 855.251                   | (338.489)                | 516.762                |
| 11 March 2002                 | 345.277                   | (100.754)                | 244.523                |
| 30 November 1995              | 3.681                     | (2.255)                  | 1.426                  |
|                               | <b>1.888.973</b>          | <b>(452.911)</b>         | <b>1.436.062</b>       |
| <b>Negative Goodwill, Net</b> |                           |                          | <b>1.269.257</b>       |

As of 31 December 2006;

| <b>Date of transaction</b> | <b>Negative Goodwill (Gross)</b> | <b>Accumulated Amortisation</b> | <b>Negative Goodwill, net</b> |
|----------------------------|----------------------------------|---------------------------------|-------------------------------|
| 31 January 2000            | 855.251                          | (295.727)                       | 559.524                       |
| 11 March 2002              | 345.277                          | (83.489)                        | 261.788                       |
|                            | <b><u>1.200.528</u></b>          | <b><u>(379.216)</u></b>         | <b><u>821.312</u></b>         |

#### 18. Investment Property

|                                  | <b>31 December 2007</b> | <b>31 December 2006</b> |
|----------------------------------|-------------------------|-------------------------|
| 1 January 2006                   | 2.909.894               | 2.824.993               |
| Acquisitions                     | -                       | 11.483                  |
| Accumulated depreciation         | <u>(871.446)</u>        | <u>(771.008)</u>        |
| Before value increase, net       | 2.038.448               | 2.065.468               |
| Value increase                   | -                       | 73.418                  |
| <b>After value increase, net</b> | <b><u>2.038.448</u></b> | <b><u>2.138.886</u></b> |

As of 31 December 2007 and 2006, the insurance total on investment properties are TRY 37.625.037 and TRY 44.489.776, respectively.

As of 31 December 2007, comparison between the restated cost values of investment properties and their market values is as follows (TRY):

| <b>31 December 2007</b>     |                              |                         |                         |
|-----------------------------|------------------------------|-------------------------|-------------------------|
| <b>Name of Property</b>     | <b>Expertise Report Date</b> | <b>Market Value</b>     | <b>Cost Value, Net</b>  |
| İstanbul Şişhane İş Merkezi | 06.12.2007                   | 1.210.000               | 1.263                   |
| İstanbul Karaköy İş Merkezi | 06.12.2007                   | 1.040.000               | 804.201                 |
| Ankara Çankaya İş Merkezi   | 11.12.2007                   | 2.330.000               | 1.232.984               |
|                             |                              | <b><u>4.580.000</u></b> | <b><u>2.308.448</u></b> |

As of 31 December 2006, the comparison of restated cost values of investment properties with their market values is as follows (TRY):

| <b>31 December 2006</b>     |                              |                         |                         |
|-----------------------------|------------------------------|-------------------------|-------------------------|
| <b>Name of Property</b>     | <b>Expertise Report Date</b> | <b>Market Value</b>     | <b>Cost Value, Net</b>  |
| İstanbul Şişhane İş Merkezi | 15.12.2006                   | 1.135.000               | 1.304                   |
| İstanbul Karaköy İş Merkezi | 15.12.2006                   | 935.000                 | 874.587                 |
| Ankara Çankaya İş Merkezi   | 15.12.2006                   | 2.175.000               | 1.262.995               |
|                             |                              | <b><u>4.245.000</u></b> | <b><u>2.138.886</u></b> |

As of 31 December 2007, there is no provision required to be made for İstanbul Karaköy İş Merkezi. As of 31 December 2005, the provision for value decrease amounting to TRY 73.418 deducted from the cost value is reflected to the accompanying financial statements; and as of 31 December 2006, reversal of value decrease is realized by deducting a total of TRY 73.418 from the general administration expenses related to İstanbul Karaköy İş Merkezi.



## 19. Tangible Assets

Tangible assets consist of the following (TRY):

|                                   | Opening<br>1 January 2007 | Effect of<br>Mergers | Capitalized<br>Borrowing<br>Costs and<br>Foreign Exchange<br>Additions | Capitalized<br>Borrowing<br>Costs and<br>Foreign Exchange<br>Difference | Transfers<br>and<br>Disposals | Inclusions<br>in the<br>Consolidation | Exclusions<br>from<br>Consolidation | Elimination<br>Entries | 31 December<br>2007<br>Total<br>After<br>Elimination |
|-----------------------------------|---------------------------|----------------------|------------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------|---------------------------------------|-------------------------------------|------------------------|------------------------------------------------------|
| Land                              | 6.914.160                 | 58.067               | 28.072.351                                                             | -                                                                       | 240.965                       | 73.665                                | -                                   | (18.456.138)           | 16.903.070                                           |
| Land<br>improvements              | 28.903.146                | 126.558              | 29.210                                                                 | -                                                                       | -                             | 93.340                                | -                                   | -                      | 29.152.254                                           |
| Buildings                         | 156.814.727               | 2.474.530            | 1.489.069                                                              | (1.455.458)                                                             | 2.044.789                     | 1.119.929                             | (212.304)                           | -                      | 162.275.282                                          |
| Plant, machinery and<br>equipment | 151.792.146               | 19.283.298           | 9.556.548                                                              | (1.011.123)                                                             | (8.195.988)                   | 1.377.858                             | (1.864.721)                         | -                      | 170.938.018                                          |
| Motor vehicles                    | 7.714.970                 | 98.149               | 9.446.672                                                              | (432.558)                                                               | (2.168.262)                   | -                                     | (262.715)                           | -                      | 14.396.256                                           |
| Furniture and<br>fixtures         | 46.319.512                | 375.713              | 8.613.565                                                              | (144.675)                                                               | (3.284.646)                   | 518.776                               | (214.592)                           | -                      | 52.183.653                                           |
| Other tangible assets             | 7.633.737                 | 355.282              | 261.948                                                                | -                                                                       | 51.095                        | -                                     | -                                   | 79                     | 8.302.141                                            |
| Investments in<br>progress        | 2.292.424                 | 671.373              | 5.657.022                                                              | (250.160)                                                               | (5.188.058)                   | -                                     | -                                   | -                      | 3.182.601                                            |
| Order advances<br>given           | 2.242.439                 | 29.878               | 2.122.149                                                              | -                                                                       | (2.094.903)                   | -                                     | -                                   | -                      | 2.299.563                                            |
| <b>Total</b>                      | <b>410.627.261</b>        | <b>23.472.848</b>    | <b>65.248.534</b>                                                      | <b>(3.293.974)</b>                                                      | <b>(18.595.008)</b>           | <b>3.183.568</b>                      | <b>(2.554.332)</b>                  | <b>(18.456.059)</b>    | <b>459.632.838</b>                                   |

Tangible assets consist of the following (TRY) (continued):

|                                           | Opening<br>1 January 2007 | Effect of<br>Mergers | Depreciation<br>Expense for<br>the Period | Foreign<br>Exchange<br>Difference | Sales<br>Depreciation | Inclusions<br>in the<br>Consolidation | Exclusions<br>from<br>Consolidation | 31<br>December<br>2007 | Elimination<br>Entries | 31 December 2007<br>After<br>Elimination<br>Entries |
|-------------------------------------------|---------------------------|----------------------|-------------------------------------------|-----------------------------------|-----------------------|---------------------------------------|-------------------------------------|------------------------|------------------------|-----------------------------------------------------|
| Accumulated Depreciation                  |                           |                      |                                           |                                   |                       |                                       |                                     |                        |                        |                                                     |
| Land                                      | 27.804.765                | 50.256               | 120.179                                   | -                                 | -                     | 20.975                                | -                                   | 27.996.175             | -                      | 27.996.175                                          |
| Land<br>improvements                      |                           |                      |                                           |                                   |                       |                                       |                                     |                        |                        |                                                     |
| Buildings                                 | 73.302.001                | 1.268.038            | 2.435.439                                 | 141.081                           | (212.344)             | 336.154                               | (46.678)                            | 77.223.691             | 1.221.666              | 78.445.357                                          |
| Plant, machinery and<br>equipment         | 83.699.615                | 4.113.677            | 8.491.395                                 | (246.775)                         | (3.959.483)           | 574.265                               | (819.221)                           | 91.853.473             | -                      | 91.853.473                                          |
| Motor vehicles                            | 3.020.086                 | 44.594               | 2.363.463                                 | (27.252)                          | (809.120)             | -                                     | (71.662)                            | 4.520.109              | -                      | 4.520.109                                           |
| Furniture and fixtures                    | 35.151.768                | 242.813              | 3.559.603                                 | (52.010)                          | (1.777.974)           | 455.475                               | (45.273)                            | 37.534.402             | 30.454                 | 37.564.856                                          |
| Other tangible assets                     | 5.890.271                 | 144.181              | 379.795                                   | -                                 | (65.968)              | -                                     | -                                   | 6.348.279              | -                      | 6.348.279                                           |
| <b>Total Accumulated<br/>Depreciation</b> | <b>228.868.506</b>        | <b>5.863.559</b>     | <b>17.349.874</b>                         | <b>(184.956)</b>                  | <b>(6.824.889)</b>    | <b>1.386.869</b>                      | <b>(982.834)</b>                    | <b>245.476.129</b>     | <b>1.252.120</b>       | <b>246.728.249</b>                                  |
| <b>Tangible Assets, Net</b>               | <b>181.758.755</b>        |                      |                                           |                                   |                       |                                       |                                     |                        |                        | <b>212.904.589</b>                                  |

Fixed assets acquired by financial leasing are included in the plant, machinery and equipment and consist of the following (TRY):

|                                | 31 December 2007 | 31 December 2006 |
|--------------------------------|------------------|------------------|
| Plant, machinery and equipment | 2.300.731        | 2.300.731        |
| Accumulated depreciation (-)   | (753.167)        | (287.890)        |
| Effect of mergers              | 50.591           | -                |
|                                | <b>1.598.155</b> | <b>2.012.841</b> |

|                                   | Capitalized Borrowing     |                          |                                            |                               |                                     |                        | 31                                    |                    |
|-----------------------------------|---------------------------|--------------------------|--------------------------------------------|-------------------------------|-------------------------------------|------------------------|---------------------------------------|--------------------|
|                                   | Opening<br>1 January 2006 | Effect of<br>Rate Change | Costs and<br>Foreign Exchange<br>Additions | Transfers<br>and<br>Disposals | Exclusions<br>from<br>Consolidation | Elimination<br>Entries | December 2006<br>After<br>Elimination |                    |
| Land                              | 7.016.205                 | (8)                      | 3.468.016                                  | -                             | (1.027.602)                         | (3.398.711)            | 856.260                               | 6.914.160          |
| Land improvements                 | 28.679.458                | (48)                     | 199.348                                    | -                             | 24.388                              | -                      | -                                     | 28.903.146         |
| Buildings                         | 151.324.121               | 50.699                   | 2.029.160                                  | 676.942                       | 2.754.011                           | -                      | (20.206)                              | 156.814.727        |
| Machinery, plant and<br>equipment | 181.912.223               | 87.142                   | 9.670.721                                  | 3.682.606                     | (43.560.219)                        | -                      | (327)                                 | 151.792.146        |
| Motor vehicles                    | 13.922.752                | (13.915)                 | 2.639.833                                  | 662.449                       | (9.496.149)                         | -                      | -                                     | 7.714.970          |
| Furniture and<br>fixtures         | 50.588.577                | 92.277                   | 4.270.085                                  | 773.832                       | (9.488.847)                         | (219.512)              | 303.100                               | 46.319.512         |
| Other tangible<br>assets          | 7.398.860                 | 3.549                    | 265.700                                    | 25.961                        | 70.007                              | (130.340)              | -                                     | 7.633.737          |
| Investments in<br>progress        | 8.074.406                 | (287)                    | 3.386.117                                  | 232.883                       | (9.400.695)                         | -                      | -                                     | 2.292.424          |
| Order advances<br>given           | 2.308.301                 | (13)                     | 420.735                                    | -                             | (486.584)                           | -                      | -                                     | 2.242.439          |
| <b>Total</b>                      | <b>451.224.903</b>        | <b>219.396</b>           | <b>26.349.714</b>                          | <b>6.054.673</b>              | <b>(70.611.690)</b>                 | <b>(3.748.563)</b>     | <b>1.138.827</b>                      | <b>410.627.261</b> |

|                                           | Depreciation              |                          |                           |                                   |                       |                                     | 31                 |                        |                                          |
|-------------------------------------------|---------------------------|--------------------------|---------------------------|-----------------------------------|-----------------------|-------------------------------------|--------------------|------------------------|------------------------------------------|
|                                           | Opening<br>1 January 2006 | Effect of<br>Rate Change | Expense for<br>the Period | Foreign<br>Exchange<br>Difference | Sales<br>Depreciation | Exclusions<br>from<br>Consolidation | December<br>2006   | Elimination<br>Entries | 31 December 2006<br>After<br>Elimination |
| Land improvements                         | 27.701.167                | (18)                     | 103.616                   | -                                 | -                     | -                                   | 27.804.765         | -                      | 27.804.765                               |
| Buildings                                 | 70.643.777                | 33.619                   | 2.250.731                 | 144.247                           | (988.640)             | -                                   | 72.083.734         | 1.218.267              | 73.302.001                               |
| Plant, machinery<br>and equipment         | 86.199.154                | 50.910                   | 12.390.841                | 499.228                           | (15.444.903)          | -                                   | 83.695.230         | 4.385                  | 83.699.615                               |
| Motor vehicles                            | 3.733.959                 | (3.848)                  | 2.358.697                 | 101.441                           | (3.170.163)           | -                                   | 3.020.086          | -                      | 3.020.086                                |
| Furniture and fixtures                    | 34.250.386                | 62.358                   | 3.667.567                 | 153.470                           | (2.940.358)           | (96.506)                            | 35.096.917         | 54.851                 | 35.151.768                               |
| Other tangible assets                     | 5.590.772                 | 1.605                    | 363.772                   | 7.731                             | (34.791)              | (38.818)                            | 5.890.271          | -                      | 5.890.271                                |
| <b>Total Accumulated<br/>Depreciation</b> | <b>228.119.215</b>        | <b>144.626</b>           | <b>21.135.224</b>         | <b>906.117</b>                    | <b>(22.578.855)</b>   | <b>(135.324)</b>                    | <b>227.591.003</b> | <b>1.277.503</b>       | <b>228.868.506</b>                       |
| <b>Tangible Assets, Net</b>               | <b>223.105.688</b>        |                          |                           |                                   |                       |                                     |                    |                        | <b>181.758.755</b>                       |

## 20. Intangible Assets

Intangible assets consist of the following (TRY) :

| Cost                            | Rights           | Special<br>Costs  | Other<br>Intangible Assets | Order Advances<br>Given | Total             |
|---------------------------------|------------------|-------------------|----------------------------|-------------------------|-------------------|
| As of 1 January 2006            | 3.468.925        | 12.073.413        | 301                        | 2.315                   | 15.544.954        |
| Effect of rate change           | (522)            | 22.790            | -                          | -                       | 22.268            |
| Additions                       | 333.437          | 115.327           | 148.673                    | 12.584                  | 610.021           |
| Transfers                       | -                | 223.818           | -                          | (3.012)                 | 220.806           |
| Disposals                       | (1.861)          | (101.007)         | -                          | -                       | (102.868)         |
| Foreign exchange differences    | 4.781            | -                 | -                          | -                       | 4.781             |
| <b>As of 31 December 2006</b>   | <b>3.804.760</b> | <b>12.334.341</b> | <b>148.974</b>             | <b>11.887</b>           | <b>16.299.962</b> |
| Effect of mergers               | 34.363           | 28.455            | 11                         | -                       | 62.829            |
| Additions                       | 389.246          | 5.482.145         | -                          | 22.159                  | 5.893.550         |
| Transfers                       | (43.882)         | -                 | -                          | (30.180)                | (74.062)          |
| Disposals                       | (1.191)          | (51.307)          | (309)                      | -                       | (52.807)          |
| Foreign exchange differences    | (3.346)          | -                 | -                          | -                       | (3.346)           |
| Inclusions in the consolidation | 4.377            | 65.030            | -                          | -                       | 69.407            |
| Exclusions from consolidation   | (19.593)         | -                 | -                          | -                       | (19.593)          |
| <b>As of 31 December 2007</b>   | <b>4.164.734</b> | <b>17.858.664</b> | <b>148.676</b>             | <b>3.866</b>            | <b>22.175.940</b> |

| Accumulated Amortisation            | Rights                  | Special Costs            | Other Intangible Assets | Total                    |
|-------------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| As of 1 January 2006                | 2.693.621               | 7.226.297                | 164                     | 9.920.082                |
| Effect of rate change               | (272)                   | 10.061                   | -                       | 9.789                    |
| Charge for the current period       | 378.628                 | 1.328.243                | 19.895                  | 1.726.766                |
| Disposals                           | (1.861)                 | (53.870)                 | -                       | (55.731)                 |
| Foreign exchange differences        | 1.380                   | -                        | -                       | 1.380                    |
| Elimination                         | -                       | 95.101                   | -                       | 95.101                   |
| <b>Total after 31 December 2006</b> |                         |                          |                         |                          |
| <b>Elimination Entries</b>          | <b><u>3.071.496</u></b> | <b><u>8.605.832</u></b>  | <b><u>20.059</u></b>    | <b><u>11.697.387</u></b> |
| Effect of mergers                   | 23.374                  | 21.861                   | 8                       | 45.243                   |
| Charge for the current period       | 456.158                 | 1.514.001                | 29.771                  | 1.999.930                |
| Disposals                           | (840)                   | (8.174)                  | (254)                   | (9.268)                  |
| Foreign exchange differences        | (1.351)                 | -                        | -                       | (1.351)                  |
| Inclusions in the consolidation     | 2.206                   | 542                      | -                       | 2.748                    |
| Exclusions from consolidation       | (8.346)                 | -                        | -                       | (8.346)                  |
| Elimination                         | -                       | 95.386                   | -                       | 95.386                   |
| <b>Total after 31 December 2007</b> |                         |                          |                         |                          |
| <b>Elimination Entries</b>          | <b><u>3.542.697</u></b> | <b><u>10.229.448</u></b> | <b><u>49.584</u></b>    | <b><u>13.821.729</u></b> |
| <b>Net Book Value</b>               |                         |                          |                         |                          |
| <b>As of 31 December 2006</b>       |                         |                          |                         | <b><u>4.602.575</u></b>  |
| <b>As of 31 December 2007</b>       |                         |                          |                         | <b><u>8.354.211</u></b>  |

## 21. Advances Received

Advances received consist of the following (TRY):

|                                    | 31 December 2007          | 31 December 2006          |
|------------------------------------|---------------------------|---------------------------|
| Short term order advances received | 85.980.198                | 84.886.023                |
| Long term order advances received  | 20.744.151                | 39.584.854                |
|                                    | <b><u>106.724.349</u></b> | <b><u>124.470.877</u></b> |

## 22. Pension Plans

As of 31 December 2007 and 2006 there are no pension plans.

## 23. Provisions for Debts

Provisions for short term debts consist of the following (TRY):

|                                         | 31 December 2007         | 31 December 2006         |
|-----------------------------------------|--------------------------|--------------------------|
| Tax provision related to prior periods* | 27.295                   | 2.230.932                |
| Current period tax provision (Note 42)  | 10.736.171               | 7.031.827                |
| Prepaid taxes and funds                 | (1.709.965)              | (1.882.711)              |
| Provision for cost expenses (Note 32)   | 1.018.319                | 795.981                  |
| Other debt provisions (Note 32)         | 5.250.105                | 19.618.700               |
|                                         | <b><u>15.321.925</u></b> | <b><u>27.794.729</u></b> |

\* Total tax provision made in 2006 as per the local legislation related to subsidiaries operating in Kazakhstan.

Long term debt provisions consist of the following (TRY):

|                                                                     | 31 December 2007         | 31 December 2006         |
|---------------------------------------------------------------------|--------------------------|--------------------------|
| Provision for termination indemnity                                 | 9.777.331                | 8.919.720                |
| Other debt provisions (Note 32)                                     | 3.789.834                | 4.450.345                |
|                                                                     | <b><u>13.567.165</u></b> | <b><u>13.370.065</u></b> |
| Provision for termination indemnity at the beginning of the period  | 8.919.720                | 7.797.553                |
| Current period effect                                               | 662.822                  | 1.122.167                |
| Effect of mergers                                                   | 194.789                  | -                        |
| <b>Provision for termination indemnity at the end of the period</b> | <b><u>9.777.331</u></b>  | <b><u>8.919.720</u></b>  |

## 24. Minority Interest

Minority interest consists of the following (TRY):

|                                      | 31 December 2007  | 31 December 2006  |
|--------------------------------------|-------------------|-------------------|
| Share capital                        | 35,080.912        | 47,126.560        |
| Share premium                        | 528.171           | 546.952           |
| Financial assets value increase fund | 650               | 1,519.932         |
| Legal reserves                       | 2,345.688         | 2,339.022         |
| Extraordinary reserves               | 43,734.556        | 43,639.788        |
| Translation differences              | 1.763             | 75.204            |
| Accumulated losses                   | (2,800.889)       | (3,042.188)       |
| Profit for the period                | 1,685.180         | 4,147.172         |
|                                      | <b>80.576.031</b> | <b>96.352.442</b> |

## 25. Share Capital / Adjustment For Cross-Shareholding

The capital adjustment made in relation to the subsidiaries bearing interest in the Parent Company's share capital is as follows (TRY):

|                                                                | 31 December 2007   | 31 December 2006   |
|----------------------------------------------------------------|--------------------|--------------------|
| Parent Company's share capital                                 | 215,876.230        | 176,880.000        |
| Parent Company's nominal shares acquired by the Subsidiary (-) | (587.562)          | (555.126)          |
| <b>Total Share Capital</b>                                     | <b>215.288.668</b> | <b>176.324.874</b> |

## 26. Share Capital

As of 31 December 2007 and 2006, the Parent Company's share capital consists of the following (TRY):

As of 31 December 2007,

| Name                           | Shareholding | Book Value    | Capital Adjustment | Total Adjusted Capital |
|--------------------------------|--------------|---------------|--------------------|------------------------|
| İshak Alaton                   | 28,73 %      | 62.011.609    | -                  | 62.011.609             |
| İzzet Garip                    | 18,18 %      | 39.252.873    | -                  | 39.252.873             |
| Dalia Garip                    | 18,18 %      | 39.252.873    | -                  | 39.252.873             |
| Vedat Aksel Alaton             | 3,82 %       | 8.247.068     | -                  | 8.247.068              |
| Leyla Alaton Günyeli           | 3,82 %       | 8.247.068     | -                  | 8.247.068              |
| Other *                        | 27,27 %      | 58.864.739    | 224.574            | 59.089.313             |
|                                | 100,00 %     | 215.876.230** | 224.574            | 216.100.804            |
| <b>As of 31 December 2006,</b> |              |               |                    |                        |
| Name                           | Shareholding | Book Value*   | Capital Adjustment | Total Adjusted Capital |
| Anmak Holding A.Ş.             | 69,40 %      | 122.754.720   | -                  | 122.754.720            |
| Other *                        | 30,60 %      | 54.125.280    | 224.754            | 54.350.034             |
|                                | 100,00 %     | 176.880.000   | 224.754            | 177.104.754            |

\* Represents shareholdings of less than 10% and the Parent Company shares acquired by Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. in 2003 (Total adjusted with respect to the purchasing value of Turkish Lira as at 31 December 2004 - TRY 1.208.359) amounting to TRY 587.562 (31 December 2006 - TRY 555.126) have been recognized through deduction from share capital account in the consolidated balances sheets as of 31 December 2007 and 2006.

\*\* The Parent Company share capital amounting to TRY 176.880.000 as of 31 December 2006 has been increased by TRY 27.079.065 upon merger established by the Company's acquiring entire assets and liabilities of Anmak Holding A.Ş., to reach a total of TRY 203.959.065 as of 13 July 2007. As of 13 December 2007, the Company's share capital amounting to TRY 203.959.065 has been increased by TRY 11.917.165, the entire amount of which is provided from the sales profit of investment properties, to reach a total of TRY 215.876.230. The said capital increase is lower than the internal resources stated in the legal records as well as the internal resources calculated as per the CMB accounting standards.

## 27. Capital Reserves

"Capital, Share Premium, Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves" recognised among equity items in the financial statements prepared subsequent to the first-time inflation adjustment are stated at their book values. The differences arising from the inflation adjustment of the related equity items are stated in the "Differences Arising from Inflation Adjustment of Equity" account. The "Differences Arising from Inflation Adjustment of Equity" will only be used in offsetting bonus share increase or in offsetting losses.

The differences arising from inflation adjustment in equity originating from restatement of share capital, legal and extraordinary reserves as of 31 December 2007 and 2006 are as follows (TRY):

|                                                                | 31 December 2007   | 31 December 2006   |
|----------------------------------------------------------------|--------------------|--------------------|
| Inflation adjustment related to share capital*                 | -                  | -                  |
| Inflation adjustment related to reserves                       | 135.650.924        | 129.722.854        |
| <b>Differences arising from inflation adjustment in Equity</b> | <b>135.650.924</b> | <b>129.722.854</b> |

\* Inflation adjustment related to the share capital is recognized after deduction of inflation adjustment related to the Subsidiary's share in the Parent Company amounting to TRY 224.754.

## 28. Foreign Currency Position

As of 31 December 2007, the assets and liabilities denominated in foreign currencies which do not bear guaranteed rates of exchange, and, foreign currency amounts stated in the assets, are as follows:

| 31 December 2007                                      | USD          | Euro         | GBP     | JPY             | CHF      | KZT             | DNR          | RBL          |
|-------------------------------------------------------|--------------|--------------|---------|-----------------|----------|-----------------|--------------|--------------|
| Liquid Assets                                         | 101.369.044  | 50.530.190   | 116     | 216.763.788     | -        | 127.596.345     | 63.653       | 3.473.852    |
| Marketable Securities                                 | 48.280.348   | -            | -       | -               | -        | -               | -            | -            |
| Short Term Trade Receivables                          | 48.706.005   | 28.632.841   | 207.608 | 1.375.378.208   | -        | 2.801.926.947   | 19.650.742   | 2.037.727    |
| Short Term Deposits and Guarantees Given              | 2.642.716    | 18.010.190   | -       | 188.924.266     | -        | 637.183.858     | -            | -            |
| Other Short Term Receivables                          | 177.555      | 6.393.544    | -       | -               | -        | -               | -            | -            |
| Advances Given to Sub-Contractors                     | 1.289.015    | 1.464.453    | -       | -               | -        | 19.380.270      | -            | -            |
| Contract Expenditures                                 | -            | 29.240       | -       | -               | -        | 99.957.926      | -            | -            |
| Short Term Order Advances Given                       | 3.090.435    | 282.097      | -       | -               | -        | 23.273.516      | -            | 147.004      |
| Other Current Assets                                  | 249.469      | 1.290.077    | -       | -               | -        | 168.597.748     | 7.745.512    | 7.922.629    |
| Long Term Trade Receivables                           | 700          | 4.500        | -       | -               | -        | -               | -            | -            |
| Other Long Term Assets                                | -            | 51.592       | -       | -               | -        | -               | -            | -            |
| Long Term Deposits and Guarantees Given               | 4.300        | -            | -       | -               | -        | -               | -            | -            |
| Financial Debts                                       | (40.942.796) | (5.245.404)  | -       | (31.462.412)    | -        | -               | -            | -            |
| Short Term Trade Payables                             | (32.717.820) | (20.531.401) | (5.153) | (115.397)       | (15.213) | (556.951.612)   | (2.805.686)  | (118.897)    |
| Other Short Term Payables                             | (2.746.470)  | (8.649.086)  | -       | -               | -        | -               | -            | -            |
| Deposits and Guarantees Received                      | (3.489.016)  | (10.867.661) | (1.828) | -               | -        | (34.207.088)    | -            | -            |
| Short Term Order Advances Received                    | (1.931.875)  | (2.753.869)  | (1.119) | (1.683.715.618) | -        | (1.295.176.504) | -            | (17.525.956) |
| Deferred Construction and Maintenance Contract Income | (1.630)      | -            | -       | (1.348.261.562) | -        | (2.171.293.333) | -            | -            |
| Provisions for Short Term Debts and Expenses          | (490.373)    | (1.486.836)  | -       | -               | -        | (16.130.786)    | -            | (8.315.407)  |
| Short term Other Liabilities                          | (1.132.196)  | (6.817)      | -       | -               | -        | (315.366.339)   | (11.071.113) | (1.710.812)  |
| Long Term Trade Payables                              | (502.880)    | -            | -       | -               | -        | -               | -            | -            |
| Provisions for Long Term Debts and Expenses           | (3.253.914)  | -            | -       | -               | -        | -               | -            | -            |
| Long Term Financial Debts                             | (14.862.359) | -            | -       | (23.142.404)    | -        | -               | -            | -            |
| Long Term Order Advances Received                     | (17.810.725) | -            | -       | -               | -        | -               | -            | -            |
| Long Term Other Liabilities                           | -            | (103.777)    | -       | -               | -        | -               | -            | -            |
| Net Foreign Currency Position                         | 85.927.533   | 57.043.873   | 199.624 | (1.305.631.131) | (15.213) | (511.209.052)   | 13.583.108   | (14.089.860) |

| 31 December 2006                                      | USD          | Euro         | GBP      | JPY          | CHF     | KZT             | DNR          | RBL          | SEK   |
|-------------------------------------------------------|--------------|--------------|----------|--------------|---------|-----------------|--------------|--------------|-------|
| Liquid Assets                                         | 74.998.085   | 38.717.342   | 170.201  | -            | -       | 299.633.603     | 1.574.013    | 496.888      | -     |
| Marketable Securities                                 | 32.818.162   | 4.234.097    | -        | -            | -       | -               | -            | -            | -     |
| Short Term Trade Receivables                          | 72.995.942   | 27.150.777   | 108.082  | 1.767.316    | -       | 1.114.077.123   | 20.583.256   | 2.070.283    | -     |
| Short Term Deposits and Guarantees Given              | 10.825.255   | 19.921.547   | -        | -            | -       | 29.176.517      | -            | -            | -     |
| Other Short Term Receivables                          | 263.105      | 1.652.773    | -        | -            | -       | -               | -            | -            | -     |
| Advances Given to Sub-Contractors                     | 6.418.160    | 3.153.381    | -        | -            | -       | 116.370.093     | -            | -            | -     |
| Contract Expenditures                                 | 6.914.399    | 361.229      | -        | -            | -       | -               | -            | -            | -     |
| Short Term Order Advances Given                       | 2.576.212    | 3.851.831    | 5.932    | -            | -       | 107.735.124     | -            | 264.389      | -     |
| Other Current Assets                                  | 247.902      | 825.543      | -        | -            | -       | 312.709.411     | 7.745.513    | 9.014.195    | -     |
| Long Term Trade Receivables                           | 700          | 4.500        | -        | -            | -       | -               | -            | -            | -     |
| Long Term Deposits and Guarantees Given               | 2.300        | -            | -        | -            | -       | -               | -            | -            | -     |
| Long Term Order Advances Given                        | 196.613      | -            | -        | -            | -       | -               | -            | -            | -     |
| Financial Debts                                       | (38.784.374) | (1.802.767)  | -        | (39.823.248) | -       | -               | -            | -            | -     |
| Short Term Trade Payables                             | (26.495.104) | (18.607.278) | (45.570) | (4.506.703)  | (2.783) | (598.672.884)   | (6.798.568)  | (40.247)     | (528) |
| Other Short Term Payables                             | (6.529.617)  | (5.083.607)  | -        | -            | -       | -               | -            | -            | -     |
| Deposits and Guarantees Received                      | (2.808.647)  | (7.703.124)  | (1.135)  | -            | -       | (327.738.565)   | (6.113.926)  | -            | -     |
| Short Term Order Advances Received                    | (14.082.785) | (6.129.176)  | (666)    | (841.793)    | -       | (1.652.624.085) | -            | (18.129.526) | -     |
| Deferred Construction and Maintenance Contract Income | (1.793.733)  | -            | -        | -            | -       | (93.657.260)    | -            | -            | -     |
| Provisions for Short Term Debts and Expenses          | (7.172.179)  | (4.896.443)  | -        | -            | -       | (250.505.078)   | -            | (8.917.004)  | -     |
| Short term Other Liabilities                          | (830.737)    | (37.094)     | -        | -            | -       | (679.831)       | (11.205.005) | (1.354.426)  | -     |
| Provisions for Long Term Debts and Expenses           | (3.150.910)  | -            | -        | -            | -       | -               | -            | -            | -     |
| Long Term Financial Debts                             | (17.182.745) | -            | -        | (42.285.719) | -       | -               | -            | -            | -     |
| Long Term Order Advances Received                     | (27.404.788) | -            | -        | -            | -       | -               | -            | -            | -     |
| Net Foreign Currency Position                         | 62.021.216   | 55.613.531   | 236.844  | (85.690.147) | (2.783) | (944.175.832)   | 5.785.283    | (16.595.448) | (528) |

As of 31 December 2007 and 2006, the TRY equivalents of the assets and liabilities denominated in foreign currencies which do not bear guaranteed rates of exchange, are as follows:

|                                              | 31 December 2007          | 31 December 2006          |
|----------------------------------------------|---------------------------|---------------------------|
| Total foreign currency position, assets      | 479.641.373               | 501.576.876               |
| Total foreign currency position, liabilities | (300.338.064)             | (324.576.338)             |
| <b>Total foreign currency position, net</b>  | <b><u>179.303.309</u></b> | <b><u>177.000.538</u></b> |

## 29. Profit Reserves

Legal reserves, which are divided as First Legal Reserve and Second Legal Reserve as per the Turkish Commercial Code, are appropriated as below:

- (a)** First Legal Reserve: Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.
- (b)** Second Legal Reserve: Appropriated out of net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividends.

Legal reserves which do not exceed one half of share capital may only be used to absorb losses or for purposes of continuity of the business in times of business difficulties and to prevent unemployment or lessen its effects.

## 30. Retained Earnings / (Accumulated Losses)

Retained earnings / (accumulated losses) consist of the following (TRY):

|                                               | 31 December 2007          | 31 December 2006          |
|-----------------------------------------------|---------------------------|---------------------------|
| Retained earnings                             | 161.333.350               | 116.753.206               |
| Transfer of 2006 year profit                  | 48.311.969                | 60.238.872                |
| Capital Increase                              | (11.917.165)              | (428.479)                 |
| Effect of consolidation by equity method      | 11.826                    | 408.249                   |
| Value increase in financial assets            | 1.524.363                 | 1.490.475                 |
| Transfer to reserves                          | (20.252.682)              | (15.904.998)              |
| Effect of exclusions from consolidation       | 2.461.733                 | -                         |
| Effect of mergers                             | 19.303.179                | -                         |
| Effect of increase in subsidiary shareholding | (1.491.633)               | -                         |
| Effect of rate change                         | -                         | (98.375)                  |
| Dividend payment                              | (1.509.297)               | (1.125.600)               |
| <b>Retained earnings</b>                      | <b><u>197.775.643</u></b> | <b><u>161.333.350</u></b> |

## 31. Government Incentives and Aids

None (2006 : None).

## 32. Provisions, Conditional Assets and Liabilities

### a) Mortgages on Assets

As of 31 December 2007 and 2006, two parcels of the land in Eskice District in Büyükçekmece Village stated in the inventories and fixed assets accounts of the subsidiary Alarko Gayrimenkul Yatırım Ortaklığı A.S. regarded as Greenfield site is expropriated on behalf of ISKI due to the reason that this piece of land is under unconditional preservation as per the provisions of the communiqué related to protection of land bearing tap water and drinking water resources against contamination; there is a right of easement in relation to the stores in Etiler Alkent Sitesi in Beşiktaş District dated 14 October 1987 nr. 6430 to be utilized on behalf of the real estate of the Company on section 1411, parcel 1 and against that on section 1408, parcel 1 for benefiting from the central heating; and there is a right of easement for a period of 49 years at a fee of TRY 7,72 to construct 1,5 m wide channels in some parts of the heating installations. Furthermore, there is a personal right of easement for the owners of the property on section 1410 parcel 1 to benefit from the unused parking lot as stated in the project against the same parcel by voucher dated 26 February 1992 nr 784.

**b)** The mortgages on assets as of 31 December 2007 amount to TRY 2.364.170 (31 December 2006 - TRY 2.713.310).

**c)** As of 31 December 2007, contingent liabilities amount to TRY 668.573.562 (31 December 2006 - TRY 720.559.654).

**d)** As of 31 December 2007, guarantee received for short term trade receivables amounts to TRY 264.582.287 (31 December 2006 - TRY 212.522.823).

**e)** As of 31 December 2003, tariff adjustment invoices amounting to a total of TRY 2.300.000 related to 2001 and 2002 years has been prepared by Türkiye Elektrik Ticaret ve Taahhüt A.S. (TETAS) to the joint venture company Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.S.. Although the said invoices have been recognized as sales deductions in 2003, the Company has made an appeal through the Ministry of Energy and Natural Resources related to the calculation basis of these invoices and claimed amendment. Upon failing to receive any response from the Ministry, the Company has filed for a case against the Ministry with the claim to annul the invoices in 2004 and the legal proceedings have been ongoing as of the reporting date.

**f)** The tariffs for Hasanlar and Berdan Hydroelectric Power Plants related to 2003, 2004 and 2005 adjusted as of 2005 have been forwarded by the Ministry of Energy and Natural Resources as at 25 June 2007 to the joint venture company Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.Ş.. Furthermore, adding the tariff schedule to the said letter of the Ministry, TETAS has referred to the revision of the tariffs for the years 2003-2007 and sent secondary invoices relating to additional fees. The total amount of the said secondary invoices is TRY 3.139.550,07 + VAT (TRY 3.704.669,08 including VAT) of which TRY 207.332,45 belongs to the January - June 2007 accounting period. The Company has

returned the said secondary invoices through the notary and file for a number of appeals at different dates against the revised tariffs. However, the Company's invoices related to energy sales amounting to TRY 1.990.834 including VAT have still not been paid by TETAŞ as of the reporting date. Also, as of the reporting date, there is no tariff revision notice made to the Company in relation to Tohma Hydroelectric Power Plant, and the Company management cannot make any estimation thereon.

g) The joint venture company Altek Alarko Elektrik Santralları Tesis İşletme ve Ticaret A.Ş. has filed for a number of cases against the Directorate of Energy Works of the Ministry of Energy and Natural Resources for annulment of request for accrual and payment by the Company of additional fees on monthly system utilization, operation and transmission related to Hasanlar Hydroelectric Power Plant and for suspension of execution. In this respect, the Company returns the monthly Distribution Service Fee invoices prepared and issued by Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) back to SEDAŞ through the Notary. As of the reporting date, the said invoices which have been returned by the Company without being recorded and without making any provisions amount to a total of TRY 581.961 + VAT.

h) As of 31 December 2007, the overdue receivables and the related provisions amount to TRY 2.679.408 (31 December 2006 - TRY 2.423.020).

i) As of 31 December 2007 and 2006, the debt provisions of the Company consist of the following (TRY):

|                                                     | 31 December 2007        | 31 December 2006         |
|-----------------------------------------------------|-------------------------|--------------------------|
| Provisions for short term liabilities;              |                         |                          |
| Rent expenses                                       | 571.147                 | 555.515                  |
| Communication expense payable                       | 7.290                   | 10.466                   |
| Electricity expense payable                         | 321.512                 | 128.734                  |
| Provision for maintenance and repair expenses       | -                       | 800                      |
| Provision for premiums                              | 3.020                   | 2.184                    |
| Contractual expenses                                | 91.282                  | 73.812                   |
| Water expense payable                               | 15.657                  | 6.305                    |
| Fuel expense payable                                | 8.087                   | 18.104                   |
| Provisions for other expenses                       | 324                     | 61                       |
| <b>Provision for cost expenses (Note 23)</b>        | <b><u>1.018.319</u></b> | <b><u>795.981</u></b>    |
| Undocumented payables related to goods and services | 2.325.636               | 17.850.285               |
| Provision for litigation                            | 2.924.469               | 1.480.611                |
| Provision for guarantee                             | -                       | 287.804                  |
| <b>Other provisions for debts (Note 23)</b>         | <b><u>5.250.105</u></b> | <b><u>19.618.700</u></b> |
| <b>Total</b>                                        | <b><u>6.268.424</u></b> | <b><u>20.414.681</u></b> |
|                                                     | <b>31 December 2007</b> | <b>31 December 2006</b>  |
| Provisions for other long term liabilities;         |                         |                          |
| <b>Loss provisions (Note 23)</b>                    | <b><u>3.789.834</u></b> | <b><u>4.450.345</u></b>  |

### 33. Segment Reporting

Segment reporting consists of the following (TRY):

31 December 2007

| ASSETS                                                          |                    |                   | Industry and Commerce |                   | Contracting and Land Development |                  | Fishery Products     |                      | Elimination       | Total |
|-----------------------------------------------------------------|--------------------|-------------------|-----------------------|-------------------|----------------------------------|------------------|----------------------|----------------------|-------------------|-------|
|                                                                 | Holding            | Tourism           | Energy                |                   |                                  |                  |                      |                      |                   |       |
| Current / Short Term Assets                                     |                    |                   |                       |                   |                                  |                  |                      |                      |                   |       |
| Liquid Assets                                                   | 119.311.192        | 11.315.612        | 17.208.336            | 3.502.468         | 101.736.453                      | 413.117          | -                    | 253.487.178          |                   |       |
| Marketable Securities (net)                                     | 49.338.035         | -                 | 334.198               | 1.570             | 59.056.787                       | -                | -                    | 108.730.590          |                   |       |
| Trade Receivables (net)                                         | 2.297.981          | 2.337.997         | 40.478.749            | 1.017.799         | 480.067.133                      | 1.705.127        | [207.956.391]        | 319.948.395          |                   |       |
| Leasing Receivables (net)                                       | -                  | -                 | 29.811                | -                 | -                                | -                | -                    | 29.811               |                   |       |
| Due From Related Parties (net)                                  | 1.086.019          | 435               | -                     | -                 | 50.769.931                       | -                | [48.082.094]         | 3.774.291            |                   |       |
| Other Receivables (net)                                         | 300.253            | -                 | 117.014               | -                 | 671.205                          | 55               | -                    | 1.088.527            |                   |       |
| Biological Assets (net)                                         | -                  | -                 | -                     | -                 | -                                | -                | -                    | -                    |                   |       |
| Inventories (net)                                               | 4.405              | 795.506           | 28.020.947            | 1.055.055         | 135.733.564                      | 731.504          | [7.455.786]          | 158.885.195          |                   |       |
| Receivables from Ongoing Construction Contracts (net)           | -                  | -                 | -                     | -                 | 24.868.490                       | -                | 115.012.417          | 139.880.907          |                   |       |
| Deferred Tax Assets                                             | -                  | -                 | -                     | -                 | -                                | -                | -                    | -                    |                   |       |
| Other Current/Short Term Assets                                 | 1.681.080          | 2.171.132         | 1.715.292             | 4.771.525         | 15.983.627                       | 246.509          | -                    | 26.569.165           |                   |       |
| Non-current / Long Term Assets                                  |                    |                   |                       |                   |                                  |                  |                      |                      |                   |       |
| Trade Receivables (net)                                         | -                  | 91.568            | 154.147               | 3.591             | 473.753                          | 619              | -                    | 723.678              |                   |       |
| Leasing Receivables (net)                                       | -                  | -                 | 63.888                | -                 | -                                | -                | -                    | 63.888               |                   |       |
| Due From Related Parties (net)                                  | -                  | -                 | -                     | -                 | -                                | -                | -                    | -                    |                   |       |
| Other Receivables (net)                                         | -                  | 50.250            | -                     | -                 | -                                | -                | -                    | 50.250               |                   |       |
| Financial Assets (net)                                          | 231.005.820        | 57.679            | 4.449.168             | -                 | 86.623.042                       | -                | [309.822.365]        | 12.313.344           |                   |       |
| Positive/Negative Goodwill (net)                                | -                  | -                 | -                     | -                 | -                                | -                | [1.269.257]          | [1.269.257]          |                   |       |
| Investment Properties (net)                                     | -                  | -                 | -                     | -                 | 37.325.950                       | -                | [35.287.502]         | 2.038.448            |                   |       |
| Real Estate Held For Trading (net)                              | -                  | -                 | -                     | -                 | -                                | -                | -                    | -                    |                   |       |
| Tangible Assets (net)                                           | 2.572.761          | 16.687.360        | 26.091.754            | 68.831.800        | 80.990.381                       | 1.834.956        | 15.895.577           | 212.904.589          |                   |       |
| Intangible Assets (net)                                         | 100.682            | 7.356.936         | 392.945               | 40.067            | 286.277                          | 71.201           | 106.103              | 8.354.211            |                   |       |
| Deferred Tax Assets                                             | 103.869            | 979.607           | 1.242.975             | 474.929           | 101.422.201                      | 102.766          | [104.326.347]        | -                    |                   |       |
| Other Non-current / Long Term Assets                            | 786                | 55.818            | 1.279                 | -                 | 43.078.224                       | 128              | -                    | 43.136.235           |                   |       |
| <b>Total Assets</b>                                             | <b>407.802.883</b> | <b>41.899.900</b> | <b>120.300.503</b>    | <b>79.698.804</b> | <b>1.219.087.018</b>             | <b>5.105.982</b> | <b>[583.185.645]</b> | <b>1.290.709.445</b> |                   |       |
| <b>LIABILITIES</b>                                              |                    |                   |                       |                   |                                  |                  |                      |                      |                   |       |
| Short Term Liabilities                                          |                    |                   |                       |                   |                                  |                  |                      |                      |                   |       |
| Financial Debts (net)                                           | -                  | -                 | 11.747.544            | 25.019            | 43.459.266                       | -                | -                    | 55.231.829           |                   |       |
| Short Term Portion of Long Term Financial Debts (net)           | -                  | 222.832           | -                     | 8.122.289         | 331.322                          | 67.424           | -                    | 8.743.867            |                   |       |
| Leasing Payables (net)                                          | -                  | -                 | -                     | -                 | 605.921                          | -                | -                    | 605.921              |                   |       |
| Other Financial Liabilities (net)                               | -                  | -                 | -                     | 135.920           | -                                | -                | -                    | 135.920              |                   |       |
| Trade Payables (net)                                            | 49.247             | 8.783.389         | 7.085.193             | 3.152.711         | 254.852.160                      | 465.843          | [74.441.724]         | 199.946.819          |                   |       |
| Due to Related Parties (net)                                    | 5.963              | -                 | 614                   | -                 | 72.337.104                       | 717.342          | [71.828.520]         | 1.232.503            |                   |       |
| Advances Received                                               | -                  | 6.113.899         | 4.564.644             | -                 | 73.272.404                       | -                | 2.029.251            | 85.980.198           |                   |       |
| Contract Income Related to Ongoing Construction Contracts (net) | -                  | -                 | -                     | -                 | 80.054.539                       | -                | -                    | 80.054.539           |                   |       |
| Debt Provisions                                                 | 1.955              | 347.248           | 1.660.562             | 266.745           | 12.793.457                       | 251.958          | -                    | 15.321.925           |                   |       |
| Deferred Tax Liability                                          | -                  | -                 | -                     | -                 | -                                | -                | -                    | -                    |                   |       |
| Other Liabilities (net)                                         | 149.757            | 1.980.417         | 1.752.051             | 1.663.461         | 21.743.104                       | 26.147           | [2.029.250]          | 25.285.687           |                   |       |
| Long Term Liabilities                                           |                    |                   |                       |                   |                                  |                  |                      |                      |                   |       |
| Financial Debts (net)                                           | -                  | 217.327           | -                     | 13.722.380        | 2.533.223                        | 20.553           | -                    | 16.493.483           |                   |       |
| Leasing Payables (net)                                          | -                  | -                 | -                     | -                 | 1.182                            | -                | -                    | 1.182                |                   |       |
| Other Financial Liabilities (net)                               | -                  | -                 | -                     | 1.054.587         | -                                | -                | -                    | 1.054.587            |                   |       |
| Trade Payables (net)                                            | -                  | -                 | -                     | 585.704           | -                                | -                | -                    | 585.704              |                   |       |
| Due to Related Parties (net)                                    | -                  | -                 | -                     | -                 | -                                | -                | -                    | -                    |                   |       |
| Advances Received                                               | -                  | -                 | -                     | -                 | 20.744.151                       | -                | -                    | 20.744.151           |                   |       |
| Debt Provisions                                                 | 519.093            | 1.357.982         | 3.744.447             | 227.860           | 7.640.857                        | 76.926           | -                    | 13.567.165           |                   |       |
| Deferred Tax Liability                                          | 51.539             | 908.624           | 326.596               | 3.248.460         | 113.236.894                      | 148.038          | [104.784.018]        | 13.136.133           |                   |       |
| Other Liabilities (net)                                         | -                  | 93.415            | -                     | -                 | 177.479                          | -                | -                    | 270.894              |                   |       |
| <b>MINORITY INTEREST</b>                                        | <b>-</b>           | <b>-</b>          | <b>-</b>              | <b>-</b>          | <b>-</b>                         | <b>-</b>         | <b>-</b>             | <b>80.576.031</b>    | <b>80.576.031</b> |       |
| <b>EQUITY</b>                                                   |                    |                   |                       |                   |                                  |                  |                      |                      |                   |       |
| Share Capital                                                   | 216.100.984        | 5.907.067         | 44.803.229            | 8.256.662         | 158.358.261                      | 3.147.498        | [220.697.471]        | 215.876.230          |                   |       |
| Adjustment for Cross Shareholding                               | -                  | -                 | -                     | -                 | -                                | -                | [587.562]            | [587.562]            |                   |       |
| Capital Reserves                                                | 67.314.333         | -                 | 172.807               | -                 | 35.196.813                       | -                | 32.851.250           | 135.535.203          |                   |       |
| Profit Reserves                                                 | 90.534.523         | 3.535.998         | 56.703.553            | 22.693.209        | 114.664.465                      | 484.986          | [203.119.850]        | 85.496.884           |                   |       |
| Net Profit / (Loss) for the Period                              | 315.420            | 1.168.813         | 7.785.600             | 10.407.776        | 38.041.763                       | 959.121          | [21.033.984]         | 37.644.509           |                   |       |
| Retained Earnings / (Accumulated Losses)                        | 32.760.069         | 11.262.889        | [20.046.337]          | 6.136.021         | 169.042.653                      | [1.259.854]      | [119.798]            | 197.775.643          |                   |       |
| <b>Total Liabilities and Equity</b>                             | <b>407.802.883</b> | <b>41.899.900</b> | <b>120.300.503</b>    | <b>79.698.804</b> | <b>1.219.087.018</b>             | <b>5.105.982</b> | <b>[583.185.645]</b> | <b>1.290.709.445</b> |                   |       |



**31 December 2007**

|                                                                        | <b>Holding</b> | <b>Tourism</b> | <b>Industry<br/>and<br/>Commerce</b> | <b>Energy</b> | <b>Contracting and<br/>Land<br/>Development</b> | <b>Fishery<br/>Products</b> | <b>Elimination</b> | <b>Total</b>  |
|------------------------------------------------------------------------|----------------|----------------|--------------------------------------|---------------|-------------------------------------------------|-----------------------------|--------------------|---------------|
| <b>INCOME FROM PRINCIPAL ACTIVITIES</b>                                |                |                |                                      |               |                                                 |                             |                    |               |
| Sales Income (net)                                                     | 5,104,783      | 45,160,508     | 117,723,370                          | 46,350,057    | 624,583,790                                     | 10,881,326                  | (101,856,273)      | 747,947,561   |
| Cost of Sales (-)                                                      | (5,205,517)    | (26,539,768)   | (89,932,709)                         | (37,956,486)  | (568,890,572)                                   | (8,776,927)                 | 83,937,508         | (653,364,471) |
| Service Income (net)                                                   | -              | -              | -                                    | -             | -                                               | -                           | -                  | -             |
| Other Income From Principal<br>Activities/interest+dividend+rent (net) | -              | -              | -                                    | -             | -                                               | -                           | -                  | -             |
| <b>GROSS PROFIT / (LOSS) FROM<br/>OPERATING ACTIVITIES</b>             |                |                |                                      |               |                                                 |                             |                    |               |
| Operating Expenses (-)                                                 | (100,734)      | 18,620,740     | 27,790,661                           | 8,393,571     | 55,693,218                                      | 2,104,399                   | (17,918,765)       | 94,583,090    |
|                                                                        | (2,400,577)    | (18,815,139)   | (22,828,237)                         | (1,614,269)   | (23,752,458)                                    | (977,440)                   | 5,068,076          | (65,320,044)  |
| <b>NET PROFIT / (LOSS) FROM<br/>OPERATING ACTIVITIES</b>               |                |                |                                      |               |                                                 |                             |                    |               |
|                                                                        | (2,501,311)    | (194,399)      | 4,962,424                            | 6,779,302     | 31,940,760                                      | 1,126,959                   | (12,850,689)       | 29,263,046    |
| Income and Profits from Other Operations                               | 33,958,270     | 4,089,373      | 11,143,284                           | 5,815,790     | 80,360,004                                      | 297,028                     | (7,365,741)        | 128,298,008   |
| Expenses and Losses from Other<br>Operations (-)                       | (31,163,396)   | (1,743,318)    | (5,914,229)                          | (53,181)      | (59,058,398)                                    | (207,184)                   | 413,333            | (97,726,373)  |
| Financial Expenses (-)                                                 | -              | (210,379)      | (574,527)                            | (1,371,872)   | (2,378,010)                                     | (61,208)                    | -                  | (4,595,996)   |
| <b>OPERATING PROFIT/(LOSS)</b>                                         | 293,563        | 1,941,277      | 9,616,952                            | 11,170,039    | 50,864,356                                      | 1,155,595                   | (19,803,097)       | 55,238,685    |
| Net Monetary Profit / (Loss)                                           | -              | -              | -                                    | -             | -                                               | -                           | -                  | -             |
| <b>MINORITY INTEREST</b>                                               |                |                |                                      |               |                                                 |                             |                    |               |
|                                                                        | -              | -              | -                                    | -             | -                                               | -                           | (1,685,180)        | (1,685,180)   |
| <b>PROFIT/(LOSS) BEFORE TAX</b>                                        |                |                |                                      |               |                                                 |                             |                    |               |
|                                                                        | 293,563        | 1,941,277      | 9,616,952                            | 11,170,039    | 50,864,356                                      | 1,155,595                   | (21,488,277)       | 53,553,505    |
| Taxes                                                                  | 21,857         | (772,464)      | (1,831,352)                          | (762,263)     | (12,822,593)                                    | (196,474)                   | 454,293            | (15,908,996)  |
| <b>NET PROFIT/(LOSS) FOR THE PERIOD</b>                                | 315,420        | 1,168,813      | 7,785,600                            | 10,407,776    | 38,041,763                                      | 959,121                     | (21,033,984)       | 37,644,509    |

**31 December 2006**

| <b>ASSETS</b>                                            | <b>Holding</b>     | <b>Tourism</b>    | <b>Industry<br/>and<br/>Commerce</b> | <b>Energy</b>     | <b>Contracting and<br/>Land<br/>Development</b> | <b>Elimination</b>   | <b>Total</b>         |
|----------------------------------------------------------|--------------------|-------------------|--------------------------------------|-------------------|-------------------------------------------------|----------------------|----------------------|
| <b>Current / Short Term Assets</b>                       |                    |                   |                                      |                   |                                                 |                      |                      |
| Liquid Assets                                            | 77,723,750         | 17,561,622        | 13,206,958                           | 416,538           | 120,408,097                                     | -                    | 229,316,965          |
| Marketable Securities (net)                              | 38,712,155         | -                 | 589,737                              | 126               | 60,571,702                                      | -                    | 99,873,720           |
| Trade Receivables (net)                                  | 361,807            | 1,224,604         | 37,804,639                           | 261,134           | 490,162,163                                     | (253,225,608)        | 276,588,739          |
| Leasing Receivables (net)                                | -                  | -                 | -                                    | -                 | -                                               | -                    | -                    |
| Due From Related Parties (net)                           | -                  | -                 | -                                    | -                 | 14,686,515                                      | (11,247,751)         | 3,438,764            |
| Other Receivables (net)                                  | 116,128            | -                 | 51,530                               | -                 | 12,304,329                                      | -                    | 12,471,987           |
| Biological Assets (net)                                  | -                  | -                 | -                                    | -                 | -                                               | -                    | -                    |
| Inventories (net)                                        | 3,940              | 739,574           | 21,281,489                           | 552,102           | 108,998,058                                     | (11,148,975)         | 120,426,188          |
| Receivables from Ongoing<br>Construction Contracts (net) | -                  | -                 | -                                    | -                 | 36,270,924                                      | 147,106,774          | 183,377,698          |
| Deferred Tax Assets                                      | -                  | -                 | -                                    | -                 | -                                               | -                    | -                    |
| Other Current/Short Term Assets                          | 2,640,402          | 823,290           | 1,080,071                            | 2,675,579         | 15,630,256                                      | -                    | 22,849,598           |
| <b>Non-current / Long Term Assets</b>                    |                    |                   |                                      |                   |                                                 |                      |                      |
| Trade Receivables (net)                                  | -                  | 82,818            | 204,265                              | 2,766             | 430,611                                         | -                    | 720,460              |
| Leasing Receivables (net)                                | -                  | -                 | -                                    | -                 | -                                               | -                    | -                    |
| Due From Related Parties (net)                           | -                  | -                 | -                                    | -                 | -                                               | -                    | -                    |
| Other Receivables (net)                                  | -                  | -                 | -                                    | -                 | -                                               | -                    | -                    |
| Financial Assets (net)                                   | 225,541,557        | 57,679            | 4,352,083                            | -                 | 67,227,140                                      | (282,662,661)        | 14,515,798           |
| Positive/Negative Goodwill (net)                         | -                  | -                 | -                                    | -                 | -                                               | (821,312)            | (821,312)            |
| Investment Properties (net)                              | -                  | -                 | -                                    | -                 | 38,877,651                                      | (36,738,765)         | 2,138,886            |
| Real Estate Held For Trading (net)                       | -                  | -                 | -                                    | -                 | -                                               | -                    | -                    |
| Tangible Assets (net)                                    | 565,644            | 13,942,698        | 26,758,688                           | 56,267,733        | 48,616,268                                      | 35,607,724           | 181,758,755          |
| Intangible Assets (net)                                  | 157,157            | 3,430,537         | 272,781                              | 31,463            | 509,149                                         | 201,488              | 4,602,575            |
| Deferred Tax Assets                                      | 92,394             | 1,323,901         | 976,701                              | 461,425           | 64,083,228                                      | (58,282,826)         | 8,654,823            |
| Other Non-current / Long Term Assets                     | 8                  | 169,619           | 115                                  | -                 | 31,751,293                                      | -                    | 31,921,035           |
| <b>Total Assets</b>                                      | <b>345,914,942</b> | <b>39,356,342</b> | <b>106,579,057</b>                   | <b>60,668,866</b> | <b>1,110,527,384</b>                            | <b>(471,211,912)</b> | <b>1,191,834,679</b> |

31 December 2006

| LIABILITIES                              | 31 December 2006   |                   |                       |                   |                                  |                      | Total                |
|------------------------------------------|--------------------|-------------------|-----------------------|-------------------|----------------------------------|----------------------|----------------------|
|                                          | Holding            | Tourism           | Industry and Commerce | Energy            | Contracting and Land Development | Elimination          |                      |
| Short Term Liabilities                   |                    |                   |                       |                   |                                  |                      |                      |
| Financial Debts (net)                    | -                  | -                 | 5,185.900             | -                 | 46,617.311                       | -                    | 51,803.211           |
| Short Term Portion of Long Term          |                    |                   |                       |                   |                                  |                      |                      |
| Financial Debts (net)                    | -                  | 260.558           | -                     | 6,102.635         | 197.776                          | -                    | 6,560.969            |
| Leasing Payables (net)                   | -                  | -                 | -                     | -                 | 1,080.003                        | -                    | 1,080.003            |
| Other Financial Liabilities (net)        | -                  | -                 | -                     | 498.321           | -                                | -                    | 498.321              |
| Trade Payables (net)                     | 7,347              | 8,560.912         | 7,956.971             | 2,002.065         | 269,197.354                      | (106,118.834)        | 181,605.815          |
| Due to Related Parties (net)             | 5,675              | -                 | 562                   | -                 | 11,448.600                       | (11,247.752)         | 207.085              |
| Advances Received                        | -                  | 4,100.458         | 5,341.069             | -                 | 73,061.577                       | 2,382.919            | 84,886.023           |
| Contract Income Related to Ongoing       |                    |                   |                       |                   |                                  |                      |                      |
| Construction Contracts (net)             | -                  | -                 | -                     | -                 | 82,367.804                       | -                    | 82,367.804           |
| Debt Provisions                          | 1,724.727          | 483.215           | 1,155.710             | 88.377            | 24,342.700                       | -                    | 27,794.729           |
| Deferred Tax Liability                   | -                  | -                 | -                     | -                 | -                                | -                    | -                    |
| Other Liabilities (net)                  | 265.986            | 1,433.900         | 1,231.127             | 1,224.944         | 24,553.423                       | (2,382.919)          | 26,326.461           |
| Long term liabilities                    |                    |                   |                       |                   |                                  |                      |                      |
| Financial Debts (net)                    | -                  | 502.143           | -                     | 19,219.653        | 4,272.510                        | -                    | 23,994.306           |
| Leasing Payables (net)                   | -                  | -                 | -                     | -                 | 575.633                          | -                    | 575.633              |
| Other Financial Liabilities (net)        | -                  | -                 | -                     | 776.747           | -                                | -                    | 776.747              |
| Trade Payables (net)                     | -                  | -                 | -                     | -                 | -                                | -                    | -                    |
| Due to Related Parties (net)             | -                  | -                 | -                     | -                 | -                                | -                    | -                    |
| Advances Received                        | -                  | -                 | -                     | -                 | 39,584.854                       | -                    | 39,584.854           |
| Debt Provisions                          | 457.593            | 1,251.409         | 3,530.158             | 172.783           | 7,958.122                        | -                    | 13,370.065           |
| Deferred Tax Liability                   | 63.527             | 768.408           | 398.265               | 2,010.978         | 55,045.022                       | (58,286.200)         | -                    |
| Other Liabilities (net)                  | -                  | 189.385           | -                     | -                 | -                                | -                    | 189.385              |
| <b>MINORITY INTEREST EQUITY</b>          | -                  | -                 | -                     | -                 | -                                | <b>96,352.442</b>    | <b>96,352.442</b>    |
| Share Capital                            | 177,104.754        | 5,907.067         | 44,401.899            | 6,361.242         | 145,423.366                      | (202,318.328)        | 176,880.000          |
| Adjustment for Cross Shareholding        | -                  | -                 | -                     | -                 | -                                | (555.126)            | (555.126)            |
| Capital Reserves                         | 77,260.586         | -                 | 170.329               | -                 | 32,522.525                       | 19,650.498           | 129,603.938          |
| Profit Reserves                          | 67,206.662         | 2,316.450         | 48,142.342            | 17,483.700        | 99,995.598                       | (196,858.057)        | 38,286.695           |
| Net Profit / (Loss) for the Period       | 21,752.878         | 1,959.568         | 9,020.243             | (8,149.209)       | 41,809.628                       | (18,081.139)         | 48,311.969           |
| Retained Earnings / (Accumulated Losses) | 65.207             | 11,622.869        | (19,955.518)          | 12,876.630        | 150,473.578                      | 6,250.584            | 161,333.350          |
| <b>Total Liabilities and Equity</b>      | <b>345,914,942</b> | <b>39,356,342</b> | <b>106,579,057</b>    | <b>60,668,866</b> | <b>1,110,527,384</b>             | <b>(471,211,912)</b> | <b>1,191,834,679</b> |

31 December 2006

| INCOME FROM PRINCIPAL ACTIVITIES                       | 31 December 2006  |                  |                       |                    |                                  |                     | Total             |
|--------------------------------------------------------|-------------------|------------------|-----------------------|--------------------|----------------------------------|---------------------|-------------------|
|                                                        | Holding           | Tourism          | Industry and Commerce | Energy             | Contracting and Land Development | Elimination         |                   |
| Sales Income (net)                                     | 3,978.587         | 44,022.410       | 105,230.529           | 19,449.181         | 494,065.622                      | (32,108.502)        | 634,637.827       |
| Cost of Sales (-)                                      | (4,186.470)       | (24,111.676)     | (78,228.115)          | (20,330.108)       | (496,678.752)                    | 27,762.239          | (595,772.882)     |
| Service Income (net)                                   | -                 | -                | -                     | -                  | -                                | -                   | -                 |
| Other Income From Principal                            |                   |                  |                       |                    |                                  |                     |                   |
| Activities/interest+dividend+rent (net)                | -                 | -                | -                     | -                  | -                                | -                   | -                 |
| <b>GROSS PROFIT / (LOSS) FROM OPERATING ACTIVITIES</b> | (207.883)         | 19,910.734       | 27,002.414            | (880.927)          | (2,613.130)                      | (4,346.263)         | 38,864.945        |
| Operating Expenses (-)                                 | (2,342.640)       | (18,102.063)     | (20,220.044)          | (2,668.829)        | (11,890.437)                     | 5,812.269           | (49,411.744)      |
| <b>NET PROFIT / (LOSS) FROM OPERATING ACTIVITIES</b>   | (2,550.523)       | 1,808.671        | 6,782.370             | (3,549.756)        | (14,503.567)                     | 1,466.006           | (10,546.799)      |
| Income and Profits from Other Operations               | 40,804.451        | 4,274.746        | 11,475.238            | 5,432.627          | 158,570.539                      | (14,973.772)        | 205,583.829       |
| Expenses and Losses from Other Operations (-)          | (14,792.153)      | (3,283.807)      | (4,670.641)           | (190.379)          | (93,449.220)                     | (429.579)           | (116,815.779)     |
| Financial Expenses (-)                                 | -                 | (490.170)        | (2,334.852)           | (7,399.457)        | (11,460.780)                     | -                   | (21,685.259)      |
| <b>OPERATING PROFIT / (LOSS)</b>                       | <b>23,461.775</b> | <b>2,309.440</b> | <b>11,252.115</b>     | <b>(5,706.965)</b> | <b>39,156.972</b>                | <b>(13,937.345)</b> | <b>56,535.992</b> |
| Net Monetary Profit / (Loss)                           | -                 | -                | -                     | -                  | -                                | -                   | -                 |
| <b>MINORITY INTEREST</b>                               | -                 | -                | -                     | -                  | -                                | (4,147.172)         | (4,147.172)       |
| <b>PROFIT / (LOSS) BEFORE TAX</b>                      | <b>23,461.775</b> | <b>2,309.440</b> | <b>11,252.115</b>     | <b>(5,706.965)</b> | <b>39,156.972</b>                | <b>(18,084.517)</b> | <b>52,388.820</b> |
| Taxes                                                  | (1,708.897)       | (349.872)        | (2,231.872)           | (2,442.244)        | 2,652.656                        | 3,378               | (4,076.851)       |
| <b>NET PROFIT / (LOSS) FOR THE PERIOD</b>              | <b>21,752.878</b> | <b>1,959.568</b> | <b>9,020.243</b>      | <b>(8,149.209)</b> | <b>41,809.628</b>                | <b>(18,081.139)</b> | <b>48,311.969</b> |

### 34. Mergers

The proposal made by Alarko Holding A.S. to realize merger with Anmak Holding A.S. through acquiring its entire assets and liabilities with respect to the balance sheets as of 31 December 2006 and as per the provisions of the Articles 19-20 of the Corporate Tax Law and the Article 451 of the Turkish Law of Commerce has been accepted at the Capital Markets Board meeting dated 23/05/2007 nr. 20/568 and the merger contract has been approved at the general meetings of both companies held at 28/06/2007.

The merger of Alarko Holding A.S. with Anmak Holding A.S. through acquiring the latter's entire assets and liabilities have been registered as at 5 July 2007 based on which the issued capital within the TRY 500.000.000 of registered capital of Alarko Holding A.S. has been increased from TRY 176.880.000 to TRY 203.959.065 and this capital increase has been registered as at 13 July 2007.

Shares representing the increased portion of TRY 27.079.065 have been distributed among Anmak Holding A.S. shareholders during the period 19/07/2007-24/06/2008. Each Anmak Holding A.S. share held by Anmak Holding A.S. shareholders with a face value of 1 YKr creates a stock purchase right to receive 0,631110657935 Alarko Holding A.S. bearer stocks with a nominal value of 1 YKr. As Anmak Holding A.S. has merged upon transfer of its assets and liabilities through dissolution without liquidation, the cancellation of its trade registration as of 10.07.2007 has been registered as at 05.10.2007.

Prior to the merger, Alaton and Garih families have held 99% shareholding in the transferred company Anmak Holding A.S.. On the other hand, Anmak Holding A.S. also held 69,40% shareholding in the acquirer company Alarko Holding A.S.. Hence, Alaton and Garih families have an indirect right of management at a rate of  $(99\% * 69,40\%) = 68,71\%$  in Alarko Holding A.S.

In line with the merger, Anmak Holding A.S. has dissolved without liquidation and Alaton and Garih families have become direct shareholders of Alarko Holding A.S.. Furthermore, as a result of the capital increase made by Alarko Holding A.S. due to the merger subsequent to which corporate stock is granted to Anmak Holding shareholders, Alaton and Garih families have become direct shareholders of Alarko Holding A.S. with an interest of 72,73%.

As a result, Alaton and Garih families which were indirect shareholders in Alarko Holding A.S. with an interest of 68,71% prior to the merger, have subsequently become direct shareholders with an interest of 72,73%. Upon merger, Alaton and Garih families' indirect management rights in Alarko Holding A.S. have become direct management rights. In other words, before and after the merger, there has been no change in the management of Alarko Holding A.S.,

As the ultimate management control of Alarko Holding A.S. before and after the said merger has not changed, the merger transaction has been defined as jointly controlled operations. Accounting for jointly controlled merger operations does not take place in the CMB Communiqué Nr. XI/25 or any other standard; hence it has been regarded as per the other generally accepted accounting standards trusting that the related transaction will reflect the economical essence of the said merger operations in the most precise manner and the accounting of jointly controlled merger operations has been realized such that all assets and liabilities of Anmak Holding A.S. consolidated with the exception of those related to the partnership with Alarko Holding A.S. are transferred at their book values. As a result, no goodwill is calculated in relation to the merger. The statements of income have been merged starting as of the beginning of the fiscal year in which the merger is realized.

The merger operation has resulted in the changes stated in Note 1. Such changes have not led to a major change in the structure of Alarko Holding A.S. especially due to the fact that Sansal İnşaat Sanayi ve Ticaret A.S. and Saret Sanayi Taahhütleri ve Ticaret A.S. newly included in the consolidation were not completely active establishments prior to the merger. For that reason, consolidated financial statements as of 31 December 2007 are regarded as an extension of the consolidated financial statements of Alarko Holding A.S. as of 31 December 2006 and the 31 December 2006 financials have not been revised.

The subsidiaries listed below have transferred their entire equities to the subsidiary Alsım Alarko Sanayi Tesisleri ve Ticaret A.S. as at the corresponding dates:

|                                                                   |                  |
|-------------------------------------------------------------------|------------------|
| Alsım-Aktobe Branch - West Kazakhstan Road Rehabilitation Project | 31 December 2007 |
| Alsım-Astana Airport Construction Project (Kazakhstan)            | 31 December 2007 |
| Alsım-Bishkek Almaty Road Construction Project (Kazakhstan)       | 30 June 2007     |
| Rostov Donsky Dabak Tobacco Plant Project                         | 31 December 2006 |

The said merger is a legal merger, hence no goodwill calculation has been made.

### 35. Subsequent Evets

- a) The termination indemnity upper limit which stood at TRY 2.030,19 as of 31 December 2007 has been increased to TRY 2.087,92 with effect from 1 January 2008 and to TRY 2.122,59 with effect from 1 July 2008 (31 December 2006 - TRY 1.857,44).
- b) As per the resolution of the Extraordinary General Meeting of Alfarm Alarko Leröy Su Ürünleri Sanayi ve Ticaret A.S., a jointly controlled entity, held as at 11 February 2008, decision is made to increase the TRY 1.100.000 share capital of the company by TRY 695.000 to reach a total of TRY 1.795.000 and to appropriate the total increased amount from the shareholders' current receivables.
- c) As per the resolution of the Extraordinary General Meeting of Altek Alarko Elektrik Santralları Tesis İşletme ve Ticaret A.S., a jointly controlled entity, held as at 6 February 2008, decision is made to increase the Company's share capital from TRY 2.000.000 to TRY 36.000.000 by TRY 34.000.000 of which TRY 14.548.000 is appropriated from the positive differences in share capital originating from inflation adjustment, TRY 2.820.000 is appropriated from the positive differences in legal reserves originating from inflation adjustment, TRY 9.140.000 is appropriated from the positive differences in extraordinary reserves originating from inflation adjustment, and TRY 7.492.000 is appropriated from retained earnings originating from inflation adjustment, and to distribute among shareholders bonus shares proportional to their paid in capital shares.
- d) As per the Ordinary General Meeting of the joint venture entity Altek Alarko Elektrik Santralları Tesis İşletme ve Ticaret A.S. held as at 19 March 2008, decision is made to write off the Company's 2007 profit amounting to TRY 14.496.901,58 against the prior year losses related to 2005 and 2006 amounting to a total of TRY 32.536.237,82.
- e) As per the Board Resolution of the subsidiary Alarko Gayrimenkul Yatırım Ortaklığı A.S. dated 5 March 2008 nr. 214, with the Company's net profit for the period stated in the 2007 financials amounting to TRY 3.106.176 and the distributable profit amounting to TRY 2.987.522 out of the Company's net profit for the period stated in the 2007 financials amounting to TRY 3.106.176, remaining after the first legal reserve of TRY 118.654 as per the Capital Markets legislation, the Company's Articles of Association, and other related provisions, decision

is made to distribute TRY 768.614 (corresponding to 25,73% of the distributable profit) among shareholders as dividends in cash; to start the dividend distribution as at 30 May 2008; to make second legal reserves from the distributable dividends at a total of TRY 49.411; and to add the remaining amount of TRY 2.169.497 to the extraordinary legal reserves.

- f)** As per the Board Resolution of the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. dated 21 February 2008 nr. 522, decision is made to establish a branch at the address "Kepezaltı Mahallesi, 3232. Sokak No:12 Antalya" under the name of "Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. Antalya Branch" whose principal activity is marketing of partial or complete turn key projects related to all kinds of construction, installation, machinery, assembly operations; and not to appropriate share capital to the said branch.
- g)** As per the Board Resolution of the subsidiary Saret Sanayi Taahhütleri ve Ticaret A.Ş. dated 25 February 2008 nr. 106, decision is made to acquire through transferring 100% of the shares of Alsim Alarko KZ. Ltd. from Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.
- h)** As per resolution of the Ordinary General Meeting of the subsidiary Saret Sanayi Taahhütleri ve Ticaret A.Ş. dated 19 March 2008, decision is made to write off TRY 17.352,86 of accumulated losses from the 2007 profit, not to make first legal reserve upon reaching legal limits, to distribute as dividends the remaining TRY 283.597,02 (gross) among the shareholders, to start the dividend distribution as at 3 November 2008, to make the second legal reserve as per the Article 466/3 of Turkish Law of Commerce at 10% of the balance remaining after 5% of the paid-in capital is appropriated as first dividends.
- i)** As per the Board resolution of the subsidiary San-Sal İnşaat, Tesisat, Sanayi ve Ticaret A.Ş. dated 3 March 2008 nr. 102, decision is made to change the name of the Company as "Alarko Enerji Üretim A.Ş." due to the addition of energy generation among the principal activities of the company.
- j)** As per the Board resolution of the subsidiary Alarko Deyaar Gayrimenkul Geliştirme A.Ş. dated 15 January 2008 nr. 5, decision is made to increase the Company's share capital amounting to TRY 50.000 by TRY 77.369.087 to reach a total of TRY 77.419.087, to appropriate as per the Partial Division Contract TRY 22.168.713 out of the increased portion as capital in kind through partial division of the real estates owned by the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş., and as Deyaar Development PJSC has made a cash commitment for the balance of TRY 55.200.374, decision is made to limit the pre-emptive rights of the other shareholders.
- k)** As per the resolution of the Ordinary General Meeting of the subsidiary Alamsaş Alarko Ağır Makina Sanayii A.Ş. dated 24 March 2008, decision is made to write off the Company's loss for the period amounting to TRY 335.005,07 from the amount transferred from 2006 profit to the extraordinary reserves, to distribute among shareholders the dividends of TRY 1.826.457,75 (gross) from the amounts transferred to extraordinary reserves from profits for the years 1981-2006, to make the dividend distribution as at 9 April 2008, to make the second legal reserves at a rate of 10% of the distributable profit as per the Article 466/3 of the Turkish Law of Commerce.
- l)** As per the resolution of the Ordinary General Meeting of the subsidiary Aldem Alarko Konut İnşaat ve Ticaret A.Ş. dated 19 March 2008, decision is made to set off the net 2007 profit of TRY 17.483,98 against accumulated losses.
- m)** As per the resolution of the Ordinary General Meeting of the subsidiary Attaş Alarko Turistik Tesisler A.Ş. dated 24 March 2008, decision is made to make first legal reserves appropriated out of the net 2007 profit of TRY 1.265.094,96 at a rate of 5% until such reserves equal to 20% of issued and fully paid capital; to distribute dividends in cash among shareholders at a total of TRY 460.000,00 (gross); to make 10% legal reserves as per the Article 466/3 of the Turkish Law of Commerce over the balance remaining after the first dividend share of 5% of the paid in capital is deducted from the total dividends to be distributed.
- n)** As per the resolution of the Ordinary General Meeting of the subsidiary Alarko Fenni Malzeme Satış ve İmalat A.Ş. dated 24 March 2008, decision is made to set off the net 2007 profit of TRY 22.411,61 against accumulated losses.
- o)** The joint venture established by the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. with Makyol İnşaat Sanayi Turizm ve Ticaret A.Ş., namely the project of "İstanbul Metro Construction Phase III Levent IV - Ayazağa Section, Seyrantepe Warehouse Area and Warehouse Connection Lines Construction and Electro-mechanical Systems Supply, Assembly and Launch Operations" has been undertaken upon the contract entered into with the İstanbul Municipality as at 24 December 2007 and registered at 18 January 2008. Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. and Makyol İnşaat Sanayi Turizm ve Ticaret A.Ş. interests in the joint venture are 51% and 49%, respectively.
- p)** The other shareholder of the affiliates Al-Riva Projesi Arazi Değ. Konut İns. ve Tic. A.Ş., Al-Riva Arazi Değ. Konut İns. ve Tic. A.Ş., Al-Riva Arazi Değ. Konut İns. Tur.Tes.Golf İşl. ve Tic. A.Ş. has filed for a legal case for dissolution of the said companies. The case is ongoing.
- r)** As per the resolution of the Board of Directors of Alarko Holding dated 13 March 2008 nr 595, decision is made to acquire the shares of Alamsaş Alarko Ağır Makina Sanayii A.Ş., a company owned by the jointly controlled company Alarko Carrier Sanayi ve Ticaret A.Ş., of TRY 187.475,48 nominal value at a total price of TRY 4.650.000, to make a 25% down payment corresponding to TRY 1.162.500 at the date of transfer operation, and the balance to be paid in three equal installments as at 30 June 2008, 29 September 2008, and 30 December 2008.

### 36. Discontinued Operations

As of 31 December 2007 and 2006, there are no discontinued operations.

### 37. Income from Principal Activities

Income on sales, net, consists of the following (TRY):

|                     | 31 December 2007          | 31 December 2006          |
|---------------------|---------------------------|---------------------------|
| Domestic sales      | 601.429.379               | 526.259.707               |
| Export sales        | 149.778.669               | 109.850.860               |
| Other sales         | 3.191.372                 | 2.617.200                 |
| Sales returns (-)   | (1.569.716)               | (1.387.633)               |
| Sales discounts (-) | (4.882.143)               | (2.680.371)               |
| Other discounts (-) | -                         | (21.936)                  |
|                     | <b><u>747.947.561</u></b> | <b><u>634.637.827</u></b> |

Cost of sales consist of the following (TRY) :

|                                  | 31 December 2007          | 31 December 2006          |
|----------------------------------|---------------------------|---------------------------|
| Cost of finished goods sold      | 40.746.971                | 34.701.327                |
| Cost of trade goods sold         | 95.922.563                | 65.333.685                |
| Cost of services sold            | 509.327.019               | 493.143.702               |
| Cost of semi-finished goods sold | 512.477                   | 608.821                   |
| Cost of other sales              | 6.855.441                 | 1.985.347                 |
|                                  | <b><u>653.364.471</u></b> | <b><u>595.772.882</u></b> |

### 38. Operating Expenses

Operating expenses consist of the following (TRY):

|                                             | 31 December 2007         | 31 December 2006         |
|---------------------------------------------|--------------------------|--------------------------|
| Research and development expenses           | 884.773                  | 819.902                  |
| Marketing, sales, and distribution expenses | 18.289.757               | 15.229.604               |
| General administration expenses             | 46.145.514               | 33.362.238               |
|                                             | <b><u>65.320.044</u></b> | <b><u>49.411.744</u></b> |

### 39. Income/Expense and Profit/Loss from Other Operations

Income and profits from other operations consist of the following (TRY):

|                                                | 31 December 2007          | 31 December 2006          |
|------------------------------------------------|---------------------------|---------------------------|
| Dividend income                                | 591.531                   | 1.631.753                 |
| Interest income                                | 25.685.394                | 14.196.714                |
| Commission income                              | 12.920                    | 36.969                    |
| Provisions no longer required                  | 3.650.228                 | 2.848.124                 |
| Profit on sales of marketable securities       | 8.429.779                 | 5.383.608                 |
| Foreign exchange gains                         | 61.850.269                | 124.219.629               |
| Rediscount interest income                     | 2.601.230                 | 2.230.612                 |
| Other income and profits related to operations | 21.010.665                | 23.251.324                |
| Prior period income and profits                | 217.786                   | 3.352                     |
| Profit on sales of fixed assets                | 824.876                   | 18.601.161                |
| Damages received                               | -                         | 11.945.407                |
| Other extraordinary income and profits         | 3.423.330                 | 1.235.176                 |
|                                                | <b><u>128.298.008</u></b> | <b><u>205.583.829</u></b> |

Expenses and losses from other operations consist of the following (TRY):

|                                         | 31 December 2007         | 31 December 2006          |
|-----------------------------------------|--------------------------|---------------------------|
| Commission expense                      | 27.917                   | 75.001                    |
| Provision expense                       | 45.908                   | 15.677                    |
| Loss on sales of marketable securities  | 638.061                  | 1.757.996                 |
| Foreign exchange losses                 | 82.776.721               | 60.415.066                |
| Rediscount interest expense             | 2.293.532                | 2.585.542                 |
| Other ordinary expenses and losses      | 8.868.502                | 9.117.574                 |
| Prior period expenses and losses        | -                        | 698                       |
| Loss on sales of fixed assets           | 2.976.256                | 42.632.313                |
| Other extraordinary expenses and losses | 99.476                   | 215.912                   |
|                                         | <b><u>97.726.373</u></b> | <b><u>116.815.779</u></b> |

### 40. Financial Expenses

Financial expenses consist of the following (TRY) :

|                               | 31 December 2007        | 31 December 2006         |
|-------------------------------|-------------------------|--------------------------|
| Short term borrowing expenses | 4.269.552               | 21.152.364               |
| Long term borrowing expenses  | 326.444                 | 532.895                  |
|                               | <b><u>4.595.996</u></b> | <b><u>21.685.259</u></b> |

### 41. Net Monetary Profit/Loss

CMB has declared that the high inflation period has come to an end. Therefore as of 31 December 2007 and 2006, the financial statements are no longer subject to inflation adjustments, hence monetary loss/gain is not reflected to the statement of income.

#### 42. Income Taxes

The corporation tax rate for 2007 and 2006 are 20% in Turkey. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

The Group's taxes for the current period is as follows (TRY):

|                                         | 31 December 2007         | 31 December 2006        |
|-----------------------------------------|--------------------------|-------------------------|
| Current period tax (Note 23)            | 10.736.171               | 7.031.827               |
| Deferred tax expense/(income) (Note 14) | 5.172.825                | [2.954.976]             |
| <b>Total tax expense</b>                | <b><u>15.908.996</u></b> | <b><u>4.076.851</u></b> |

#### 43. Earnings Per Share

Earnings per share is calculated as follows:

|                                                                                                            | 31 December 2007 | 31 December 2006 |
|------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Profit for the period (TRY)                                                                                | 37.644.509       | 48.311.969       |
| Weighted average number of ordinary shares at the beginning of the period*                                 | 176.880.000      | 16.080.000       |
| Number of shares arising from bonus issue realized on 27 June 2006*                                        | -                | 160.800.000      |
| Number of shares arising from capital increase made upon Anmak Holding merger realized as at 13 July 2007* | 27.079.065       | -                |
| Number of shares arising from profit on sales of real estates realized as at 13 December 2007*             | 11.917.165       | -                |
| Cross shareholding adjustment*                                                                             | (587.562)        | (555.126)        |
| Weighted average number of revised shares *                                                                | 201.749.137      | 188.242.039      |
| Earnings per share (TRY)                                                                                   |                  |                  |
| - Ordinary                                                                                                 | 0,187            | 0,274            |
| - Revised                                                                                                  | 0,187            | 0,257            |

\* Per share of TRY 1 nominal value.

The Company Management has declared that the distributable profit as per the accompanying consolidated financial statements is higher than that stated in the legal books, hence the profit to be distributed stated in the legal books is taken as bases in the profit distribution.

#### 44. Statement of Cash Flows

Cash flows realized in the current period are as follows (TRY):

|                                                      | 31 December 2007 | 31 December 2006 |
|------------------------------------------------------|------------------|------------------|
| Net cash inflows/outflows from principal activities  | (1.509.172)      | (12.597.461)     |
| Net cash inflows/outflows from investment activities | (35.663.676)     | 53.259.190       |
| Net cash inflows/outflows from financial activities  | 61.343.061       | 2.973.316        |

#### 45. Other Issues Materially Affecting the Financial Statements or Requiring Disclosure for a Proper Interpretation and Understanding of the Financial Statements

a) Insurance totals of assets with respect to the periods are as follows (TRY);

|                  |               |
|------------------|---------------|
| 31 December 2007 | 1.326.013.812 |
| 31 December 2006 | 1.512.096.551 |

b) As of 31 December 2007, remuneration provided to top executives such as the CEO and members of the Board of Directors amount to TRY 9.637.371 (31 December 2006 - TRY 7.175.593).

c) In the letter sent by the Competition Authority to Alarko Carrier Sanayi ve Ticaret A.S. (Company), a jointly controlled entity, it is stated that a judicial inquiry is set up for the purpose of determining whether the agreements entered into between the Company and its authorized dealers and services include competitive restrictions. As a result of the investigation made upon the mentioned letter, it has been communicated to the Company on 8 March 2007 that an administrative penalty of TRY 225.273 that corresponds 0,1% of the net sales of 2005 year has been inflicted on the Company. Provision has been booked for total amount of administrative penalty in the accompanying financial statements. As of 11 June 2007 the Company has filed for suspension of execution followed by an application for rejection of resolution to the State Council, however neither action is finalized as of the reporting date.

# PROFIT DISTRIBUTION RECOMMENDATION

**1)** Pursuant to the Capital Market Legislation, Company's Articles of Association and other applicable laws, the amount that is TRY 11.320.831,- representing the distributable profit to remain after setting aside TRY 16.228,- as first order legal reserves and deducting the amount of TRY 26.307.450,- the net profit of subsidiaries and affiliates that are not subject to distribution out of TRY 37.644.509,- representing the net profit for the year 2007 as in the consolidated financial statements for the period. The net distributable profit for the period in legal records is TRY 308.331,78.

We propose:

- Since 20 % of TRY 11.322.121,- consisting of donations of TRY 1.290,- added to the net distributable profit for the period is more than the net distributable profit for the period in legal records, distributing TRY 308.331,78 (gross) to shareholders as dividend in cash,
  - Adding the remaining sum to extraordinary legal reserves,
- 2)** Distributing a total of TRY 1.958.368,22 (gross) consisting of TRY 1.516.914,- from the extraordinary reserve set aside from the profits of 2005 and TRY 441.454,22 from the extraordinary reserve set aside from the profits of 2006 to the shareholders in cash.
- 3)** Setting aside the applicable tax on the dividend that is subject to taxes.
- 4)** Starting the distribution of dividends on 30 May 2008.

## Board of Directors

# STATUTORY AUDITORS' REPORT

## TO THE ANNUAL GENERAL MEETING OF ALARKO HOLDING A.Ş.

### THE COMPANY'S

|                     |                                                            |
|---------------------|------------------------------------------------------------|
| <b>NAME</b>         | : ALARKO HOLDING A.Ş.                                      |
| <b>HEADQUARTERS</b> | : Muallim Naci Cad. No: 69 34347 Ortaköy - İstanbul        |
| <b>CAPITAL</b>      | : Registered : TRY 500.000.000<br>Issued : TRY 215.876.230 |

**PRINCIPLE BUSINESS ACTIVITY** : As indicated in the articles of incorporation

### **NAMES, TERMS OF OFFICE AND SHAREHOLDER/EMPLOYEE STATUS OF THE STATUTORY AUDITORS:**

1. MUSTAFA AYDIN AYSAN (Term of office: 24.07.2007-22.05.2008 He is not a company shareholder or employee.)
2. AHMET ZEYYAT HATİPOĞLU (Term of office: 24.07.2007-22.05.2008 He is not a company shareholder or employee.)
3. HALİL KEMAL KAFALI (Term of office: 24.07.2007-22.05.2008 He is not a company shareholder or employee.)

### **NUMBER OF BOARD OF DIRECTORS' MEETINGS PARTICIPATED IN AND BOARD OF STATUTORY AUDITORS' MEETING HELD:**

Three Board of Directors' meetings were participated in and two Board of Statutory Auditors' meetings were held.

### **SCOPE OF EXAMINATIONS PERFORMED ON COMPANY ACCOUNTS, BOOKS AND DOCUMENTS; DATES OF EXAMINATIONS; CONCLUSIONS REACHED:**

The company's legal books of accounts and documents were examined twice for compliance with the provisions of the Turkish Commercial Code, of laws and regulations, of the company's articles of incorporation and of the general assembly and board of director regulations. The first examination occurred on July 26-27, 2007 for the first six months of the year, and the second on January 29-30, 2008 for the second six months. The results of both inspections appeared to be satisfactory.

### **NUMBER OF COUNTS MADE AT THE COMPANY'S CASH OFFICE AS REQUIRED BY ARTICLE 353 PARAGRAPH 1 SUBPARAGRAPH 3 OF THE TURKISH COMMERCIAL CODE AND THE CONCLUSIONS REACHED:**

The company's cash office was inspected and a count made four times.

### **DATES OF INSPECTIONS PERFORMED AS REQUIRED BY ARTICLE 353 PARAGRAPH 1 SUBPARAGRAPH 4 OF THE TURKISH COMMERCIAL CODE AND THE CONCLUSIONS REACHED:**

The company's records were checked every month to see whether or not the instruments referred to in the Turkish Commercial Code Article 353/1-4 were present. The instruments were observed to be in accordance with the records.

### **COMPLAINTS AND IRREGULARITIES REFERRED TO THE STATUTORY AUDITORS AND ACTION TAKEN CONCERNING THEM:**

No complaints or irregularities were referred to the statutory auditors from 24.07.2007, the date they assumed their duties, to the present. We have examined the accounts and transactions of the firm Alarko Holding A.Ş. for the period January 1, 2007 to December 31, 2007 in light of the requirements of the Turkish Commercial Code, the company's articles of incorporation and other laws and regulations as well as of generally accepted accounting principles and standards.

It is our opinion that the attached balance sheet issued as of December 31, 2007, the contents of which we approve, realistically and accurately reflects the financial standing of the company on that date; that the income statement for the period January 1, 2007 to December 31, 2007 similarly reflects the results of its activities for the same period and that the proposal for profit distribution is in compliance with laws and the company's articles of incorporation.

We recommend a vote for the approval of the balance sheet and income statement and for the acquittal of the Board of Directors.

### **THE BOARD OF AUDITORS**

Prof. Dr. Mustafa Aydın Aysan   Prof. Dr. Ahmet Zeyyat Hatipoğlu   Prof. Dr. Halil Kemal Kafalı



# CONCLUSION

Esteemed Shareholders,

As usual, we have reflected our activities related to the year 2007 and the important matters concerning our Group of Companies in detail in our Annual Report.

Our efforts towards developing in a sound way without losing our competitive power will be maintained in the future years. We are sure that we will achieve our goals despite economic ambiguity.

Our colleagues will continue to have the biggest share in this regard thanks to their result-oriented and conscientious work.

We would like to extend our gratitude to you, our esteemed shareholders, who have always stood by us and given us your support in all the efforts we have made and will make to reach our goal, and wish you a healthy, successful year.

**Board of Directors**





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