TEKFEN HOLDİNG ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS WITH THE
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR
ENDED 31 DECEMBER 2008

Deloitte.

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 2008 – 31 DECEMBER 2008

To the Board of Directors of
Tekfen Holding Anonim Şirketi

We have audited the accompanying consolidated financial statements of Tekfen Holding Anonim Şirketi (the "Company") and its subsidiaries (together "Group"), which comprise the consolidated balance sheet of 31 December 2008, and the related consolidated statements of income, changes in equity and cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Translated into English from the report originally issued Turkish

Deloitte.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards announced by the Capital Markets Board.

Without qualifying our opinion, we draw your attention to the following matter:

As explained in note 17, the uncertainty about the legal proceedings which started with the written notice of Samsun Municipality informing Toros Tarım Sanayi ve Ticaret A.Ş. ("Toros Tarım") management about the closure of its Samsun Gübre facility still continues due to the Group's continuing legal claims and appeals against the aforementioned decision at the State Council as of the date of this report.

Istanbul, 8 April 2009

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

Ömer Tanrıöver
Partner

Translated into English from the report originally issued Turkish

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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

ASSETS	Notes	31 December 2008	31 December 2007
Current Assets		**1,930,324**	**1,443,211**
Cash and cash equivalents	5	504,767	521,653
Trade receivables	8	452,055	339,054
Other receivables	9	16,526	9,655
Inventories	10	392,338	232,512
Receivables from ongoing construction contracts	11	473,223	254,824
Other current assets	20	79,572	75,745
		1,918,481	1,433,443
Assets classified as held for sale	28	11,843	9,768
Non Current Assets		**1,066,426**	**977,574**
Trade receivables	8	18,484	12,038
Other receivables	9	10,373	11,523
Financial investments	6	37,587	59,438
Investments valued by equity method	12	94,678	84,282
Invesment property	13	107,502	109,362
Property, plant and equipment	14	684,183	593,268
Intangible assets	15	3,097	4,085
Deferred tax assets	29	38,523	39,385
Other non current assets	20	71,999	64,193
TOTAL ASSETS		**2,996,750**	**2,420,785**

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

LIABILITIES	Notes	31 December 2008	31 December 2007
Current Liabilities		**1,530,977**	**1,020,350**
Financial borrowing	7	552,143	347,850
Trade payables	8	604,795	339,514
Other payables	9	27,647	20,099
Current tax liability	29	8,440	22,782
Ongoing construction progress payments	11	5,842	36,262
Provisions	17	20,767	14,358
Employee benefits	19	37,155	26,760
Other short term liabilities	20	274,188	212,725
Non Current Liabilities		**123,050**	**183,331**
Financial borrowing	7	65,716	75,139
Trade payables	8	2,014	1,502
Other payables	9	1,031	9,654
Employee benefits	19	29,242	27,748
Deferred tax liabilities	29	25,047	30,939
Other long term liabilities	20	-	38,349
SHAREHOLDERS' EQUITY		**1,342,723**	**1,217,104**
Equity of Parent Company		**1,323,472**	**1,201,340**
Paid in capital	21	296,775	296,775
Capital structure adjustments	21	3,475	3,475
Premiums in capital stock	21	301,839	301,839
Revaluation funds	21	18,682	42,560
Currency translation reserve	21	31,302	(43,410)
Restricted profit reserves	21	12,354	3,560
Retained earnings	21	568,013	317,284
Net profit for the year		91,032	279,257
Minority Interest		**19,251**	**15,764**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,996,750**	**2,420,785**

The accompanying notes form an integral part of these financial statements.
Translated into English from the report originally issued in Turkish.

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2008

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Notes	1 January-31 December 2008	1 January-31 December 2007
CONTINUING OPERATIONS			
- Revenue	22	2,517,891	1,901,909
- Cost of revenue (-)	22	(2,198,734)	(1,626,638)
GROSS PROFIT		**319,157**	**275,271**
- Marketing, selling and distribution expenses (-)	23	(76,129)	(68,446)
- General administrative expenses (-)	23	(85,303)	(82,179)
- Research and development expenses (-)	23	(859)	(624)
- Other operating income	25	18,422	16,641
- Other operating expenses	25	(16,794)	(15,009)
OPERATING PROFIT		**158,494**	**125,654**
- Share on profit / (loss) of investments valued using equity method	12	11,533	8,463
- Financial income	26	201,177	103,234
- Financial expenses	27	(237,977)	(86,457)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		**133,227**	**150,894**
Continuing operations tax expense	29	**(42,372)**	**(25,893)**
- Tax expense for the year		(50,291)	(34,673)
- Deferred tax income / (expense)		5,865	10,239
- Currency translation reserve		2,054	(1,459)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**90,855**	**125,001**
DISCONTINUED OPERATIONS			
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	28	-	154,889
PROFIT FOR THE YEAR		**90,855**	**279,890**
Distribution of Profit For The Year			
Share of minority on profit		(177)	633
Share of parent company		91,032	279,257
Earnings Per Share from Continuing Operations	30	0.307	0.516
Earnings Per Share from Discontinued Operations	30	-	0.642

The accompanying notes form an integral part of these financial statements.
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TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

				Revaluation funds							
Note: 21	Paid in capital	Capital structure adjustment	Premiums in capital stock	Property, plant and equipment revaluation fund	Fair value reserve of financial assets	Foreign currency translation reserve	Legal reserves	Net profit for the year	Retained earnings	Minority interest shares	Total
Opening balances as of 1 January 2007	104,000	3,475	-	3,128	39,500	(7,169)	10,615	80,975	379,767	19,227	633,518
Foreign currency translation reserve	-	-	-	-	-	(36,241)	-	-	-	(2,129)	(38,370)
Group's share on premiums in capital stock of investments in associates accounted by equity method	-	-	855	(299)	543	-	-	-	-	-	1,099
Increase in premiums in issued stock	-	-	380,618	-	-	-	-	-	-	-	380,618
Public offering expenses	-	-	(12,859)	-	-	-	-	-	-	-	(12,859)
Change in fair value reserve of financial assets	-	-	-	-	2,106	-	-	-	-	-	2,106
Net income/(expense) recognized directly in equity	-	-	368,614	(299)	2,649	(36,241)	-	-	-	(2,129)	332,594
Effect of sale of subsidiaries	-	-	-	(2,244)	(174)	-	-	-	-	(1,967)	(4,385)
Net profit for the year	-	-	-	-	-	-	-	279,257	-	633	279,890
Total income and expense for the period	-	-	368,614	(2,543)	2,475	(36,241)	-	279,257	-	(3,463)	608,099
Capital increase from premiums in issued stock	66,775	-	(66,775)	-	-	-	-	-	-	-	-
Transfers to retained earnings	-	-	-	-	-	-	-	(80,975)	80,975	-	-
Effect of sale of subsidiaries	-	-	-	-	-	-	(7,330)	-	7,330	-	-
Capital increase from retained earnings	126,000	-	-	-	-	-	-	-	(126,000)	-	-
Transfers to reserves from retained earnings	-	-	-	-	-	-	275	-	(275)	-	-
Payment of dividends	-	-	-	-	-	-	-	-	(24,513)	-	(24,513)
Balance as of 31 December 2007	296,775	3,475	301,839	585	41,975	(43,410)	3,560	279,257	317,284	15,764	1,217,104
Foreign currency translation reserve	-	-	-	-	-	74,712	-	-	-	3,664	78,376
Group's share on net assets of investments in associates accounted by equity method	-	-	-	1,470	(4,780)	-	-	-	-	-	(3,310)
Change in fair value reserve of financial assets	-	-	-	-	(20,568)	-	-	-	-	-	(20,568)
Net income recognized directly in equity	-	-	-	1,470	(25,348)	74,712	-	-	-	3,664	54,498
Net profit for the year	-	-	-	-	-	-	-	91,032	-	(177)	90,855
Total income and expense for the period	-	-	-	1,470	(25,348)	74,712	-	91,032	-	3,487	145,353
Transfers to retained earnings	-	-	-	-	-	-	-	(279,257)	279,257	-	-
Transfers to reserves from retained earnings	-	-	-	-	-	-	8,794	-	(8,794)	-	-
Payment of dividends	-	-	-	-	-	-	-	-	(19,734)	-	(19,734)
Balance as of 31 December 2008	296,775	3,475	301,839	2,055	16,627	31,302	12,354	91,032	568,013	19,251	1,342,723

The accompanying notes form an integral part of these financial statements.
Translated into English from the report originally issued in Turkish.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Notes	1 January- 31 December 2008	1 January- 31 December 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		91,032	279,257
Adjustments to reconcile net income to cash provided by operating activities:			
Share of minority in profit / (loss)		(177)	633
Gain on sale of subsidiary	28	-	(154,889)
Depreciation of tangible assets	14	84,040	62,473
Amortization of inangible assets	15	2,743	1,607
Depreciation of investment property	13	3,147	3,052
Other employee benefits	19	1,228	1,263
Reversal of unnecessary provisions	8,17	(1,705)	(3,245)
Provision for litigation	17	7,887	4,866
Discount on trade and notes receivables	27	3,672	3,408
Discount on trade and notes payables	26	(1,880)	(3,299)
Provision for retirement pay provision	19	12,107	9,706
Provision for bonuses		6,258	8,179
Provision for vacation pay liability		8,580	4,999
Group's share on net assets of investments in associates accounted by equity method	12	(11,533)	(8,463)
Gain / (loss) on sale of tangible asset (net)	25	(4,802)	(2,456)
Allowances for doubtful receivables	8	823	1,571
Impairment provision for inventory	10	78,116	-
Allowances for diminution in value of available for sale investments	6	-	3,005
Changes in available for sale investments	6	1,283	1,129
Changes in assets classified as held for sale	28	(2,075)	(865)
Interest income	26	(75,265)	(23,851)
Finance income on sales	26	(3,611)	(2,091)
Interest income from legally approved claims	26	(9,961)	-
Interest expense	27	48,204	48,625
Loss provisions on ongoing construction contracts	11	47	(3,626)
Dividend income	26	(5,536)	(7,326)
Adjustments recognized in current year in relation to the corporate tax of previous years	29	-	(1,380)
Allowance for taxation	29	42,372	25,893
Cash flows from operating activities before movements in working capital		274,994	248,175

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Notes	1 January 31 December 2008	1 January 31 December 2007
MOVEMENTS IN WORKING CAPITAL			
Changes in trade receivables	8	(122,621)	(27,762)
Changes in inventories	10	(237,942)	(10,916)
Changes in trade payables	8	265,945	(52,082)
Changes in other short term liabilities	20	61,463	73,563
Changes in other receivables	9	(6,871)	8,786
Changes in receivables from ongoing construction contracts	11	(218,446)	(45,295)
Changes in due to related parties	8,31	1,216	(9,938)
Changes in other current assets	20	(3,827)	3,981
Changes in due from related parties	8,31	5,085	(1,057)
Changes in other payables	9	7,548	(4,939)
Changes in ongoing constrcution contracts payments	11	(30,420)	(25,693)
Changes in other long term payables	9	(8,623)	(13,380)
Changes in other long term trade receivables	8	(6,446)	(8,051)
Changes in long term trade payables	8	512	(16,737)
Changes in other long term receivables	9	1,150	1,303
Changes in other long term assets	20	(7,806)	(693)
Changes in other long term liabilities	20	(38,349)	16,722
		(338,432)	(112,188)
Cash (used in) / generated by operating activities		(63,438)	135,987
Interest received		85,249	20,103
Interest paid		(46,183)	(42,613)
Tax paid	29	(64,633)	(12,181)
Penalty of litigation paid	17	(972)	(703)
Bonuses paid		(7,610)	(1,801)
Vacation pay liabitity paid		(6,049)	(697)
Retirement pay provision paid	19	(9,162)	(4,756)
Cash (used in) / generated by operating activities		(112,798)	93,339

TEKFEN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Notes	1 January-31 December 2008	1 January-31 December 2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of a subsidiary	28	-	255,192
Effect of investments in associates subsidiaries accounted by equity method		(2,173)	(44,478)
Acquisition of tangible assets	14	(81,130)	(71,851)
Acquisition of intangible assets	15	(1,734)	(2,083)
Proceeds from sale of tangible assets	14	42,023	19,148
Proceeds from sale of intangible assets	15	99	-
Dividend income from subsidiaries	26	5,536	7,326
Cash (used in) / generated by investing activities		(37,379)	163,254
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase due to public offering		-	66,775
Changes in premiums in capital stock		-	300,984
Proceeds from borrowings		633,348	520,593
Repayments of borrowings		(528,957)	(701,554)
Effect of discontinued operations on borrowings		-	(16,079)
Finance lease paid		(40,705)	(9,329)
Dividends paid		(19,734)	(24,513)
Cash generated by financing activities		43,952	136,877
CHANGE IN CASH AND CASH EQUIVALENTS		(106,225)	393,470
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		521,653	209,484
Translation reserve (net)		85,751	(87,140)
Accrued interest on cash and cash equivalents		3,588	5,839
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		504,767	521,653

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Majority shares of Tekfen Holding A.Ş. ("the Group") are controlled by: Necati Akçağlılar, Feyyaz Berker, and Ali Nihat Gökyiğit. The Company and its subsidiaries are referred to as the "Group" in the accompanying consolidated financial statements.

As of 31 December 2008, the Group has 16,868 employees (31 December 2007: 15,738) including the personnel of subcontractors. Registered address of the Company is Kültür Mahallesi, Aydınlık Sokak, Tekfen Sitesi A Blok No: 7 Beşiktaş, İstanbul / Türkiye.

Company shares are publicly traded beginning 23 November 2007 on Istanbul Stock Exchange.

As of 31 December 2008 registered names of the subsidiaries, joint ventures and branches, nature of their business, countries of their origin and the business segments they belong to are listed below.

Registered Name of Subsidiaries	Nature of Business	Country of Origin	Business Segment
Tekfen Sigorta Aracılık Hizmetleri A.Ş. "Tekfen Sigorta"	Insurance Service	Turkey	Other
Tekfen Dış Ticaret A.Ş. "Tekfen Dış Ticaret"	"Discontinued operation"	Turkey	Other
Belediye Tüketim Malları İthalat İhracat Ticaret ve Pazarlama A.Ş. "Belpa"	Trade	Turkey	Real Estate
Tekfen Kültür Sanat Ürünleri Yapım ve Yayın San. Tic. A.Ş. "Tekfen Kültür"	Cultural activities	Turkey	Other
Tekfen Turizm İşletmecilik A.Ş."Tekfen Turizm"	Service	Turkey	Real Estate
TST Investment Holding S.A. "TST Holding"	Investment	Luxembourg	Other
TST International Finance S.A. "TST Finance"	Investment	Luxembourg	Other
TST International Trading Limited "TST Trading"	Trading	Ireland	Agriculture
TST International Limited "TST Ltd."	Trading	United Kingdom	Agriculture
Petrofertil Shipping S.A. "Petrofertil Shipping"	Service	Panama	Agriculture
Petrofertil Trading Limited "Petrofertil Trading"	Trading	United Kingdom	Agriculture
Industrial Supply and Trading Company Limited "Industrial Supply"	Trading	United Kingdom	Agriculture
Toros Gayrimenkul Yatırım A.Ş. (1)	Real Estate	Turkey	Agriculture
Toros Tarım Sanayi ve Ticaret A.Ş. "Toros Tarım"	Manufacturing – Agriculture - Seedling	Turkey	Agriculture
Toros Adana Yumurtalık Serbest Bölgesi Kurucu ve İşleticisi A.Ş. "Tayseb"	Service	Turkey	Agriculture
Toros Terminal Servisleri A.Ş. "Toros Terminal"	Service	Turkey	Agriculture
Toros Enerji Elektrik Üretimi Otoprodüktör Grubu A.Ş. "Toros Enerji" (2)	Energy – Manufacturing	Turkey	Agriculture
Hishtill Toros Fidecilik Sanayi ve Ticaret A.Ş. "H-T Fidecilik"	Seedling – Agriculture	Turkey	Agriculture
Türk Arap Gübre A.Ş. "Türk Arap Gübre"	Manufacturing – Agriculture	Turkey	Agriculture
HMB Hallesche Mitteldeutsche Bau-Aktiengesellschaft, Halle "HMB"	Trading	Germany	Contracting
Tekfen Endüstri ve Ticaret A.Ş. "Tekfen Endüstri"	Trading	Turkey	Other

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

Registered Name of Subsidiaries (cont'd)	Nature of Business	Country of Origin	Business Segment
Toros Gemi Acenteliği ve Ticaret A.Ş. " Toros Gemi"	Shipping Agent	Turkey	Agriculture
Karaca Giyim Sanayi ve Ticaret A.Ş. "Karaca Giyim" (3)	"Discontinued operation"	Turkey	Other
Papfen Joint Stock Company "Papfen"	Textile	Uzbekistan	Other
Tekfen International Finance and Investments S.A. "Tekfen Finance"	Investment	Luxembourg	Other
Tekfen Participations S.A. "Tekfen Participations"	Investment	Luxembourg	Other
Tekfen International Limited "Tekfen International Ltd"	Investment	United Kingdom	Contracting
Tekfen Construction and Installation Company Limited "Tekfen Construction"	Construction	Ireland	Contracting
Antalya Stüdyoları A.Ş. "Antalya Stüdyoları"	Studio Management	Turkey	Other
Kablotek Kablo Şebekeleri Tesis İşletme Mühendislik İnş. Tic. San. A.Ş. "Kablotek"	Cable TV network operator	Turkey	Other
Tekfen Emlak Geliştirme Yatırım ve Ticaret A:Ş. "Tekfen Emlak"	Real Estate	Turkey	Real Estate
Tekfen İnşaat ve Tesisat A.Ş. "Tekfen İnşaat"	Construction	Turkey	Contracting
Tekfen Mühendislik A.Ş. "Temaş"	Engineering	Turkey	Contracting
Tekfen İmalat ve Mühendislik A.Ş. "Timaş"	Manufacturing	Turkey	Contracting
Cenub Tikinti Servis ASC. "Cenub Tikinti"	Construction	Azerbaijan	Contracting

(1) Merged under Toros Tarım Sanayi ve Ticaret A.Ş. as of 30 June 2008.
(2) Merged under Toros Tarım Sanayi ve Ticaret A.Ş. as of 31 July 2008.
(3) Liquidated as of 30 November 2008.

As of 31 December 2008, branches included in the Group's consolidation are as follow:

Branch Name	Nature of Business	Place of Operation and Country of Origin
Tekfen İnşaat – Bakü Office	Construction	Azerbaijan
Tekfen İnşaat – Saudi Arabia Office	Construction	Saudi Arabia
Tekfen İnşaat – Morocco Office	Construction	Morocco
Tekfen İnşaat – Kuwait Office	Construction	Kuwait
Tekfen İnşaat – Qatar Office	Construction	Qatar
Tekfen İnşaat – Dubai Office	Construction	United Arab Emirates
Tekfen İnşaat – Muscat Office	Construction	Oman
Tekfen İnşaat – Georgia Office	Construction	Georgia

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

The Group's management conducts its operations within four principal business segments; Contracting, Agriculture, Real Estate and Other operations. Nature of business of Group companies is summarized below:

Contracting Group

Contracting group undertakes infrastructure and industrial construction projects in Turkey, Saudi Arabia, Azerbaijan, Kuwait, Kazakhstan, Morocco, Qatar and Libya. Contracting group especially specializes on construction of petroleum and gas facilities. Contracting group expanded its operations in Libya, Qatar, Bulgaria, and Omman. Terminals, offshore platforms, tank farms, pipe lines, petroleum refineries, pumping stations, generating station, highway and metro project, electricity and telecommunication systems, residential and trading centers , stadium and sport complex are included in Contracting group's scope of activity.

Agricultural Group

Agricultural group has operations in chemical fertilizer, ground and vegetable grain, seedling, energy production and sapling production distribution and trade since 1981. In addition to these operations, harbor and free zone operations are included in the operations of agricultural industry group. In 2008 Toros Enerji Elektrik Üretimi Otoprodüktör Group A.Ş. and Toros Gayrimenkul Yatırım A.Ş., merged with Toros Tarım Sanayi ve Ticaret A.Ş. (Toros Tarım).

Real Estate Group

Real Estate branch founded in 2000 operates in designing, constructing, renting, and sale of real estates such as residents, offices, shopping centers and hotels.

Other Operations

Operations of Other segment comprise of light-pulp trading, cotton yarn trading, insurance services and holding operations. Holding operations executed by Tekfen Holding A.Ş. make amends to Group's financial needs when needed. Moreover, dividend income and rent income provided constitute Holding's main revenue from operations. Income provided from the consolidation of Eurobank Tekfen A.Ş. and Tekfen Oz Gayrimenkul Geliştirme A.Ş. by equity method are disclosed in this segment.

Dividend payments:

Board of Directors has offered to pay bonus dividends to its shareholders out of the current year profit in the amount of 0.247 on 8 April 2009. Dividend payments being subject to approval of shareholders in the annual general assembly meeting, has not been included in the accompanying financial statements as a liability. Estimated total dividend payment to take place is 73,225 and the cash dividend amount to be paid to dividend right certificate owners is 1,658.

Approval of financial statements:

Financial statements approved by the Board of Directors and have been granted authorization to be published on the date of 8 April 2009. The Board reserves its right to modify and change these financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The Basis for Presentation

Basis of Preparation of Financial Statements and Summary ~~of~~ Significant Accounting Policies

The Group companies registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation. Books of account of subsidiaries and joint ventures established in abroad are prepared in accordance with legislation requirements of their country of origin.

The Capital Markets Board ("CMB") has established principles, procedures and basis on the preparation of financial reports by enterprises and the representation of the reports with Communiqué Series XI, No: 29 "Communiqué on Capital Market Financial Reporting Standards". This Communiqué is applicable for the first interim financial statements to be prepared after 1 January 2008 and with this Communiqué, the Communiqué Series XI, No:29 "Communiqué on Capital Market Accounting Standards" has been repealed. In accordance with this Communiqué, the companies are supposed to prepare their financial statements in accordance with the International Financial Reporting Standards ("IAS/IFRS") accepted by the European Union. Nevertheless, until the discrepancies between the IAS/IFRS accepted by the European Union, and the IAS/IFRS declared by IASB are announced by the Turkish Accounting Standards Board ("TASB"), IAS/IFRS will be in use. Under these circumstances, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS"), which are the standards published by TASB, not contradicting with IAS/IFRS will be predicated on.

The accompanying financial statements have been prepared in accordance with IFRS and comply with CMB's decree announce on 14 April 2008 regarding the format of the financial statements and footnotes since at the date of the issuance of these financial statements the differences of IAS/ IFRS accepted by the European Union are not declared by the TASB. Accordingly, some reclassifications are made in the prior year financial statements.

All financial statements have been prepared on cost basis principal.

Functional and Reporting Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Functional and reporting currency of the Group's Contracting segment is US Dollars and consolidated reporting currency of the Group is TRY. In accordance with IAS 21 ("The Effects of Changes in Foreign Exchange Rates"), balance sheet items are translated into TRY with the US Dollars rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate. Gain/loss arising from the translation is recognized in the foreign currency translation reserve under equity.

The individual financial statements of branches operating in Contracting segment are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements of Contracting segment, balance sheet items are translated into US Dollars with the US Dollars rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

The exchange rate announced by the Turkish Central Bank as of 31 December 2008 is; 1 USD=1.5123 TRY, 1 EUR=2.1408 TRY, 1 MAD=0.190 TRY, 1 OMR=3.928 TRY, 1 KWD=5.479 TRY, 1 SR=0.403, 1 QR=0.414 TRY (On 31 December 2007; 1 USD=1.1647 TRY, 1 EUR=1.7102 TRY, 1 MAD=0.152 TRY, 1OMR=3.036 TRY, 1 KWD=4.029 TRY, 1 SR=0.311 TRY, 1 QR=0.312 TRY).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 The Basis for Presentation (cont'd)

Functional and Reporting Currency (cont'd)

In accordance with Law No: 5083 "Monetary Unit of the Turkish Republic" (Law No: 5083), the name of the Turkish Republic's monetary unit and its sub-currency unit was changed to the New Turkish Lira ("YTL") and the New Turkish Cent ("Ykr"), respectively. However, in accordance with the additional order of the Council of Ministers in regards to the order on the Removal of the phrase "New" in the New Turkish Lira and the New Turkish Cent and Its Application Principles, the phrase "New" used in the Turkish Republic's monetary unit is removed both from YTL and in Ykr as of 1 January 2009. Therefore, the Company's financial statements are prepared and presented in TL ("TRY") accordingly.

Adjustment of Financial Statements in Hyperinflationary Periods

As per the 17 March 2005 dated, 11/367 numbered decree of CMB, companies engaged in Turkey and those of which prepare their financial statements in accordance with the CMB Accounting Standards (including IAS/IFRS exercisers), use of inflationary accounting standards have been discontinued effective 1 January 2005. Pursuant effectuation, "Financial Reporting Standards in Hyperinflationary Economies" issued by the International Accounting Standards Committee (IASC), ("IAS 29") was no longer applied henceforward.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 The Basis for Presentation (cont'd)

Consolidation Principles

As of 31 December 2008, Group's subsidiaries are as follow:

	Direct Share Participation %		Effective Share Participation %	
Registered Name of the Subsidiary	2008	2007	2008	2007
Tekfen Sigorta	100	100	100	100
Tekfen Dış Ticaret	100	100	100	100
Belpa	95	95	95	95
Tekfen Kültür	100	100	100	100
Tekfen Turizm	100	100	100	100
Tekfen Emlak	100	100	100	100
TST Holding	100	100	100	100
TST Finance	100	100	100	100
TST Trading	100	100	100	100
TST Ltd.	100	100	100	100
Petrofertil Shipping	100	100	100	100
Petrofertil Trading	100	100	100	100
Industrial Supply	100	100	100	100
Toros Gayrimenkul	100	100	100	100
Toros Tarım	100	100	100	100
Tayseb	100	100	100	100
Toros Terminal	100	100	100	100
Toros Enerji	100	100	100	100
H-T Fidecilik	50	50	50	50
Türk Arap Gübre	80	80	80	80
Tekfen Endüstri	99	99	99	99
Toros Gemi	100	100	100	100
Karaca Giyim (*)	-	100	-	100
Tekfen İnşaat	100	100	100	100
Temaş	100	100	100	100
Timaş	100	100	100	100
HMB	100	100	100	100
Papfen	85	85	85	85
Cenub Tikinti	65	65	65	65
Tekfen Finance	100	100	100	100
Tekfen Participations	100	100	100	100
Tekfen International Ltd.	100	100	100	100
Tekfen Construction	100	100	100	100
Antalya Stüdyoları	100	100	100	100
Kablotek	100	100	100	100

(*) Group's subsidiary Karaca Giyim was liquidated as of 30 November 2008.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 The Basis for Presentation (cont'd)

Consolidation Principles (cont'd)

Consolidated financial statements are made of entities' financial statements that are either administered by the Company and its subsidiaries or of those that are managed jointly. Governance is maintained through the financial and operational policies applied over an entity for profit purposes.

Proceeds generated from the acquisition or the sale of any subsidiary during the year is included in the consolidated statement of income following the acquisition date or until the date their sales are final.

Where necessary, adjustments are made to the financial statements of subsidiaries to be in compliance with the accounting policies used by other members of the Group.

All significant transactions and balances between the Group and its consolidated subsidiaries have been eliminated during the consolidation.

Minority shares in net assets of the consolidated subsidiaries are disclosed separately within the Group's shareholders' equity. Minority shares are the total of changes in minority shares found in equity. Except for the possibility to act as a provision for liabilities and to provide additional investments in order to make amends to any losses that may incur, losses that belong to minority shares exceeding their shares in the subsidiaries' equities are disbursed to Group's shares.

Equity Participations:

Equity participations are those that are outside of the Group's control power to govern unlike its subsidiaries and joint ventures. Control is the power to govern the financial and operating policies of an entity. Details on Group's equity participations as of 31 December 2008 are as follows:

Registered Name of Equity Participation	Nature of Business	Place of Operation and Country of Origin	Operation Segment
Eurobank Tekfen A.Ş. (formerly Tekfenbank A.Ş) "Eurobank Tekfen"	Banking	Turkey	Other
Tekfen-Oz Gayrimenkul Geliştirme A.Ş. "Tekfen Oz"	Real Estate	Turkey	Other

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 The Basis for Presentation (cont'd)

Equity Participations (cont'd):

Group's direct and effective share based equity participation rates as of 31 December 2008 and 2007 are as follows:

	Direct Share Participation %		Effective Share Participation %	
Registered Name of Equity Participation	2008	2007	2008	2007
Eurobank Tekfen (1)	29.13	98	29.13	98
Tekfen Oz (2)	16.40	-	50.00	-

(1) The Group has sold 70% shares of Eurobank Tekfen and EFG Leasing on 16 March 2007. Subsequent to the sale, the Group started to account its investments in Eurobank Tekfen by equity method of accounts.

(2) The Group has established a company named "Tekfen Oz Gayrimenkul Emlak Geliştirme A.Ş." on 9 October 2007 and registered the firm by 17 October 2007 dated, 6917 numbered Trade Registry Gazette.

The results related to assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 The Basis for Presentation (cont'd)

Shares in Joint Ventures:

Joint ventures are formed of economic operations requiring the Group's and its subsidiaries conjunct decisions in terms of setting strategic financing and operations policies. Group's partnerships subject to joint ventures as of 31 December 2008 are as follows:

Registered Name of the Joint Ventures:	Nature of Business	Country of Origin	Business Segment
Gate İnşaat Taahhüt Sanayi ve Ticaret A.Ş. "Gate J.V." (*)	Construction	Turkey	Contracting
Azfen Birge Müessesesi "Azfen J.V." (*)	Construction	Azerbaijan	Contracting
Tekfen Impresit J.V. "Impresit"	Construction	Turkey	Contracting
Tekfen-Tubin-Özdemir J.V. "TÖT J.V."	Construction	Turkey	Contracting
Tubin-Tekfen-Özdemir J.V. "TTÖ J.V."	Construction	Turkey	Contracting
Overseas International Constructors GmbH "OIC J.V."(*)	Construction	Switzerland	Contracting
North Caspian Constructors B.V. "NCC J.V." (*)	Construction	Netherlands	Contracting
Nurol-Tekfen-Yüksel J.V. "NTY J.V." (**)	Construction	Turkey	Contracting
Tekfen TML J.V. " Tekfen TML J.V."	Construction	Libya	Contracting
Gama-Tekfen-Tokar J.V. "GTT J.V." (**)	Construction	Turkey	Contracting
TGO İnşaat Taahhüt Nakliyat Ticaret San. Ltd. Şti. "TGO J.V." (*)	Construction	Turkey	Contracting
Tekfen TML J.V. "Libya J.V."	Construction	Africa	Contracting

(*) Companies are joint ventures in terms of their operations; however, they are established as equity companies in terms at their legal structure.

(**) Joint ventures with completed projects in current year have transferred their net period profits to Tekfen İnşaat and Tesisat A.Ş., one of the Group's subsidiaries.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 The Basis for Presentation (cont'd)

Shares in Joint Ventures (cont'd):

Direct and effective share participation rates in the Company's joint ventures as of 31 December 2008 and 2007 are as follows:

	Share Participation Rate %	
Registered Name of the Joint Venture	2008	2007
Gate J.V.	50	50
Azfen J.V.	40	40
TÖT J.V	71	71
TTÖ J.V.	25	25
OIC J.V.	50	25
NCC J.V.	50	25
Impresit	100	100
CP J.V.(*)	-	50
NTY J.V.	33	33
GTT J.V.	35	35
Tekfen TML J.V.	67	67
TGO J.V.	50	50

(*) Because of an agreement, made by CP J.V. Group's subsidiary Tekfen Finance has 50% voting power in the management of CP J.V. and owns 50% of CP J.V.'s assets and liabilities. CP J.V was liquidated during 2008.

When a member of the Group's operations carried out under joint venture regulations, Group's joint venture assets and liabilities are included in respective Group member's financial statements and classified based on its nature. Liabilities and expenses derived from jointly managed assets are accounted on accrual basis. Group's share in the income provided from the use or sale of joint ventures' assets are recognized when and if the related economic benefits are likely to favor the Group and that this is measurable in an efficient way.

Joint venture management regulations consisting the establishment of another firm are described as joint ventures. Group has accounted its shares in joint ventures using rational consolidation method. Group's share in assets, liabilities, inflows and outflows that are from joint ventures are paired one on one with items found in consolidated financial statements.

Unrealized profit and losses derived from the transactions between the Group and its joint ventures are eliminated at the rate of Group's share in that joint venture.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 The Basis for Presentation (cont'd)

Reclassifications to 2007 financial statements

In the scope of CMB Series XI, No:29 reclassifications were performed on the consolidated balance sheet as of 31 December 2007 and consolidated statements of income for the year ended 31 December 2007 for compliance with the consolidated financial statements as of 31 December 2008. These reclassifications are as follows:

a) "Due from related parties" balance of 16,744 is classified as "Due from related parties" classified as "Trade receivables".

b) "Short term financial lease receivables" balance of 862 is classified as "Financial lease receivables" classified as "Other receivables". "Long term financial lease receivables" balance of 10,772 is classified as "Financial lease receivables" classified as "Other long term receivables".

c) "Short term deposits and guarantees given" balance of 3,229 classified as "Short term trade receivables" is classified as "Deposits and guarantees given" classified as "Other receivables". "Long term deposits and guarantees given" balance of 751 classified as "Long term trade receivables" is classified as "Long term deposits and guaranties given" classified as "Other long term receivables".

d) "Income accrual" balance on 140 classified as "Other current assets" is classified as "Income accruals" classified as "Other receivables".

e) "VAT receivables" balance of 18,583, "Withholding tax of ongoing construction contracts" balance of 12,984, "Business advances given" balance of 8,769, "Prepaid taxes and funds" balance of 9,185 and "Other receivables" balance of 488 classified as "Other receivables" are classified as "Other current assets".

f) "Order advances given" balance of 16,886 classified as "Inventories" is classified as "Other current assets".

g) "VAT carried forward" balance of 57,236 and "Withholding tax of ongoing construction contracts" balance of 5,623 classified as "Long term other receivables" are classified as "Other non current assets".

h) "Investments valued by equity method" balance of 84,282 classified as "Long term financial investments" is classified as a separate balance sheet item.

i) Fixed assets balance of 6,601 classified as "Investment Property" and balance of 208 classified as "Intangible assets" are classified as "Property, plant and equipment".

j) "Obligations under finance leases" balance of 30,203 and "Short term portion of the long term loans" balance of 8,504, which was separate balance sheet items, are classified as "Short term financial debts".

k) Short term deposits and guarantees received" balance of 1,318 classified as "Short term trade payables" are classified as "Other short term liabilities".

l) "Due to related parties" balance of 1,707 is classified as "Due to related parties" classified as "Trade payables".

m) "Short term advances received" balance of 196,566 which was a separate balance sheet item is classified as "Other short term liabilities". In the same way, "Long term advances received" balance of 38,349 which was a separate balance sheet item is classified as "Other long term liabilities".

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 The Basis for Presentation (cont'd)

Reclassifications to 2007 financial statements (cont'd)

n) "Current tax liability" balance of 22,782 classified as "Short term provisions" is classified as a separate balance sheet item.

o) "Short term premium provision" balance of 7,610 and "Short term retirement pay provision" balance of 1,054 classified as "Short term provisions" are classified as a separate balance sheet item as "Short term employee benefits".

p) "Other provision" balance of 66 classified as "Short term provisions" is classified as "Expense accruals" classified as "Other short term liabilities".

r) "Calculated VAT" balance of 405 classified as "Taxes and dues payable" in "Other short term payables" is classified as "Other short term liabilities".

s) "Due to personnel" balance of 9,399 classified as "Other short term payables" is classified as a separate balance sheet item in "Other short term employee benefits" classified as "Short term employee benefits".

t) "Vacation pay liability" balance of 5,534 classified as "Other short term payables" and "Social benefit payables to employees" balance of 1,675 are classified as separate balance sheet items in "Short term employee benefits" as "Unused vacation pay provision" and "Other short term employee benefits" respectively.

u) "Vacation pay liability" balance of 1,488 classified as "Other short term liabilities" is classified as a separate balance sheet item in "Short term employee benefits" as "Unused vacation pay liability".

v) "Long term obligation under finance leases" balance of 68,084 which was a separate balance sheet item is classified as "Long term financial debts".

y) "Long term deposits and guarantees received" balance of 303 classified as "Long term trade payables" is classified as "Other long term liabilities".

z) "Long term retirement pay provision" balance of 27,748 classified as "Long term provisions" is classified as a separate balance sheet item in "Long term employee benefits".

aa) "Revaluation fund" balance of 585 and "Fair value reserve of financial assets" balance of 41,975 classified as "Capital reserves" are both classified as a separate balance sheet item in "Revaluation growth funds".

ab) 59,385 balance of "Inflation adjustments on equity" classified as "Capital reserves", and "Extraordinary reserves" balance of 75,604 classified as "Profit reserves" are both classified as "Retained earnings".

ac) "Legal reserves" balance of 3,560 classified as "Profit reserves" are classified as a separate balance sheet item in "Restricted profit reserves".

ad) "Rent income" balance of 5,324 and "Dividend income" balance of 7,326 classified as "Income from other operations" is classified as "Revenue" as "Domestic finished goods and other goods sales" and classified as "Financial income" as "Dividend income" respectively.

ae) "Rent income" balance of 1,253 classified as "Other income and profits" is classified as "Revenue" as "Rent income".

af) "Operating expenses" balance has been spread over to separate statement of income items for a balance of 624 in "Research and development expenses", 68,446 in "Marketing, selling and distribution expenses" and 82,179 in "General administrative expenses".

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 The Basis for Presentation (cont'd)

Reclassifications to 2007 financial statements (cont'd)

ag) "Depreciation and amortization expenses" balance of 700 classified as "General administrative expenses" is classified as "Cost of revenue".

ah) "Share in investment in associates' profit for the year accounted by equity method" balance of 8,463 classified as "Other income and profits" is classified as a separate balance sheet item in "Share on profit/(loss) on investments valued using equity method."

ai) Group has disclosed its finance income and expenses separately due to regulatory requirements. In accordance with this, "Interest expense" balance of 48,625 is classified as "Financial expenses", "Interest income" balance of 25,942 classified as "Financial income." 66,586 balance of "Foreign exchange difference income" classified as "Financial income", 34,424 balance of "Foreign exchange difference expense" classified as "Financial expenses." 3,299 balance of "Rediscount expenses" and 81 balance of "Securities sale profit" are classified as "Financial income" and 3,408 balance of "Rediscount expenses" is classified as "Financial expenses".

2.2 Changes and Errors in Accounting Estimates

If changes in accounting estimates are for only one period, changes are applied on the current year but if the estimated changes effect the following periods, changes are applied both on the current and following years prospectively. There were not any significant changes in accounting estimates of the Group in the current period.

Changes in accounting policies or accounting errors are applied retroactively and the financial statements of the previous periods are adjusted. There were not any significant accounting errors in the current year.

2.3 Adoption of New and Revised International Financial Reporting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008.

Early adaptation of new and revised standards and interpretations

In the current year, the Group has early adopted the disclosure requirements of IFRS 8, "Operating segments". IFRS 8 "Operating segments" replaces IAS 14, "Segment Reporting". This standard requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. The related disclosure is presented in Note 4 to these consolidated financial statements.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the contracting activities. Since the other business activities are less significant and do not represent core business activities at the Group's overall operations. Group management internal reports are prepared according to four main business segments; Contracting, Real estate, Agriculture and Other.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.5. Segment profit represents the profit earned by each segment with allocation of central administration costs and directors' salaries, share of profits of associates, investment revenue and finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Adoption of New and Revised International Financial Reporting Standards (cont'd)

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

- IFRIC 11, "IFRS 2 – Group And Treasury Share Transactions",
- IFRIC 12, "Service Concession Arrangements",
- IFRIC 14, "IAS 19- The Limit On A Defined Benefit Asset, Minimum Funding Requirements And Their Interaction",
- IAS 39, IFRS 7 "Amendments Relating To Classification Of Financial Assets"

<u>Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company</u>

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

• IFRIC 13, "Customer Loyalty Programs"	Effective for annual periods beginning on or after 1 July 2008.
• IFRIC 15, "Agreements For The Construction Of Real Estate"	Effective for annual periods beginning on or after 1 January 2009.
• IFRIC 16, "Hedges Of A Net Investment In A Foreign Operation"	Effective for annual periods beginning on or after 1 November 2008.
• IFRIC 17, "Distributions Of Non-Cash Assets To Owners"	Effective for annual periods beginning on or after 1 July 2009.
• IFRIC 18, "Transfers Of Assets From Customers"	Effective for annual periods beginning on or after 1 July 2009.
• IFRS 2, "Share-Based Payment" Amendment Relating To Vesting Conditions And Cancellations"	Effective for annual periods beginning on or after 1 January 2009.
• IFRS 1, "First-Time Adoption Of International Financial Reporting Standards" Amendment Relating To Cost Of An Investment On First-Time Adoption	Effective for annual periods beginning on or after 1 January 2009.
• IFRS 3, "Business Combinations" • IAS 27, "Consolidated And Separate Financial Statements • IAS 28, "Investments In Associates" • IAS 31 "Interests In Joint Ventures" Comprehensive Revision On Applying The Acquisition Method	Effective for annual periods beginning on or after 1 July 2009.
• IAS 23, "(Amendment) Borrowing Costs" Comprehensive Revision To Prohibit Immediate Expensing	Effective for annual periods beginning on or after 1 January 2009.
• IAS 27, "Consolidated And Separate Financial Statements" Amendment Relating To Cost Of An Investment On First-Time Adoption	Effective for annual periods beginning on or after 1 January 2009.
• IAS 1, "Presentation Of Financial Statements" IAS 32, "Financial Instruments: Presentation" Amendments Relating To Disclosure Of Puttable Instruments And Obligations Arising On Liquidation	Effective for annual periods beginning on or after 1 January 2009.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Adoption of New and Revised International Financial Reporting Standards (cont'd)

- IAS 1, "Presentation Of Financial Statements" Comprehensive Revision Including Requiring A Statement Of Comprehensive Income — Effective for annual periods beginning on or after 1 January 2009.
- IAS 39, "Financial Instruments: Recognition And Measurement" Amendments For Eligible Hedged Items — Effective for annual periods beginning on or after 1 July 2009.

Amendment on IFRS 1, "First Time Application of IFRS" and IAS 27, "Consolidated and Non-Consolidated Financials"

Amendment lets the first time IFRS users to define the cost of investments found in balance sheets of its subsidiaries, joint ventures, and associates using their historical acquisition costs or in compliance with IAS 27. IAS 27 requires the dividends provided from subsidiaries, joint ventures or associates to be reflected on the statements of income found in non-consolidated financials. This standard is not expected to have an impact on the Group's financial statements.

IFRS 2, "Share-Based Payment"

The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. IFRS 2 is not expected to have any impact on the Group's financial statements.

IAS 32 and IAS 1 "Puttable Financial Instruments And Obligations Arising On Liquidation"

The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a prorate share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. These standards are not expected to have any impact on the Group's financial statements.

IAS 23, "(Amendment) Borrowing costs"

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore, should be capitalized. Other borrowing costs are recognized as an expense. The option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale will be removed by this change. The Group will apply the IAS 23 (Amendment) from 1 January 2009.

UFRS 3, "Business Combinations"

The amendment requires the cost related to the acquisitions during business combinations to be recognized as they occur and the conditional cost accounted during the acquisition to be considered in the statement of income instead of its restatement of changes occurred in fair value in goodwill.

IFRIC 13, "Customer Loyalty Programs"

According to IFRIC 13, customer loyalty programs are accounted for as a separate component of the sale transaction. The amount of proceeds allocated to the award credits is measured by reference to their fair value and the deferred portion of the proceeds is recognized as revenue only when obligations are fulfilled. IFRIC 13 is not expected to have any impact on the Group's financial statements as there are no customer loyalty programs of the Group.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Adoption of New and Revised International Financial Reporting Standards (cont'd)

IFRIC 15, "Agreements For The Construction Of Real Estate"

IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and, accordingly, when revenue from the construction should be recognized.

IFRIC 16, "Hedges Of A Net Investment In A Foreign Operation"

IFRIC 16 clarifies three main issues: the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation. Hedging instrument(s) may be held by any entity or entities within the Group. It is anticipated that, it will have no material impact on the financial statements of the Group.

IFRIC 17, "Distributions of Non-cash Assets to Owners"

IFRIC 17 applies to the entity making the distribution, not to the recipient. It applies when non-cash assets are distributed to owners or when the owner is given a choice of taking cash in lieu of the non-cash assets. This interpretation is not expected to have any impact on Group's financial statements.

IFRIC 18, "Transfers Of Assets From Customers"

Interpretation, clarifies for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. This interpretation is not expected to have any impact on Group's financial statements.

IAS 1, "(Revised) Presentation Of Financial Statements"

The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the statement of income and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The company will apply changes in revised presentation of financial statements in 2009.

IAS 39, "Financial instruments: Recognition and measurement" Amendments For Eligible Hedged Items

This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge only if backed up with an agreement or contract.

2.4 Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

— **Revenue (cont'd)**

Sale of goods:

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group transfers the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service revenue:

Insurance commission income is recognized as income once the service is performed or when a payment is made.

Dividend and interest revenue:

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend revenue from investments is recognized in financial statements when the shareholders' rights to receive payment have been established.

Rental income:

Rental income from investment properties is recognized on an accrual basis over the term of the relevant lease.

Construction Contracts:

In contracts where third parties undertake the management, control and coordination of the construction activities are referred to as service contracts and they are only recognized as revenues when they are presented to third parties.

When the outcome of a construction contract can be estimated reliably, contract revenue associated with the construction contract shall be recognized by reference to the stage of completion of the contract activity at the balance sheet date. Stage of completion is measured by the proportion of the contract costs incurred for work performed to date divided by the estimated total contract costs. This calculation does not apply if the stage of completion cannot be measured reliably. Changes in construction contract, additional receivable claims and incentive payments are included in the project revenue in accordance with the consent of the employer.

Construction contract costs consist of indirect costs such as; all raw materials and direct labor expenses, indirect labor costs related with contract performance, equipment, maintenance, and depreciation expenses. Selling and general administration expenses are expanded when they occur. Provision for cost of estimated loss of incomplete contracts is provided for immediately in the year, which such loss is forecasted. Business efficiency, business conditions, provisions for contract penalties and changes in estimated profitability arising from final contract arrangements because a revision in costs incurred and revenues obtained at the end of the project. Impact of these revisions is accounted for in the year, which such revision is made.

Unbilled work indicates the revenue recognized on construction contracts in excess of billings, and progress billings indicate the billings in excess of the revenue recognized on construction contracts.

Construction group management does not recognize the additional receivables under compensation outside the scope of the contract that may be subject to litigation as income, unless negotiations have reached to an advanced stage such that it is probable that the customer will accept the claim and the amount that is probable will be accepted by the customer can be measured reliably.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Retention Receivables from Contractors

The Group's interim progress billings from its clients are subject to retention deductions, which vary, based on the individual agreements. These balances are collected from the clients upon successful completion of the contract at the end of the warranty period. Retention receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Retention Payables to Subcontractors

The Group's interim progress billings to its sub-contractors are subject to retention deductions, which vary, based on the individual agreements. These payables are paid to subcontractors after they successfully complete the guarantee periods. Retention payables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

Cost of materials that have been delivered to contract site or set aside for use in a contract but not yet installed are included in the cost of project if the materials have been made specially for the contract.

Property, Plant and Equipment

Property plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Leasing – the Group as Lessor:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Leasing – the Group as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Impairment of Assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Borrowing Costs

All borrowing costs are recorded in profit or loss in the period in which they are incurred.

Financial Instruments

Financial assets

Financial investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss", "available-for-sale financial assets" and "loans and receivables".

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit or loss

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Available-for-sale financial assets

Investments (a) other than held-to-maturity debt securities and (b) held for trading securities are classified as available-for-sale, and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Available-for-sale financial assets (cont'd)

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value subsequently stated at fair value and subsequently stated at the fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. The net gain or loss recognized in profit or loss compass the interest paid for financial liability.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Foreign Currency Transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Foreign Currency Transactions (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRY using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Earnings Per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Subsequent Events

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) will be explained in the relevant note.

The Group; restates its financial statements if such subsequent events arise.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as a provision.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Segment Reporting

Reportable segment is an item either industrial or geographical whose disclosure of information is mandatory. Industrial segments are different from Group's other segments in the sense that they provide divergent service or products and risks and benefits based on products. Geographical segments are treated in the same way except for they are based on economical environment.

Group has defined its ground basis of industrial and geographical reporting approach on the management's point of view. Group's industrial segments are Contracting, Agriculture, Real Estate and Other while Turkey, CIS, Northern Africa, Middle East Countries and Others fall into geographical segments.

Government Grants and Incentives

Government contributions are recorded at fair value once the sets and conditions of the Group on using these contributions are met. They are accounted for over their fair values.

Government contributions related to cost are consistently accounted as revenue; where they are paired with the relevant costs during the period.

Government contributions provided for property, plant and equipment are classified under non-current debt as government contributions and are recorded in the statement of income. They are amortized over their useful life using straight-line depreciation method.

Investment Property

Investment property, which is property, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Taxation and Deferred Income Taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

The corporate earnings of the real persons and corporations that are resident, acquired from their affiliates at abroad that are controlled by them separately or jointly and directly or indirectly, by virtue of having at least 50% of the shares, profit shares or the voting rights, shall be subject to corporate tax in Turkey, distributed or not distributed when all the conditions, that are explained in Turkish Corporate Tax Law article 7, are met.

Income tax expense represents the sum of the tax currently payable and deferred tax.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Taxation and Deferred Income Taxes (cont'd)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Assets Held For Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

Employee Benefits / Retirement Benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per revised IAS 19 *Employee Benefits* ("IAS 19").

The retirement benefit liability recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses through statement of income.

The Company and its subsidiaries are liable to pay retirement benefit for its qualified personnel. In addition to this, according to Group's retirement benefit policy, the Group pays retirement benefits to its retirees.

Group and its consolidated subsidiaries, regarding the retirement benefits of its personnel employed abroad, is subject to laws and regulations of the countries its personnel is located within. Regarding the laws mentioned, required provision has been provided for in the financial statements.

Statements of Cash Flows

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

Cash flows from operating activities show that cash flows provided from 2,517,891 of Group's sales.

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

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

Capital and Dividends

Common stocks are classified as equity. Dividends paid are recorded at the Board's payment decision date retained earnings balance less the dividend amount paid.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Critical Accounting Judgment and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

In the process of applying accounting policies, which are described in Note 2.4, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt below).

Net realizable value of inventories

Inventories are stated at the lower of cost and net realizable value. The Group management has determined that the cost of the inventories is higher than their net realizable value as of 31 December 2008. The impairment calculation requires management to estimate the future cash flows expected to arise from the sale of inventories and the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Based on the estimate made by the management the cost of inventories was reduced by 78,116 and the expense was recorded to cost of sales (Note 10).

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. In the subsidiaries of the Group, there are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group has recognized deferred tax assets in certain entities because it is probable that taxable profit will be available sufficient to recognize deferred tax assets in those entities.

Change in contract fee

Changes in contract fees are recognized in the financial statements to the extent that those changes are likely to be approved by the customers, based on the percentage of completion method of the construction projects' estimates on the collection of those changes are made based on the Group management's past experiences, the related contract terms and the related legislation.

Percentage of completion

The Group uses the percentage of completion method in accounting for its construction contracts. Use of the percentage of completion method requires the Group to estimate the proportion of work performed to date as a proportion of the total work to be performed.

Construction costing estimates

The Group calculates "the remaining costs to complete on construction projects" through its internally developed projections. Factors such as escalations in material prices, labor costs and other costs are included in these projections based on best estimate as of the balance sheet dates. Any unanticipated escalation in the subsequent periods will require the reassessment of the remaining costs.

Non current retention receivables

Non current retentions receivable and payable are stated at their fair value each period end by discounting the Group's effective deposit and borrowing rates respectively, which management considers to be the appropriate discount rates for these assets and liabilities.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

3. JOINT VENTURES

	31 December 2008	31 December 2007
Current assets	393,558	321,977
Non current assets	76,618	71,723
Short term liabilities	483,609	359,459
Long term liabilities	9,962	7,262
Shareholders' equity	(23,395)	26,979

	1 January- 31 December 2008	1 January- 31 December 2007
Revenue	339,040	310,013
Cost of revenue	(334,071)	(284,608)
Net profit / (loss)	(22,049)	17,911

Joint ventures with completed projects in current year have transferred their accumulated profits of 22,217 US Dollars (28,325) to Group's one the subsidiaries Tekfen İnşaat and Tesisat A.Ş.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

4. SEGMENTAL REPORTING

a) Segmental results

	1 January-31 December 2008					
	Contracting	Agriculture	Real Estate	Other	Eliminations	Total
External revenue	1,318,909	1,110,777	30,704	57,501	-	2,517,891
Intra-branch sales	127,026	29,878	228	2,637	(159,769)	-
Inter-segment sales	1,516	1,045	2,550	9,074	(14,185)	-
TOTAL REVENUE	1,447,451	1,141,700	33,482	69,212	(173,954)	2,517,891
Cost of revenue	(1,222,876)	(897,643)	(37,376)	(40,839)	-	(2,198,734)
GROSS PROFIT / (LOSS)	**96,033**	**213,134**	**(6,672)**	**16,662**	**-**	**319,157**
Marketing, selling and distribution expenses (-)	(50)	(69,048)	(151)	(6,880)	-	(76,129)
General administrative expenses (-)	(46,986)	(16,432)	(1,189)	(20,696)	-	(85,303)
Research and development expenses (-)	-	(859)	-	-	-	(859)
Other operating income	8,340	8,842	58	1,182	-	18,422
Other operating expenses	(5,241)	(9,784)	(211)	(1,558)	-	(16,794)
OPERATING PROFIT / (LOSS)	**52,096**	**125,853**	**(8,165)**	**(11,290)**	**-**	**158,494**
Share on profit/(loss) of investments valued using equity method	-	-	-	11,533	-	11,533
Financial income	13,820	106,177	2,071	79,109	-	201,177
Financial expenses	(46,628)	(153,861)	(10,655)	(26,833)	-	(237,977)
PROFIT / (LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS	**19,288**	**78,169**	**(16,749)**	**52,519**	**-**	**133,227**
Continuing operations tax (expense)/income	(22,712)	(5,655)	2,982	(16,987)	-	(42,372)
PROFIT / (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(3,424)**	**72,514**	**(13,767)**	**35,532**	**-**	**90,855**

The Groups has 41,886 of revenue and 12,827 of operating income from terminal operations classified as agricultural operation in 2008.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

4. SEGMENTAL REPORTING (cont'd)

a) Segmental results (cont'd)

	1 January-31 December 2007					
	Contracting	Agriculture	Real Estate	Other	Eliminations	Total
External revenue	1,030,691	774,879	47,006	49,333	-	1,901,909
Intra-branch sales	119,080	136,663	9	2,251	(258,003)	-
Inter-segment sales	744	2,371	2,337	5,951	(11,403)	-
TOTAL REVENUE	**1,150,515**	**913,913**	**49,352**	**57,535**	**(269,406)**	**1,901,909**
Cost of revenue	(955,019)	(598,189)	(32,473)	(40,957)	-	(1,626,638)
GROSS PROFIT	**75,672**	**176,690**	**14,533**	**8,376**	**-**	**275,271**
Marketing, selling and distribution expenses (-)	-	(64,071)	-	(4,375)	-	(68,446)
General administrative expenses (-)	(44,211)	(17,083)	(1,075)	(19,810)	-	(82,179)
Research and development expenses (-)	-	(624)	-	-	-	(624)
Other operating income	9,230	4,985	345	2,081	-	16,641
Other operating expenses	(9,903)	(4,154)	-	(952)	-	(15,009)
OPERATING PROFIT / (LOSS)	**30,788**	**95,743**	**13,803**	**(14,680)**	**-**	**125,654**
Share on profit/(loss) of investments valued using equity method	-	-	-	8,463	-	8,463
Financial income	11,049	50,512	7,420	34,253	-	103,234
Financial expenses	(22,073)	(34,827)	(1,721)	(27,836)	-	(86,457)
PROFIT / (LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS	**19,764**	**111,428**	**19,502**	**200**	**-**	**150,894**
Continuing operations tax (expense)/income	2,974	(20,641)	(4,029)	(4,197)	-	(25,893)
PROFIT / (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**22,738**	**90,787**	**15,473**	**(3,997)**	**-**	**125,001**

The Groups has 38,510 of revenue and 13,387 of operating income from terminal operations classified as agricultural operation in 2007.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

4. SEGMENTAL REPORTING (cont'd)

b) As of 31 December 2008 and 2007 segmental assets and liabilities are as follow:

	31 December 2008					
Balance sheet	Contracting	Agriculture	Real Estate	Other	Eliminations	Total
Assets	1,618,128	935,767	33,993	1,343,199	(934,337)	2,996,750
Liabilities	1,197,760	396,803	26,205	136,990	(103,731)	1,654,027
Shareholders' equity	420,368	538,965	7,789	1,206,211	(849,861)	1,323,472
Minority interests	15,432	3,629	145	45	-	19,251

	31 December 2007					
Balance sheet	Contracting	Agriculture	Real Estate	Other	Eliminations	Total
Assets	1,183,260	935,290	50,453	1,108,299	(856,517)	2,420,785
Liabilities	863,838	293,383	28,076	137,141	(118,757)	1,203,681
Shareholders' equity	321,263	639,492	22,380	971,725	(753,520)	1,201,340
Minority interests	12,195	3,261	281	27	-	15,764

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

4. SEGMENTAL REPORTING (cont'd)

c) Segmental information related to property, plant and equipment, intangible assets and investment property for the year ended 31 December 2008 and 2007 are follows:

	1 January-31 December 2008				
	Contracting	Agriculture	Real Estate	Other	Total
Capital additions (*)	88,535	17,269	15,774	11,810	133,388
Depreciation and amortization charge	60,162	20,113	344	9,311	89,930

	1 January-31 December 2007				
	Contracting	Agriculture	Real Estate	Other	Total
Capital additions (*)	138,215	4,893	7,102	477	150,687
Depreciation and amortization charge	43,381	16,209	302	7,240	67,132

(*) Fixed assets purchases through financial lease are also included.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

4. SEGMENTAL REPORTING (cont'd)

d) Geographical segmental information is as follows:

	Turkey	CIS	North Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January-31 December 2008)	1,444,484	174,043	282,285	629,000	162,033	(173,954)	2,517,891
Total assets (31 December 2008)	2,943,611	539,441	211,351	536,255	520,347	(1,754,255)	2,996,750
Acquisition of tangible and intangible assets (1 January-31 December 2008)(*)	87,913	2,118	11,952	30,043	1,362	-	133,388

	Turkey	CIS	North Africa	Middle Eastern Countries	Other	Eliminations	Total
Revenue (1 January-31 December 2007)	1,052,441	296,959	225,303	396,629	199,983	(269,406)	1,901,909
Total assets (31 December 2007)	2,457,688	464,620	181,651	297,789	448,698	(1,429,661)	2,420,785
Acquisition of tangible and intangible assets (1 January-31 December 2007)(*)	82,841	4,752	13,120	49,027	947	-	150,687

(*) Fixed assets purchases through financial lease are also included.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

5. CASH AND CASH EQUIVALANTS

	31 December 2008	31 December 2007
Cash on hand	1,475	1,203
Cash at banks		
Demand deposits	45,762	50,511
Time deposits with maturity of three months or less	455,523	466,503
Overdue cheques	345	-
Other cash and cash equivalents	1,662	3,436
	504,767	521,653

Risk characteristics and levels in cash and cash equivalents have been disclosed in Note 32.

6. FINANCIAL INVESTMENTS

	31 December 2008	31 December 2007
Available for sale financial investments	37,587	59,438

Details of available for sale financial assets are as follow:

	Share %	31 December 2008	Share %	31 December 2007
Listed in Stock Exchange (*)				
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	10.79	35,617	10.79	57,268
Türkiye Sınai Mali Kalkınma Bankası A.Ş.	0.05	225	0.05	366
Akçansa Çimento Sanayi ve Ticareti A.Ş.	<0.01	13	<0.01	43
Turcas Petrolcülük A.Ş.	<0.01	6	<0.01	23
		35,861		57,700
Not listed in Stock Exchnage				
Sinai ve Mali Yatırımlar Holding A.Ş.	0.02	2,861	0.02	2,861
Mersin Serbest Bölge İşleticisi A.Ş.	9.56	898	9.56	898
Hazera Toros Tohumculuk A.Ş. (**)	50.00	1,597	50.00	1,597
Other		1,603		1,615
		6,959		6,971
Less: Allowance for diminution in value of available for sale investment				
Hazera Toros Tohumculuk A.Ş.		(1,597)		(1,597)
Sinai ve Mali Yatırımlar Holding A.Ş.		(2,861)		(2,861)
Other		(775)		(775)
		(5,233)		(5,233)
		37,587		59,438

(*) Listed Financial Investments were carried at fair value; other Financial Investments are carried at cost less any impairment loss in the accompanying financial statements.
(**) Hazera Toros Tohumculuk A.Ş. net assets is not included in the accompanying consolidated financial statements since they are deemed immaterial taken the Group's consolidated financial statements as a whole.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

6. FINANCIAL INVESTMENTS (cont'd)

Listed available for sale financial assets actively are carried at quoted market prices. The positive difference of 16,627 (31 December 2007: 41,975) in the fair value of the available for sale financial assets traded in active markets is directly recognized in equity. The negative difference of 188 (31 December 2007: 35) in the fair value of the available for sale financial assets traded in active markets is directly recognized in the statement of income.

1,726 (31 December 2007: 1,738) of the above available for sale financial assets that do not have a quoted market value and their fair values cannot be reliably measured as the range of reasonable fair value estimates is significant and the probabilities of the various estimates can not be reasonably assessed.

Risk characteristics and levels in financial investments have been disclosed in Note 32.

7. FINANCIAL BORROWING

	31 December 2008	31 December 2007
Short-term bank loans	322,789	308,550
Short-term bank loans obtained from related parties (Note: 31)	24,977	593
Short-term portion of long-term bank loans' interest payments	159,433	8,504
Short term obligation under finance leases	44,944	30,203
Total short-term financial debts	552,143	347,850
Long-term bank loans	2,554	7,055
Long term obligation under finance leases	63,162	68,084
Total long-term financial debts	65,716	75,139
Total financial debts	617,859	422,989

Bank loans are as follows:

Original currency	Weighted average interest rate %		31 December 2008	
	Short term	Long term	Short term	Long term
USD	6.38	3.53	479,705	1,781
EUR	8.00	6.50	10,223	463
TRY	21.75	18.08	7,406	310
QAR	6.30	-	6,525	-
Dirham	5.50	-	3,340	-
			507,199	2,554

Original currency	Weighted average interest rate %		31 December 2007	
	Short term	Long term	Short term	Long term
USD	6.23	5.85	276,639	2,623
EUR	5.96	5.61	13,385	4,432
TRY	-	-	2,599	-
QAR	7.05	-	8,341	-
Dirham	5.50	-	16,683	-
			317,647	7,055

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

7. FINANCIAL BORROWING (cont'd)

Repayment schedule of bank loans is as follows:

	31 December 2008	31 December 2007
Within 1 year	507,199	317,647
Within 1-2 year	2,253	6,060
Within 2-3 year	144	766
Within 3-4 year	127	105
Over 5 years	30	124
	509,753	324,702

For its bank loans; as of 31 December 2008 Group has given 108,625 thousands US Dollars (164,274) and 298 thousands EUR (638) worth of letters of guarantees and 3,205 worth of mortgage. (31 December 2007: 24,191 thousand US Dollars (28,175) worth of letters of guarantees, 3,011 thousand EUR (6,446) and 3,205 worth of mortgage).

Group's bank loans; as of 31 December 2008 in the amounts of 312,670 thousands US Dollars (472,852), 4,505 thousands EUR (9,644), 7,716, 17,553 thousands Dirham (3,340) and 15,748 thousands Qatar Rial (6,525) are subject to fixed interest rates and exposed the Group to fair value interest risk. Other bank loans are arranged at floating interest rates thus exposing the Group's cash flow interest rate risk.

Risk characteristics and levels in financial debts have been disclosed in Note 32.

Details of obligation under finance leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Obligations under finance leases				
Within one year	51,128	37,778	44,944	30,203
Within 1-5 year	70,225	76,272	63,162	68,084
	121,353	114,050	108,106	98,287
Less: finance expenses related to following years	(13,247)	(15,763)	-	-
Present value of obligations finance leases:	108,106	98,287	108,106	98,287
Less: Payments within 12 months (in short term payables)			44,944	30,203
Due beyond 12 months			63,162	68,084

It is the Group policy to lease some of its furniture, fixtures and equipments under finance leases. Average lease terms is 4 years (2007: 4 years) For the year ended 31 December 2008 effective weighted average debt ratio is 7.62% (31 December 2007: 7.38%). Financial lease obligations currency type distribution was shown at Note 32. The fair value of the Group's lease obligations approximates their carrying amount.

There are guarantees of the Company on all fixed assets acquired by these finance leases.

As of the balance sheet date, carrying amount of the assets subject to financial lease operations is 150,672 (2007: 104,025).

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

8. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

As at balance sheet date, details of trade receivables of the Group are as follows:

Short term trade receivables	31 December 2008	31 December 2007
Contract receivables	319,465	233,210
Receivables from Agriculture group operations	19,375	23,029
Other trade receivables	14,414	23,366
Notes receivable	82,974	47,552
Provision for doubtful receivables	(12,550)	(12,928)
Retention receivables (Note: 11)	16,217	7,993
Due from related parties (Note: 31)	11,659	16,744
Other	501	88
	452,055	339,054

Long term trade receivables	31 December 2008	31 December 2007
Retention receivables (Note: 11)	17,317	8,392
Other trade receivables	1,167	3,646
	18,484	12,038

Average maturity date vary between the segments. Average maturity date for Contracting segment, for projects in abroad 62 days (2007: 63 days), domestic 40 days (2007: 57 days), for Agriculture segment 70 days (2007: 50 days) and for other segments 64 days (2007: 55 days).

As of 31 December 2008, short term receivables of 20,536 (2007: 19,408) is provided provision for in the amount of 12,550 (2007: 12,928).

Amount of provision for doubtful receivables was determined based on past uncollectible receivable cases encountered.

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

	2008	2007
Provision as at 1 January	(12,928)	(16,434)
Charge for the year	(823)	(1,571)
Collected	413	2,610
Write off of bad debt	1,241	1,528
Currency translation effect	(453)	939
Provision as at 31 December	(12,550)	(12,928)

Risk characteristics and levels in trade receivables have been disclosed in Note 32.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

8. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

As at balance sheet date, details of trade payables of the Group are as follows:

Short term trade payables	31 December 2008	31 December 2007
Contract payables	259,680	126,620
Trade payables from Agriculture group operations	292,082	130,890
Other trade payables	30,266	49,565
Retention payables	11,234	6,963
Discount of notes payables and trade payables	8,228	22,494
Due to related parties (Note: 31)	2,923	1,707
Other payables	382	1,275
	604,795	339,514

Long term trade payables	31 December 2008	31 December 2007
Retention payables	1,199	797
Contract payables	762	665
Trade payables	53	40
	2,014	1,502

Average payable period for Group's trade payables changes according to the segments. For Agriculture segment, average payable period of import purchases 98 days (2007: 85 days), domestic purchases 19 days (2007: 16 days). Moreover, average payable period for Contracting and other segments are 68 days and 63 days respectively (2007: 83 days and 59 days respectively).

Risk characteristics and levels in trade payables have been disclosed in Note 32.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

9. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

Other short term receivables	31 December 2008	31 December 2007
Other receivables	9,188	5,118
Blocked deposits	6,146	6,146
Provision for blocked deposits (*) (Note 28)	(6,146)	(6,146)
Deposits and guarantees given	3,523	3,229
Income accruals	2,278	140
Finance lease receivables	1,229	862
VAT receivable arising from export sales	308	306
	16,526	9,655

Other long term receivables	31 December 2008	31 December 2007
Finance lease receivables	9,616	10,772
Deposits and guarantees given	757	751
	10,373	11,523

(*) At the time of sale of its subsidiary Eurobank Tekfen, the Group has invested 6,146 blocked deposit to Eurobank Tekfen in return of liabilities of Eurobank Tekfen's long term security Tümteks Tekstil Sanayi ve Ticaret A.Ş. ("Tümteks") to Eurobank Tekfen. According to "Cash Commitment Agreement" between Eurobank Tekfen and the Company, dated 30 May 2007, it is agreed that in case of Tümteks's bankruptcy, it's exclusion from İstanbul Stock Exchange's quotation, cancellation of Tümteks's stock operations on İstanbul Stock Exchange for an indefinite period or any loss of Eurobank Tekfen regarding Tümteks stocks provided that the loss does not exceed 6,146, the total amount of incurred loss will be collected by Eurobank Tekfen A.Ş. from blocked deposit account. As of the report date Tümteks has been transferred to trustee and has 72,599 loss (31 December 2007: 43,361 loss) of net assets. Consequently, provision is reserved for the blocked deposit stated above in the accompanying financial statements.

Details of finance lease receivables are as follow:

	31 December 2008	31 December 2007
Gross rent receivables	11,354	12,296
Less (unearned interest income)	(509)	(662)
	10,845	11,634
Within 1 year	1,229	862
Within 2-5 years	9,616	10,772
	10,845	11,634

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

9. OTHER RECEIVABLES AND PAYABLES (cont'd)

b) Other Payables:

Other short term payables	31 December 2008	31 December 2007
Due to Privatization Office (**)	12,503	10,183
Taxes and funds payable	9,883	5,282
Social security witholdings	3,141	2,426
Deposits and guarantees received	878	1,318
Other payables	1,242	890
	27,647	20,099

Other long term payables	31 December 2008	31 December 2007
Due to Privatization Office (**)	-	9,351
Deposits and guarantees received	1,031	303
	1,031	9,654

(**) Group's payable to Privatization Office is associated with the acquisition of Samsun Gubre Sanayi A.Ş.

10. INVENTORIES

	31 December 2008	31 December 2007
Raw materials	54,678	15,124
Work in progress	101,008	25,422
Finished goods	39,511	19,749
Trade goods	104,617	52,573
Goods in transit	66,851	60,785
Inventory on Contruction site	73,947	31,037
Other inventories	29,842	27,822
Allowance for impairment on inventory (-) (*) (Note: 22)	(78,116)	-
	392,338	232,512

(*) Impairment on inventories resulted since the beginning of the last quarter of 2008 due to negative market conditions has been provided allowance for impairment on inventory as at 31 December 2008.

Movement of allowance for impairment on inventory	2008	2007
Provision as at 1 January	-	-
Charge for the year	(78,116)	-
Provision as at 31 December	(78,116)	-

299,971 (2007: none) of Group's inventories are valued at the lower of cost in its net realizable value.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

11. CONSTRUCTION CONTRACTS

	31 December 2008	31 December 2007
Cost incurred on uncompleted contracts	2,994,668	1,856,187
Recognised gain less losses (net)	375,907	173,490
Loss provisions (-)	(1,178)	(1,131)
	3,369,397	2,028,546
Less: Billings to date (-)	(2,902,016)	(1,809,984)
	467,381	218,562

Costs and billings incurred on uncompleted contracts in consolidated financial statements are as follows:

	31 December 2008	31 December 2007
From customers under construction contracts	473,223	254,824
To customers under construction contracts	(5,842)	(36,262)
	467,381	218,562

As of 31 December 2008, total retention receivables amount to 33,534 (31 December 2007: 16,385) (Note: 8).

	31 December 2008	31 December 2007
Receivables from uncompleted contracts		
Contracts undersigned abroad	466,376	239,439
Contracts undersigned in Turkey	6,847	15,385
	473,223	254,824
Payables from uncompleted contracts		
Contracts undersigned abroad	-	(36,262)
Contracts undersigned in Turkey	(5,842)	-
	(5,842)	(36,262)
	467,381	218,562

The Group has 250,338 of advances received for contracting projects (31 December 2007: 210,747) (Note: 20).

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

12. INVESTMENTS VALUED BY EQUITY METHOD

Details of investments valued by equity method as of 31 December 2008 and 2007 are as follows:

		Share in capital			
	Location of foundation and operation	31 December 2008	31 December 2008	Power to appoint	Industry
Subsidiaries					
Eurobank Tekfen A.Ş. (Note:18)	İstanbul	29.13%	29.13%	29.13%	Banking
Tekfen Oz Gayrimenkul Geliştirme A.Ş.	İstanbul	16.40%	16.40%	50.00% (*)	Real Estate

(*) The Company, despite having 16.40% share in Tefken Oz Gayrimenkul Gelistirme A.S., mentioned establishment's Board of Directors is equally represented with the other partner and power to vote is 50.00%.

Details of Group's participations' condensed financial positions are as follows:

	31 December 2008		
Financial Position	Eurobank Tekfen	Tekfen Oz	Total
Total assets	3,587,408	49,306	3,636,714
Total liabilities	3,281,866	14,709	3,296,575
Net assets	305,542	34,597	340,139
Group's share in net assets of subsidaires	89,004	5,674	94,678

	31 December 2007		
Financial Position	Eurobank Tekfen	Tekfen Oz	Total
Total assets	2,793,836	19,279	2,813,115
Total liabilities	2,517,206	7,569	2,524,775
Net assets	276,630	11,710	288,340
Group's share in net assets of subsidaires	80,582	1,921	82,503
Effect of shares purchased in 2007	1,779	-	1,779
	82,361	1,921	84,282

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

12. INVESTMENTS VALUED BY EQUITY METHOD (cont'd)

	1 Januray-31 December 2008		
	Eurobank Tekfen	Tekfen Oz	Total
Revenue	538,141	975	539,116
Profit/(loss) for the year	40,269	(1,210)	39,059
Group's share on subsidiaries' profit/(loss) for the year	11,731	(198)	11,533

	1 Januray-31 December 2007		
	Eurobank Tekfen	Tekfen Oz	Total
Revenue	307,704	-	307,704
Profit/(loss) for the year	29,616	(1,005)	28,611
Group's share on subsidiaries' profit/(loss) for the year	8,628	(165)	8,463

(*) Sale of 70% share of Eurobank Tekfen has occurred on 16 March 2007. After this date, the Group consolidated Eurobank Tekfen based on the net profit for the period between 16 March 2007 and 31 December 2007 with equity method in the accompanying consolidated financial statements.

13. INVESTMENT PROPERTY

Investment property as at 31 December 2008 and 2007 are as follows:

	Land and land improvements	Building	Total
Cost			
Opening balance as at 1 January 2008	2,206	126,583	128,789
Currency translation effect	1,287	-	1,287
Closing balance as at 31 December 2008	3,493	126,583	130,076
Accumulated Depreciation			
Opening balance as at 1 January 2008	-	(19,427)	(19,427)
Charge for the year	-	(3,147)	(3,147)
Closing balance as at 31 December 2008	-	(22,574)	(22,574)
Carrying value as at 31 December 2008	3,493	104,009	107,502

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

13. INVESTMENT PROPERTY (cont'd)

	Land and Land Improvements	Building	Total
Cost			
Opening balance as at 1 January 2007	2,583	133,553	136,136
Reclassifications	(542)	(5,954)	(6,496)
Currency translation effect	165	-	165
Transfers	-	(1,016)	(1,016)
Closing balance as at 31 December 2007	2,206	126,583	128,789
Accumulated Depreciation			
Opening balance at 1 January 2007	-	(16,270)	(16,270)
Reclassifications	-	(105)	(105)
Charge for the year	-	(3,052)	(3,052)
Closing balance as at 31 December 2007	-	(19,427)	(19,427)
Carrying value as at 31 December 2007	2,206	107,156	109,362

Investment Property includes buildings over rental income earned and lands that are hold for the investment purposes. Useful life of Investment Property is 50 years.

Depreciation expense of 2,875 (2007: 2,748) has been charged to cost of revenue, 5 (2007: 7) to research and development expenses, 43 (2007: 27) to marketing, selling and distribution expenses and 224 (2007: 270) to general administrative expenses.

For the year ended 31 December 2008 total rental income earned from investment properties is 6,631 (31 December 2007: 7,170). Direct operating expenses arising on the investment properties in the period amounted to 2,380 (31 December 2007: 2,835).

The fair value of the Group's investment property at 31 December 2008 has been arrived based on a valuation carried out at that date by independent expertise not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair market value of the Investment Properties is 440,291 (31 December 2007: 262,937) according to the valuation carried out by independent expertise reports.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

14. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost Value								
Opening balance as at 1 January 2008	229,254	220,731	991,608	31,152	70,853	41,545	114,093	1,699,236
Written off fully depreciate fixed assets and reclassifications	5,290	28,485	(270,674)	(9,573)	19,709	(13,058)	(3,065)	(242,886)
Currency translation effect	37,941	17,541	132,610	6,869	18,441	(3,207)	(7,971)	202,224
Additions	12,823	8,906	21,877	6,807	5,216	25,058	443	81,130
Tangible assets acquired through finance leases	-	-	50,524	-	-	-	-	50,524
Diposals	(17,881)	(6,937)	(27,209)	(8,722)	(65,129)	(1,303)	(24)	(127,205)
Transfers	211	4,077	18,449	740	324	(23,857)	56	-
Closing balance as at 31 December 2008	267,638	272,803	917,185	27,273	49,414	25,178	103,532	1,663,023
Accumulated Depreciation								
Opening balance as at 1 January 2008	(39,329)	(123,049)	(808,177)	(24,635)	(60,493)	-	(50,285)	(1,105,968)
Written off fully depreciate fixed assets and reclassifications	(817)	(2,378)	237,396	10,026	(3,409)	-	2,068	242,886
Currency translation effect	(3,109)	(5,716)	(93,722)	(5,423)	(22,519)	-	8,787	(121,702)
Charge for the year	(8,699)	(14,925)	(49,003)	(3,967)	(4,819)	-	(2,627)	(84,040)
Disposals	3,469	2,735	13,474	5,812	64,494	-	-	89,984
Closing balance as at 31 December 2008	(48,485)	(143,333)	(700,032)	(18,187)	(26,746)	-	(42,057)	(978,840)
Carrying value as at 31 December 2008	219,153	129,470	217,153	9,086	22,668	25,178	61,475	684,183

Property, plant and equipment include fixed assets with carrying value of 150,672 purchased through financial lease.
The amount of mortgage on buildings is 3,205.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land and land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Leasehold improvements	Total
Cost Value								
Opening balance as at 1 January 2007	237,200	228,427	976,761	40,489	79,265	23,143	115,055	1,700,340
Reclassifications	49	8,020	2,128	1,088	(438)	-	-	10,847
Currency translation effect	(19,467)	(9,955)	(80,720)	(5,538)	(12,017)	(205)	(678)	(128,580)
Additions	16,310	1,258	24,764	2,858	6,000	20,628	33	71,851
Tangible assets acquired through finance leases	5,395	-	71,358	-	-	-	-	76,753
Diposals	(8,906)	(8,059)	(5,795)	(7,745)	(2,157)	(12)	(317)	(32,991)
Transfers from investment property	-	1,016	-	-	-	-	-	1,016
Transfers	(1,327)	24	3,112	-	200	(2,009)	-	-
Closing balance as at 31 December 2007	229,254	220,731	991,608	31,152	70,853	41,545	114,093	1,699,236
Accumulated depreciation								
Opening balance as at 1 January 2007	(33,435)	(123,514)	(850,749)	(28,255)	(66,495)	(1,498)	(48,001)	(1,151,947)
Reclassifications	(48)	(814)	(2,525)	(1,186)	(963)	1,498	-	(4,038)
Currency translation effect	2,423	5,269	73,337	4,067	10,467	-	628	96,191
Charge for the year	(8,850)	(7,123)	(33,512)	(4,603)	(5,167)	-	(3,218)	(62,473)
Diposals	581	3,133	5,272	5,342	1,665	-	306	16,299
Closing balance as at 31 December 2007	(39,329)	(123,049)	(808,177)	(24,635)	(60,493)	-	(50,285)	(1,105,968)
Carrying value as at 31 December 2007	189,925	97,682	183,431	6,517	10,360	41,545	63,808	593,268

Property, plant and equipment include fixed assets with carrying value of 104,025 purchased through financial lease.
The amount of mortgage on buildings is 8,354.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Property, plant and equipment are depreciated over the following useful lives:

	Useful life
Land and land improvements	2-10 years
Buildings	4-50 years
Machinery and equipment	4-25 years
Vehicles	3-13 years
Furniture and fixtures	4-10 years
Leasehold improvements	4-25 years

Depreciation expense of 71,209 (2007: 54,321) has been charged to cost of revenue, 130 (2007: 138) to research and development expenses, 1,149 (2007: 562) to marketing, selling and distribution expenses, 6,020 (2007: 5,561) to general administrative expenses and 5,532 (2007: 1,891) to inventory.

15. INTANGIBLE ASSETS

	Rights	Other intangible assets	Total
Cost value			
Opening balance as at 1 January 2008	8,650	1,826	10,476
Currency translation effect	943	51	994
Additions	1,725	9	1,734
Disposals	(632)	(1)	(633)
Transfers	-	-	-
Closing balance as at 31 December 2008	10,686	1,885	12,571
Accumulated Amortization			
Opening balance as at 1 January 2008	(4,719)	(1,672)	(6,391)
Currency translation effect	(986)	112	(874)
Charge for the year	(2,417)	(326)	(2,743)
Disposals	533	1	534
Closing balance as at 31 December 2008	(7,589)	(1,885)	(9,474)
Carrying value as at 31 December 2008	3,097	-	3,097

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

15. INTANGIBLE ASSETS (cont'd)

	Rights	Other intangible assets	Total
Cost value			
Opening balance as at 1 January 2007	7,481	2,553	10,034
Reclassifications	(251)	-	(251)
Currency translation effect	(650)	(75)	(725)
Additions	2,070	13	2,083
Disposals	-	(665)	(665)
Closing balance as at 31 December 2007	8,650	1,826	10,476
Accumulated Amortization			
Opening balance as at 1 January 2007	(3,627)	(2,204)	(5,831)
Reclassifications	43	-	43
Currency translation effect	280	59	339
Charge for the year	(1,415)	(192)	(1,607)
Disposals	-	665	665
Closing balance as at 31 December 2007	(4,719)	(1,672)	(6,391)
Carrying value as at 31 December 2007	3,931	154	4,085

Intangible assets are amortized over the following useful lives:

	Useful life
Rights	5-20 years
Other intangible assets	3-10 years

Amortization expense of 2,502 (2007: 1,444) has been charged to cost of revenue, 5 (2007: 4) to research and development expenses, 37 (2007: 14) to marketing, selling and distribution expenses and 199 (2007: 145) to general administrative expenses.

16. GOVERNMENT GRANTS AND INCENTIVES

The contracting segment has a tax incentive regarding the agreement between Titas and Tekfen TML J.V. for the construction of Kufra- Tazerbo water channel project in Libya dated 6 June 2006.

The Undersecretaries of Treasury and Foreign Trade of Turkey has given taxes and dues incentive for the contracts undertaken by Tekfen Construction and its joint ventures. These contracts are as follows:

- Ankara - Pozantı Highway (Çiftehan - Pozantı Section) Project - extended till July 2009.
- Bursa Light Rail System – Extended till April 2010.
- Gaziantep – Birecik Highway Project – Extended until April 2009.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

17. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

Provisions	31 December 2008	31 December 2007
Provision for litigation	20,767	14,358
	20,767	14,358

Movement of provision for litigation is as follows:

	2008	2007
Provision as at 1 January	14,358	11,172
Provision paid (-)	(972)	(703)
Charge for the year	7,887	4,866
Provision released	(1,292)	(635)
Currency translation effect	786	(342)
Provision as at 31 December	20,767	14,358

b) Contingent Assets and Liabilities

	31 December 2008	31 December 2007
Letters of guarantee given	886,716	665,625
Letters of credit	350,982	128,067
	1,237,698	793,692

Contractual Obligations:

Defects Liabilities

Based on the agreements signed with customers, the Group ensures to maintain its contract operations until the end of guarantee period and undertake the construction, maintenance, and general maintenance of related assets for two years. In case the customer determines any defects subsequent to the provisional acceptance of the contract, the Group is obliged to remedy the defect.

Penalty of Default

Based on the agreements signed with the customers, if Tekfen İnşaat fails to complete in full or partially its contract operations within the determined period, it shall pay penalty amount for such defaults to its customers.

Tax Inspections

In the Saudi Arabia Branch, the Department of Zakat and Income Tax ("DZIT") has issued its final tax assessment for the years 2003, 2004, and 2005. Based on this assessment, there is an additional tax liability from the Saudi Arabia Branch amounting to 5,324 thousand US Dollars (Saudi Arabia Riyal 19,963,924). Saudi Branch has submitted an objection on this assessment with the Appeal Committee. Management believes that the DZIT's claim is without merit and the Appeal Committee decision will ultimately be to their favour. As the claim revenue has not been yet collected by the branch, consolidated financial statements of the Group did not include this claim and accordingly, no provision for tax charge was provided in the accompanying consolidated financial statements.

17. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Contingent Assets and Liabilities (cont'd)

Litigations:

Upon the consultation of legal advisors, as of 31 December 2008, the Management has decided to fund 20,767 (2007: 14,358) of provision for lawsuits that might be filed against the Group which will have a high probability of potential outflow from the Group. Based on the legal prosecution of lawyers, the Group foresees no significant risks regarding 40,135 (2007: 22,183) of lawsuit filed against the Group.

Toros Tarım has acquired all of the public shares of Samsun Fertilizer Industry from the Privatization Administration as at 4 July 2005 and in November 2005, the Company has completed its business combination procedures.

Following the re-operation of the plant that belongs to the Municipality, the Municipality's order on the shutdown of the related plant grounding that it has been operating without any license was cancelled for consecutive periods of 6 months based on the Toros Tarım's applications. While Toros Tarım has been trying to gather the required documents, including the plant's revised construction plans, for obtaining the "Business License and Operation Permit" which could not be obtained during the public ownership, the subject land is turned up to be within the scope of Article 2(b) of the Forest Law in the making of the revised construction plans. Since the Municipality cannot proceed with any of the procedures on the construction plan, Toros Tarım could not be able to obtain the "Business/Office Opening License and Operation Permit".

On the other hand, the case filed at the Administrative Court regarding the cancellation of the municipality's shut down order, at first the Court ceased the execution of the decision; however, by the order issued as at 3 June 2008, the Court has overruled the cancellation of the shut down order of Toros Tarım. Toros Tarım has appealed the court decision and the case is still pending at the Council.

Also, Toros Tarım has informed the Local Government Headquarters about the related issues and lawsuits and, accordingly as at 6 May 2008, the Local Administration of the General Directorate of the Ministry of Internal Affairs communicated a written statement to the Samsun Governor's Office, referring to the Legal Counsels of the Ministry of Internal Affairs' consultation feedback which was presented to the Ministry on 2 May 2008. The Statement cited that it would be best for the public interest if Toros Tarım is given a "interim license" under the "Office Opening License and Operating Permit" Regulations subject to the condition that all the required documents for the business license to operate shall be completed subsequent to the ongoing judicial process and the final decision will be made depending on the outcome of the related lawsuit.

In regards to the plant which has been continuing its operations in accordance with the legal advice of the Local Administration of the General Directorate of the Ministry of Internal Affairs, Toros Tarım has made an application to the Metropolitan Municipality of Samsun for the issuance of Business/Office Opening License and Operation Permit by obtaining all the required documents, except for the "plan of site" and "transit permit", in compliance with the Legal Counsels of the Ministry of Internal Affairs' consultation feedback as at 20 October 2008. However, the 31 October 2008 dated written response of the Metropolitan Municipality of Samsun states that its application cannot be assessed. Toros Tarım Management's administrative appeals and legal disputes against the decision have been still continuing.

As of the date of this report, the uncertainty over the legal process is still in progress, since the Group Management's administrative appeal and legal disputes before the Council over the court the decision is pending. Therefore, the Group's accompanying financial statements do not contain any relevant provisions concerning the subject matter.

17. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Contingent Assets and Liabilities (cont'd)

Commitments Based on Buyback Agreement:

According to the agreement dated 22 December 2003 between Eurobank Tekfen, Tekfen Tower tenants in the ownership of real property, and BNP-Ak-Dresdner Financial Leasing, Inc. used its purchase rights under the leasing agreement and took over use. On 16 March 2007 pursuant to purchase contract between the Company and Eurobank Tekfen A.Ş. if wanted to use the property it may use its right to purchase no later than 31 July 2010 from Eurobank Tekfen A.Ş. for a value of US Dollars 11.9 million.

Rights and Commitments Based on Share Purchase Agreement:

Call option to EFG Eurobank; put option to Tekfen Holding given pursuant to share purchase agreement, which was signed in 16 March 2007 between the Company and EFG Eurobank.

At any time between the seventh (7^{th}) anniversary and thc tcnth (10^{th}) anniversary of the signing of this Agreement, EFG Shareholders will have the right to exercise, by delivery of a written notice ("Call Notice"), a call option to purchase at the Exercise Price, in one transaction, all of the shares then by all the Company ("Call Shares"). The Exercise Price applicable to the sale of Call Shares shall be paid in US Dollars.

At any time between the fifth anniversary and the tenth anniversary of the signing of this Agreement, the Company shall be entitled to sell at the Exercise Price, in one transaction, all of the Shares then held by all the Company ("the Put Shares"), to the EFG Shareholders, by delivery of a written notice stating their intent to exercise such entitlement (a "Put Option"), such sale to be in accordance with this Section. The exercise Price applicable to the sale of the Put Shares shall be determined pursuant to the awards above and shall be paid in cash in US Dollars.

Furthermore, based on Share Purchase Agreement in Share Transfer Article it is stated that the shareholders shall not sell their shares to third parties by way of public offering or special purpose sale for the five years from the agreement date however, it is excluded that one of the shareholder or both can sell or transfer whole amount or a portion of their shares to a subsidiary of the Group.

Other:

The financial, economic, and social policies of the foreign countries in which the Group has operations may affect the Group's profitability.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

18. COMMITMENTS AND OBLIGATIONS

	31 December 2008	31 December 2007
Mortgages	3,205	8,354
Pledges	67,002	-
	70,207	8,354

Mortgages

For its bank loans; as of 31 December 2008 Group has given 108,625 thousands US Dollars (164,274) and 298 thousands EUR (638) worth of letters of guarantees and 3,205 worth of mortgage. (31 December 2007: 24,191 thousand US Dollars (28,175) worth of letters of guarantees, 3,011 thousand EUR (6,446) and 3,205 worth of mortgage).

Collaterals

Based on the 200 million US Dollars amounted loan agreement between Tekfen Holding A.Ş. and EFG Eurobank Ergasias SA; in order to cover for the guarantee; 29.13% of Eurobank Tekfen A.S. amounting to 67,002 nominal shares has been provided on behalf of EFG Eurobank Ergasias SA, all rights on voting, dividend and such have been reserved.

19. EMPLOYEE BENEFITS

Short term employee benefits:

	31 December 2008	31 December 2007
Retirement pay provision	6,907	1,054
Unused vocation pay liability	11,371	7,022
Premium provision	6,575	7,610
Other employee benefits provisions	12,302	11,074
	37,155	26,760

Long term employee benefits:

	31 December 2008	31 December 2007
Retirement pay provision	29,242	27,748

Retirement pay provision:

Retirement pay provision for Turkish personnel employed in Turkey;

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each entitled employee. Also, employees are entitled to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to of the prevailing 506 numbered Social Insurance Law's Article 60, as amended by 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered laws. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002.

The amount payable to the employee consists of one month worth salary limited to a maximum of 2,260 TRY (31 December 2007: 2,088 TRY) for each period of service at 31 December 2008.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

19. EMPLOYEE BENEFITS (cont'd)

Retirement pay provision (cont'd):

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

Retirement pay provision regarding Turkish employees located abroad;

The Company and its subsidiaries are liable to pay retirement benefit for its qualified personnel. In addition to this, according to Group's retirement benefit policy, the Group pays retirement benefits to its retirees.

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees (not applicable for employees who are working in construction projects). IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2008, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5.40% and a discount rate of 12%, resulting in a real discount rate of approximately 6.26% (31 December 2007: 5.71%). The anticipated rate of forfeitures is considered.

The amount payable consists of one month worth salary limited to the maximum ceiling or under the related ceiling.

Retirement pay provision of employees located abroad;

Group and its consolidated subsidiaries are subject to regulations where they operate in. Provisional amounts for the subject matter laws have been provided in the financial statements.

Movement of retirement pay provision is as follows:

	2008	2007
Provision as at 1 January	28,802	25,537
Currency translation effect	4,402	(1,685)
Service expense	10,751	8,530
Interest expense	1,356	1,176
Provision paid (-)	(9,162)	(4,756)
Provision as at 31 December	36,149	28,802

10,324 of total liability (2007: 8,376) and 1,783 (2007: 1,330) have been included in cost of revenue and in general administration expenses respectively.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

20. OTHER CURRENT/NON CURRENT ASSETS AND OTHER SHORT/LONG TERM LIABILITIES

Other Current Assets	31 December 2008	31 December 2007
Prepaid taxes and funds	22,239	9,185
Business advances given	17,699	8,769
VAT receivables	16,765	18,583
Witholding tax of ongoing construcion contracts	10,205	12,984
Order advances given	6,347	16,886
Prepaid expenses	5,753	8,850
Other current assets	564	488
	79,572	75,745

Other Non Current Assets	31 December 2008	31 December 2007
VAT carried forward	63,563	57,236
Witholding tax of ongoing construcion contracts	7,472	5,623
Prepaid expenses	964	1,334
	71,999	64,193

Other Short Term Liabilities	31 December 2008	31 December 2007
Advances received for construction projects (Note: 11)	250,338	172,398
Order advances received	13,858	24,168
Expense accruals	6,215	12,359
Income relating to future months	3,777	3,395
VAT calculated	-	405
	274,188	212,725

Other Long Term Liabilities	31 December 2008	31 December 2007
Advances received from construction projects (Note: 11)	-	38,349

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

21. SHAREHOLDERS' EQUITY

a) Share Capital / Interrelated Subsidiary Capital Adjustments

The structure of the paid in capital as of 31 December 2008 and 2007 is as follows:

Shareholders	(%)	31 December 2008	(%)	31 December 2007
Akçağlılar family	19.30%	57,289	19.30%	57,289
Berker family	19.30%	57,289	19.30%	57,289
Gökyiğit family	19.30%	57,289	19.30%	57,289
Other (*)	7.60%	22,521	7.60%	22,521
Publicly traded	34.50%	102,387	34.50%	102,387
Paid in capital	100.00%	296,775	100.00%	296,775
Capital structure adjustments		3,475		3,475
Restated capital		300,250		300,250

(*) Indicates the total of owners with shares less than 5%.

In accordance with the Board of Director's, decision No: 454 dated on 29 May 2007, the Company has increased its capital by 126,000 from 104,000 to 230,000. This increase was made by retained earnings.

The Company restricted existing shareholders rights to buy new shares and made a capital increase by 66,775; this increased capital is offered to public. The Company's legal capital was announced at 219 numbered Trade Registry Gazette in 26 November 2007.

Registered and issued capital comprises 296,775,000 shares at 1 TRY par value. All these shares consist of bearer common shares.

Group, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. From the remaining statutory profit, 30% of the paid capital is distributed as first dividend to the holders on the condition that rates and amounts are not less then rates and amounts applied by CMB. Also at most 3% of remaining profit is distributed to Tekfen Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı which has redeemed share.

b) Premiums in Capital Stock

Group has gone public on 2007 (34.50%). 380,618 cash provided from the offerings, after 12,859 expenses occurred as direct public offering expenses has been eliminated, the rest has been accounted in equity as premiums in capital stock. The Group has added the 66,775 emission premiums to its capital in 2007. Group's share in subsidiaries' emission premiums accounted by equity method is 855.

c) Revaluation Funds

	31 December 2008	31 December 2007
Propert, plant and equipment revaluation fund	2,055	585
Fair value reserve of financial assets (Note: 6)	16,627	41,975
	18,682	42,560

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

21. SHAREHOLDERS' EQUITY (cont'd)

c) Revaluation Funds (cont'd)

Property, Plant and Equipment Revaluation Fund:

Property, plant and equipment revaluation funds are derived from the revaluation of land and buildings. In the event of the disposition of a revalued land or a building, revalued portion and the sale proceed difference is directly transferred to retained earnings.

Revaluation fund comprise revaluation of property, plant and equipment funds of Eurobank Tekfen.

Fair Value Reserve of Financial Assets:

Fair value reserve of financial assets consists of changes in fair value of securities held for sale. In the event of the disposition of a revalued financial asset at fair value, revalued portion and the sale proceed difference is directly accounted in profit or loss. In case of a revalued at fair value financial assets impairment, amount impaired is accounted in period profit or loss.

d) Currency Translation Reserve

Functional and reporting currency of the Group's contracting segment is US Dollars and consolidated reporting currency of the Group is TRY. In accordance with IAS 21 ("The Effects of Changes in Foreign Exchange Rates"), balance sheet items are translated into TRY with the US Dollars rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate. Gain or loss arising from the translation is recognized in the foreign currency translation reserve under equity which is 31,302.

e) Restricted Profit Reserves

	31 December 2008	31 December 2007
Legal reserves	12,354	3,560

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

In accordance with the CMB's requirements which were effective until 1 January 2008, the amount generated from first-time application of inflation adjustments on financial statements, and followed under the "accumulated loss" item was taken into consideration as a reduction in the calculation of profit distribution based on the inflation adjusted financial statements within the scope of the CMB's regulation issued on profit distribution. The related amount that was followed under the "accumulated loss" item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "Capital issue premiums", "Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "Shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss offsetting.

21. SHAREHOLDERS' EQUITY (cont'd)

e) Restricted Profit Reserves (cont'd)

However, in accordance with the Communiqué Series: XI, No: 29 issued on 1 January 2008 and other related CMB's announcements, "Paid-in capital", "Restricted profit reserves" and "Premium in capital stock" should be carried at their registered amounts in statutory records. Restatement differences (e.g. inflation restatement differences) arising from the application of the Communiqué should be associated with:

- "Capital restatement differences" account, following the "Paid-in capital" line item in the financial statements, if such differences are arising from "Paid-in capital" and not added to capital;

- "Retained earnings/ accumulated loss", if such differences are arising from "Restricted profit reserves" and "Premium in capital stock" and has not been subjected to profit distribution or capital increase.

Other equity items are carried at the amounts that are valued based on the CMB's Financial Reporting Standards.

Capital restatement differences can only be included in capital.

Based on the CMB's decree issued on 9 January 2009, for listed companies, minimum profit distribution rate shall be applied as 20% for the year 2008 (31 December 2007: 20%). In accordance with this decree and CMB's Communiqué Volume: IV, No: 27 "Communiqué for the Principles of the Distribution of Dividends and Dividend Advances for Listed Companies Regulated by CMB", depending on the decision made in general shareholders' meeting, the profit distribution can be made either by giving bonus shares to shareholders which are issued either in cash or by adding dividend to capital or giving some amount of cash and some amount of bonus shares to shareholders. If the primary dividend amount determined is less than 5% of the paid-in capital, the Decree gives the option to not to distribute the related amount as to keep within the equity. However, for companies that have not made any dividend distributions in the prior period and therefore has classified their shares as "old shares" and "new shares" and those that will distribute dividends from the profit for the year obtained from their activities, primary dividend amount shall be distributed in cash.

Also the afore-mentioned Decree prohibits the presentation of profit of companies which are required to prepare consolidated financial statements and subject to calculation of net distributable profit in the parent company's consolidated financial statements by including profits of their subsidiaries, joint ventures and affiliates in the consolidated profits but excluding these profits from the net distributable profit since profit distribution proposals has not been approved by their general assemblies and also forbids the disclosure of such amounts both in the notes to the financial statements and in a separate paragraph in the independent auditor's report. The Decree also allows companies to compute their distributable profit amounts by considering the net profit for the period presented in the publicly issued financial statements prepared in accordance with the Communiqué Serial: XI, No: 29, if such distributable profits could be fully recovered from resources subject to profit distribution in the statutory records.

In this context, if profit distribution amount calculated based on the CMB's regulation on the minimum profit distribution requirement over the net distributable profit calculated based on the CMB's regulations is fully recovered from the distributable profit presented in the statutory records, the company will distribute the full amount; if not, the company will only distribute the net distributable profit presented in the statutory records.

Resources That Can Be Subject To Profit Distribution:

Within the frame of Communiqué Series: XI, No: 29, amount disclosed in notes to financial statements based on the Board decision dated 9 January 2009; following the deduction of companies' retained earnings, total of remaining profit for the period and other resources that may apply to profit distribution is 223,613 for Tekfen Holding A.Ş..

f) Retained Earnings

As of 31 December 2008 Group's retained earnings of 568,013 is consist of 59,385 inflationary adjustment on equity, 75,604 extraordinary reserves and 433,024 accumulated profit. (31 December 2007: 317,284, 59,385 inflationary adjustment on equity, 75,604 extraordinary reserves and 182,295 accumulated profit).

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

22. REVENUE AND COST OF REVENUE

a) Revenue

	1 January- 31 December 2008	1 January 31 December 2007
Domestic goods and merchandise sales	1,177,154	858,841
Export goods and merchandise sales	17,740	8,841
Contract revenue – domestic	97,760	69,187
Contract revenue – abroad	882,185	662,286
Rent income	5,564	1,253
Contract revenue from joint ventures – domestic	91,775	32,976
Contract revenue from joint ventures – abroad	241,625	264,989
Textile products revenue	10,397	11,315
Other	817	660
Sales returns (-)	(4,378)	(2,532)
Sales discount (-)	(2,107)	(2,731)
Other sales discount (-)	(641)	(3,176)
	2,517,891	1,901,909

b) Cost of Revenue

	1 January- 31 December 2008	1 January- 31 December 2007
Cost of raw materials used	(1,017,654)	(596,880)
Payroll expenses and fringe benefits	(302,599)	(279,797)
Subcontractor expenses	(277,331)	(215,332)
Depreciation expenses	(74,084)	(57,069)
Allowance for impairment on inventory (Note: 10)	(78,116)	-
Machinery, vehicle and other rent expenses	(75,249)	(57,006)
Transportation expenses	(38,123)	(41,733)
Manufacturing overheads	(37,795)	(25,704)
Maintanance expenses	(19,275)	(14,778)
Amortization expenses	(2,502)	(1,444)
Changes in work in progress (Note: 10)	75,586	(4,019)
Changes in finished goods (Note: 10)	19,762	(2,807)
	(1,827,380)	(1,296,569)
Cost of merchandises sold	(267,023)	(219,079)
Cost of services sold	(21,601)	(23,261)
Cost of other sales	(82,730)	(87,729)
	(2,198,734)	(1,626,638)

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

23. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January-31 December 2008	1 January-31 December 2007
Research and development expenses (-)	(859)	(624)
Marketing, selling and distribution expenses (-)	(76,129)	(68,446)
General administrative expenses (-)	(85,303)	(82,179)
	(162,291)	(151,249)

a) Detail of Research and Development Expenses	1 January-31 December 2008	1 January-31 December 2007
Payroll expenses and fringe benefits	(274)	(214)
Depreciation and amortization expenses	(140)	(149)
Consultancy expenses	(129)	(7)
Maintenance expenses	(108)	(63)
Energy and fuel expenses	(48)	(50)
Other expenses	(160)	(141)
	(859)	(624)

b) Detail of Marketing, Selling and Distribution Expenses	1 January-31 December 2008	1 January-31 December 2007
Transportation expenses	(58,595)	(54,820)
Payroll expenses and fringe benefits	(7,427)	(6,388)
Maintenance expenses	(1,620)	(471)
Office and administration expenses	(1,081)	(675)
Depreciation and amortization expenses	(1,229)	(603)
Consultancy expenses	(833)	(578)
Rent expenses	(549)	(999)
Energy and fuel expenses	(371)	(220)
Traveling expenses	(223)	(186)
Other expenses	(4,201)	(3,506)
	(76,129)	(68,446)

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

23. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES (cont'd)

c) Detail of General Administrative Expenses	1 January- 31 December 2008	1 January- 31 December 2007
Payroll expenses and fringe benefits	(43,654)	(45,576)
Consultancy expenses	(10,694)	(8,896)
Office and administration expenses	(9,347)	(9,834)
Depreciation and amortization expenses	(6,443)	(5,976)
Receivables written-off	(3,236)	(2,558)
Bank and notary expenses	(2,202)	(1,529)
Traveling expenses	(1,632)	(1,935)
Provision for doubtful receivables	(823)	(1,571)
Rent expenses	(932)	(2,056)
Energy and fuel expenses	(567)	(485)
Transportation expenses	(508)	(509)
Reversal of unnecessary provision	413	2,610
Other expenses	(5,678)	(3,864)
	(85,303)	(82,179)

24. EXPENSES BY NATURE

	1 January- 31 December 2008	1 January- 31 December 2007
Transportation expenses	(59,103)	(55,329)
Payroll expenses and fringe benefits	(51,355)	(52,178)
Consultancy expenses	(11,656)	(9,481)
Office and administration expenses	(10,428)	(10,509)
Depreciation and amortization expenses	(7,812)	(6,728)
Receivables written-off	(3,236)	(2,558)
Bank and notary expenses	(2,202)	(1,529)
Traveling expenses	(1,855)	(2,121)
Rent expenses	(1,481)	(3,055)
Maintenance expenses	(1,728)	(534)
Energy and fuel expenses	(986)	(755)
Provision for doubtful receivables	(823)	(1,571)
Reversal of unnecessary provision	413	2,610
Other expenses	(10,039)	(7,511)
	(162,291)	(151,249)

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

25. OTHER OPERATING INCOME AND EXPENSES

Details of other operating income and expenses for the year ended 31 December 2008 and 2007 are as follows:

Other Operating Income	1 January- 31 December 2008	1 January- 31 December 2007
Gain on sale of fixed assets	5,629	2,826
Rent income	5,001	5,005
Reversal of other unnecessary provisions	3,330	1,079
Government grants and incentives income	1,107	-
Scrap sale income	932	1,778
Indemnity income	446	577
Other income	1,977	5,376
	18,422	16,641

Other Operating Expenses	1 January- 31 December 2008	1 January- 31 December 2007
Litigation provision	(6,595)	(4,231)
Rent expense	(1,754)	(1,042)
Penalty and damages paid	(1,067)	(733)
Write off VAT receivable	(992)	-
Loss on sale of fixed assets	(827)	(370)
Tender expenses	(625)	(1,222)
Damages subject to litigation	(611)	(1,339)
Commission expenses	-	(601)
Other expenses	(4,323)	(5,471)
	(16,794)	(15,009)

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

26. FINANCIAL INCOME

	1 January-31 December 2008	1 January-31 December 2007
Interest income:		
Bank deposits interest income	75,265	23,851
Finance income on sales	3,611	2,091
Interest income from legally approved claims	9,961	-
Dividend income	5,536	7,326
Foreign exchange gains	104,780	66,586
Securities sale profit	144	81
Rediscount income	1,880	3,299
	201,177	103,234

27. FINANCIAL EXPENSES

	1 January-31 December 2008	1 January-31 December 2007
Bank loans interest expenses	(39,444)	(44,211)
Leasing finance interest expenses	(8,760)	(4,414)
Foreign exchange expenses	(186,101)	(34,424)
Rediscount expenses	(3,672)	(3,408)
	(237,977)	(86,457)

28. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Assets Classified as Held For Sale:

Assets classified as held for sale consists of Group's buildings and land.

	31 December 2008	31 December 2007
Assets classified as held for sale	11,843	9,768
	11,843	9,768

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

28. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd)

b) Discontinued Operations:

Results of period until the date of Eurobank Tekfen's sale, 16 March 2007 and gain on sale of Eurobank Tekfen are presented as "Net Profit for the Period from Discontinued Operations" in statement of income for the year ended 31 December 2007.

Details of discontinued operations operating income are as follow:

	1 January-16 March 2007
OPERATING INCOME	
-Revenue	37,610
- Cost of revenue (-)	(23,902)
GROSS PROFIT	13,708
- Operating expenses (-)	(12,919)
NET OPERATING PROFIT	789
- Other income and profits	(890)
- Other expense and losses	(6,499)
OPERATING LOSS	(6,600)
- Taxation	2,011
NET LOSS	(4,589)
Profit from sale of subsidiary	159,478
Profit from discontinued operations	154,889

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

28. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd)

b) Discontinued Operations (cont'd):

Gain from the sale of subsidiary is detailed below.

Name of Subsidiary	Eurobank Tekfen / EFG Financial Leasing
Percentage of shares sold	70%

Net assets of disposed subsidiary Eurobank Tekfen are as follows:

	16 March 2007 Eurobank Tekfen
ASSETS	
Cash and cash equivalents	393,404
Marketable securities (net)	4,081
Turkey Central Bank account	44,000
Loans and loaned securities	426,781
Financial lease receivables (net)	9,435
Other assets	3,466
Financial assets (net)	57,082
Tangible assets (net)	17,592
Intangible assets (net)	630
Deferred tax assets	2,315
Total assets	958,786
LIABILITIES	
Financial liabilities (net)	106,163
Deposit	755,166
Other liabilities	19,648
Total liabilities	880,977
Net Asset Sold	77,809
Tax charge undertaken due to the sale	14,217
Other commitments undertaken due to the sale (Note: 9)	6,146
Expenses undertaken due to the sale	6,645
Revaluation fund realized in profit / loss accounts	(2,458)
Total cost	102,359
Proceeds to Group from the sale	261,837
Gain on sale (net)	159,478
Minority interest share before the sale	1.77%
Effect of sale of subsidiary on minority interest	1,967

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

28. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd)

b) Discontinued Operations (cont'd):

Cash flow table of discontinued operations for the year ended 31 December 2007 is as follow:

	16 March- 31 December 2007
Changes in cash and cash equivalents	300,682
Changes in investment securities	(79,613)
Changes in reserves in Turkish Central Bank	14,823
Changes in loans and marketable securities associated with repo transactions	(31,009)
Changes in financial lease receivables	1,147
Changes in other current assets	431
Changes in available for sale assets	42,666
Effect of discontinued operations in tangible and intangible assets	(333)
Tax provision net of monetary gain/(loss)	1,963
Changes in debts	760
Changes in deposits	(255,352)
Changes in other short term liabilities	(617)

29. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Current tax liability:	31 December 2008	31 December 2007
Corporate tax provision	50,291	34,673
Less: Prepaid taxes and funds	(41,851)	(11,891)
	8,440	22,782

Tax expense / (income) comprises as follows:	1 January- 31 December 2008	1 January- 31 December 2007
Current tax provision	50,291	34,673
Deferred tax expense	(5,865)	(11,619)
Adjustments recognised in current year in relation to the current tax of prior years provisions	-	1,380
Currency translation effect	(2,054)	1,459
	42,372	25,893

29. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Tax legislation in Turkey:

Corporate Tax:

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group's results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2008 is 20% (2007: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2008 is 20% (2007: 20%). The excess temporary tax paid of corporate income that was calculated at the rate of 30% during the taxation of the corporate income in temporary taxation periods after 1 January 2006 over 20% will be deducted from future temporary tax returns.

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1-25 of the fourth month subsequent to the fiscal year end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax:

Since 75% of sale proceeds from subsidiary and fixed asset acquisitions, to the extent that they are at hand less than two years, are included in capital in for five years, they are exempt from tax.

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

The rate of income withholding tax is 10% between 24 April 2003 and 22 July 2003. This rate was changed to 15% commencing from 23 July 2006 with the Cabinet Decision 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Income withholding tax calculated in 2002 and prior years over specific income that are exempt from withholding tax, irrespective of any distribution, are superseded in general. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities. The investments without investment incentive certificates do not qualify for tax allowance.

29. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Tax legislation in Turkey (cont'd);

Income Withholding Tax (cont'd);

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years so as to be deducted from taxable income of subsequent profitable years. However the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

The tax rate that the companies can use in the case of deducting the tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the investment incentive carried forward cannot be used, the effective tax rate will be 20% and the unused investment incentive will be cancelled.

Since the Group cannot use investment incentive, the corporate tax rate has been used 20%.

Inflation Adjusted Tax Calculations

Taxable profit for the year; In 2003 and earlier periods, except for the tangible and intangible fixed assets and their related depreciation and amortizations' annual re-valuations; used to be calculated over their inflationary adjusted amounts. Application of Inflation Accounting in Turkey must be exercised; to be valid for 2004 and forward; only if the inflation rate has reached the limits specified by law published in the 30 December 2003 dated Official Gazette Law No. 5024 numbered 25332. Inflation accounting principles in tax legislation and IAS 29 standards do not differ significantly. Inflation for 2004 exceeded certain criteria according to the laws of 5024 and the company has made inflation-adjusted balances as of the date of 1 January 2005 as these legal records were taken for the opening balances. Because the criteria set by the Law in 2005, 2006, 2007 and in 2008 were not met, the Group has not performed inflation accounting for its 2005, 2006, 2007 and 2008 statutory financial statements.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

29. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Taxation of Foreign Subsidiaries and Operations:

Subsidiaries and operations included in consolidation in the accompanying consolidated financial statements are subject to corporate tax and withholding tax effective in the relevant country. Effective tax rates in those countries in which the Group operates are summarized below:

Countries	Corporate Tax Rate %	Witholding Tax Rate %
Azerbaijan	22%	10%
Bulgaria	10%	0% - 10%
Kazakhstan	30%	15% - 20%
Uzbekistan	10% - 18%	10% - 20%
Germany	15% - 33%	0% - 25%
Saudi Arabia	20%	5% - 15%
Luxembourg	20% - 21%	0% - 15%
Ireland	12.5% - 25%	20%
England	28%	20%
Morocco	30%	10%
Kuwait	0% - 55%	0%
Libya	0%	5% - 10%
Omman	0% - 30%	10%
United Arab Emirates	0%	0%
Qatar	0% - 35%	0%

Withholding tax rates in Kazakhstan, Germany, and Saudi Arabia vary according to the nature of the business. Since the Group, operations in Luxembourg are only related to the investments to subsidiaries and providing loans to these investments, these activities are not subject to corporate tax. The Group's construction project in Libya is not subject to corporate tax.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and shown below.

Tax rate used in calculating deferred tax assets and liabilities is 20% (2007: %20).

Due to entities in Turkey are not allowed to declare consolidated tax returns, subsidiaries titled to deferred assets may not be netted of with their subsidiaries titled to deferred tax liabilities; hence are required to declare separately.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

29. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax (cont'd):

Components of deferred tax (assets)/liabilities bases:	31 December 2008	31 December 2007
Restatement and depreciation / amortization differences of tangible and intangible assets	(28,407)	49,576
Provision for employment termination benefits and vacation liability	(15,598)	(20,300)
Investment incentive	-	(7,966)
Contract costs and progress billings (net)	(10,242)	11,624
Obligations under finance leases	-	(17,027)
Provision for doubtful receivables	(3,222)	1,272
Effect of valuation	624	6,701
Effect of income accruals	5,717	4,020
Tax losses carried forward	(16,068)	(22,197)
Available for sale investments	21,361	43,288
Provision for premium payments	(1,435)	(1,056)
Other	(18,428)	(26,237)
Deferred tax asset	(65,698)	21,698

Components of deferred tax (assets)/liabilities:	31 December 2008	31 December 2007
Restatement and depreciation / amortization differences of tangible and intangible assets	(3,076)	2,803
Provision for employment termination benefits and vacation liability	(3,680)	(4,360)
Investment incentive	-	(1,577)
Contract costs and progress billings (net)	(2,576)	4,059
Obligations under finance leases	-	(3,583)
Provision for doubtful receivables	(645)	237
Effect of valuation	125	1,340
Effect of income accruals	2,248	900
Tax losses carried forward	(4,524)	(4,525)
Available for sale investments	1,068	2,165
Provision for premium payments	(287)	(291)
Other	(2,129)	(5,614)
Deferred tax asset	(13,476)	(8,446)
Deferred tax asset	(38,523)	(39,385)
Deferred tax liability	25,047	30,939
	(13,476)	(8,446)

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

29. TAX INCOME AND EXPENSES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax (cont'd):

Movement of deferred tax assets and liabilities for the year ended 31 December 2008 is as follows:

Movement of deferred tax assets	1 January-31 December 2008	1 January-31 December 2007
Opening balance as at 1 January	(8,446)	(11,100)
Deferred tax expense	(5,865)	2,598
Tax effect of available for sale investments	(1,083)	111
Currency translation effect	1,918	(55)
Closing balance as at 31 December	(13,476)	(8,446)

Reconciliation of tax expense for the year with the profit for the year:

Reconciliation of taxation:	31 December 2008	31 December 2007
Profit before tax	133,227	150,894
Profit from discontinued operations	-	154,889
Profit before tax and after monetary gain	133,227	305,783
Expected taxation (*)	8,979	50,012
Reconciliation of expected tax to actual tax:		
- Undeductable expenses	4,466	11,694
- Dividend and other non taxable income	11,610	(760)
- Carry forward tax losses deducted in current year	(1,238)	(3,804)
- Provision for unrealizable tax losses	13,064	3,045
- Investment incentive	-	(75)
- Effect of discountinued operations	-	(14,217)
- Tax effect of sale of subsidiary	-	(22,569)
- Tax commitments fall out as a result the sale	-	1,229
- Effect of change in tax rates and consolidation adjustments	5,409	1,819
- Other	82	(481)
Income tax expense recognized in statement of income	42,372	25,893

(*) Different rates are applied for different countries where the foreign companies and joint ventures are located.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

30. EARNINGS PER SHARE

Calculation of earnings per share for the current period is made in accordance with IAS 33 considering the effects of shares and bonus shares issued.

As of 31 December 2008 and 2007, the Group's weighted average number of shares and computation of earnings per share (which corresponds to per share amounting to TRY 1) set out here are as follows:

	1 January-31 December 2008	1 January-31 December 2007
Number of outstanding shares at the beginning of the period	296,775	104,000
Number of issued shares:		
- Transfer from retained earnings	-	126,000
- Capital increase paid in cash	-	66,775
Number of outstanding shares at the end of the period	296,775	296,775
Weighted average number of outstanding shares (*)	296,775	241,129
Number of common shares	296,775	241,129
Profit for common shareholders	91,032	124,368
Profit from continuing operations	91,032	124,368
Profit from discontinued operations	-	154,889
Net profit for the period	91,032	279,257
Profit from continuing and discontinued operations :		
- profit for common shareholders	91,032	279,257
	91,032	279,257
Net profit per common share :		
Calculated from continuing operations:	0.307	0.516
Calculated from discontinued operations:	-	0.642
	0.307	1.158

(*) The Company transferred 126,000 from its retained earnings to its capital during 2007. In accordance with paragraphs 21 and 22 of IFRS 33 "Earnings per Share", the numbers of ordinary shares outstanding are adjusted for the bonus share issued as if the increase had occurred at the beginning of the increase period presented.

The Company decided to change original contract in 8 November 2007 and removed the clause related with paying dividends amounted as 5% of paid capital to the owners of A Series preferred share. Therefore during the calculations of gains per share as of 31 December 2008 and 2007, preferred shares have been excluded.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

31. RELATED PARTY TRANSACTIONS

The Group has various transactions with related parties during the course of its operations. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note.

Due from and due to balances are unsecured and will be settled in cash. No bad debt provision is made for balances due from related parties in the current year.

Details of transactions between the Group and other parties related through common ownership are disclosed below.

Deposits in Eurobank Tekfen A.Ş. Bank	2008	2007
Demand deposit	2,438	91
Time deposit	383,118	90,946
	385,556	91,037
Loans obtained from Eurobank Tekfen A.Ş.	24,977	593

Detail of the Group's loans obtained from related parties as of 31 December 2008 and 2007 are as follows:

31 December 2008

Loans obtained from related parties:	Original Currency	Maturity	Weighted Average Interest Rate %	Short Term Liabilities
Eurobank Tekfen A.Ş.	USD	March 2009	9.68	24,400
Eurobank Tekfen A.Ş.	TRY	Spot	-	577
				24,977

31 December 2007

Loans obtained from related parties:	Original Currency	Maturity	Weighted Average Interest Rate %	Short Term Liabilities
Eurobank Tekfen A.Ş.	TRY	Spot	-	593
				593

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

31. RELATED PARTY TRANSACTIONS (cont'd)

	31 December 2008		31 December 2007	
	Due from	Due to	Due from	Due to
Balances with related parties	Short term	Short term	Short term	Short term
Subsidiaries				
Eurobank Tekfen	942	48	480	-
Tekzen	981	8	289	-
Tekfen Oz	446	8	7,551	-
Papfen Mersin Serbest Bölgesi	-	-	136	-
Other	609	111	2,426	498
Immediate Family and upper management	860	54	712	824
Joint ventures				
Gate J.V.	4,841	6	2,555	-
TGO J.V.	1,440	-	-	-
Azfen J.V.	749	-	932	84
TTÖ J.V.	371	247	-	-
TÖT J.V.	230	-	634	-
GTT J.V.	168	39	-	-
Tekfen TML J.V.	20	2,384	556	-
NCC J.V.	-	-	265	-
OIC J.V.	-	-	51	-
NTY J.V.	-	-	-	293
Other	2	18	157	8
	11,659	2,923	16,744	1,707

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

31. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2008					
Transactions with related parties	Sales	Interest income	Interest expense	Rent income	Other income	Other expense
Subsidiaries						
Tekfen Oz	1,794	-	-	36	204	-
Eurobank Tekfen	1,028	28,661	266	165	-	97
Tekzen	1,526	-	-	526	-	7
Üçgen Bakım	21	-	-	-	-	-
Tekfen Finansal	9	-	-	-	-	-
Akmerkez Gayrimenkul	1	-	-	-	-	-
Tekfen Vakfi	-	-	-	14	-	-
Immediate Family and upper management	11	-	-	-	-	-
Joint ventures						
Gate J.V.	7,196	-	-	935	-	-
Tekfen-TML J.V.	3,974	-	-	-	-	-
TÖT J.V.	1,731	170	-	166	-	-
TTÖ J.V.	1,427	-	-	6	-	-
TGO J.V.	1,649	-	-	60	-	-
GTT J.V.	168	-	-	-	-	-
Azfen J.V.	-	-	-	-	396	-
Other companies managed by the Group						
Tekfen Baku Office	77	-	-	-	-	-
	20,612	28,831	266	1,908	600	104

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

31. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2007					
Transactions with related parties	Sales	Interest income	Interest expense	Rent income	Other income	Other expense
Subsidiaries						
Eurobank Tekfen	829	2,356	87	34	61	120
Üçgen Bakım	17	-	-	-	-	-
Tekfen Vakfı	3	-	-	-	-	-
Tekfen Oz	1	-	-	8	429	-
Tekzen	-	-	-	360	-	-
Immediate Family and upper management	5,686	-	-	-	-	-
Jointly ventures						
NCC J.V.	30,771	-	-	-	-	-
OIC J.V.	5,109	-	-	-	-	-
Gate J.V.	3,772	-	-	378	-	-
Tekfen TML J.V.	2,347	-	-	599	-	-
TGO J.V.	596	-	-	9	-	-
Azfen J.V.	144	-	-	1,069	-	131
TTÖ J.V.	62	-	-	106	-	-
TÖT J.V.	-	-	-	82	-	-
	49,337	2,356	87	2,645	490	251

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

31. RELATED PARTY TRANSACTIONS (cont'd)

The remuneration of directors and other members of key management during the year were as follows:

	31 December 2008	31 December 2007
Salaries and other short term benefits	7,426	5,863
	7,426	5,863

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 7, equity attributable to equity holders of the parent, comprising paid in capital, reserves and retained earnings.

Group's general strategy has not changed since 2007.

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's corporate treasury function provides services to the business, coordinates access to domestic and international markets, monitors, and manages the financial risks relating to the operations of the Group through internal risk reports, which analyses exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk) credit risk, liquidity risk and cash flow interest rate risk.

The Group is not associated with any kind of financial instruments trading, including those of which derivative financial instruments for speculative purposes.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management

Credit risk exposure based on financial instrument categories	Receivables			
	Trade Receivables		Other Receivables	
31 December 2008	Related Party	Third Party	Third Party	Bank Deposit
Minimum credit risk exposure at Balance Sheet date (*)	11,659	458,880	26,899	504,767
- Secured portion of minimum credit risk via guarantee or etc. (**)	210	14,835	-	-
A. Net book value of not due or not impaired financial assets	11,659	435,118	24,489	504,767
B. Net book value of assets that are due but not impaired	-	15,776	2,410	-
- Secured portion via guarantee or etc.	-	4,977	-	-
C. Net book value of impaired assets	-	7,986	-	-
- Over due (gross book value)	-	20,536	-	-
- Impairment (-)	-	(12,550)	-	-
- Secured net value via guarantee or etc.	-	7,986	-	-

(*) In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.
(**) Warrants consist of collateral bills, letters of guarantees and mortgages.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Credit risk exposure based on financial instrument categories	Receivables			
	Trade Receivables		Other Receivables	
31 December 2007	Related Party	Third Party	Third Party	Bank Deposit
Minimum credit risk exposure at Balance Sheet date (*)	16,744	334,348	21,178	521,653
- Secured portion of minimum credit risk via guarantee or etc. (**)	-	22,972	-	-
A. Net book value of not due or not impaired financial assets	16,744	322,099	20,459	521,653
B. Net book value of assets that are due but not impaired	-	5,769	719	-
- Secured portion via guarantee or etc.	-	3,136	-	-
C. Net book value of impaired assets	-	6,480	-	-
- Over due (gross book value)	-	19,408	-	-
- Impairment (-)	-	(12,928)	-	-
- Secured net value via guarantee or etc.	-	6,480	-	-

(*) In determining the amounts, elements providing increase in loan credibility such as warrants received are not considered.
(**) Warrants consist of collateral bills, letters of guarantees and mortgages.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

31 December 2008	Trade Receivables	Other Receivables	Total
Overdue by 1-30 days	6,210	-	6,210
Overdue by 1-3 months	1,472	-	1,472
Overdue by 3-12 months	18,726	841	19,567
Overdue 1-5 years	7,981	1,569	9,550
Overdue by more than 5 years	1,923	-	1,923
Total overdue receivables	36,312	2,410	38,722
Secured portion via guarantee or etc.	12,963	-	12,963

31 December 2007	Trade Receivables	Other Receivables	Total
Overdue by 1-30 days	-	-	-
Overdue by 1-3 months	-	-	-
Overdue by 3-12 months	14,629	-	14,629
Overdue 1-5 years	8,469	719	9,188
Overdue by more than 5 years	2,079	-	2,079
Total overdue receivables	25,177	719	25,896
Secured portion via guarantee or etc.	9,616	-	9,616

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Collaterals held for the trade receivables that are past due as at the balance sheet date but not impaired are as follows:

	31 December 2008	31 December 2007
Guarantee letters	4,977	3,136

Collaterals held for the trade receivables that are past due as at the balance sheet date and are impaired are as follows:

	31 December 2008	31 December 2007
Guarantee letters	7,986	6,480

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk chart:

31 December 2008

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)
Financial liabilities					
Bank loans	509,753	522,778	170,485	349,549	2,744
Finance lease obligations	108,106	121,353	13,203	37,925	70,225
Trade payables (due to related parties included)	606,809	608,862	508,894	97,425	2,543
Other payables	28,678	28,678	13,528	14,119	1,031
Total liability	1,253,346	1,281,671	706,110	499,018	76,543

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.2) Liquidity risk management (cont'd)

31 December 2007

Due date on agreement	Carrying Value	Cash outflows according to agreements (I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)
Financial liabilities					
Bank loans	324,702	332,663	125,180	199,828	7,655
Finance lease obligations	98,287	114,050	5,557	32,221	76,272
Trade payables (due to related parties included)	341,016	343,584	270,566	71,184	1,834
Other payables	29,753	29,753	7,978	12,121	9,654
Total liability	793,758	820,050	409,281	315,354	95,415

b.3) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates (refer to section b.3.1) and interest rates (refer to section b.3.2).

There has been no change to the Group's exposure to market risks or the manner which it manages and measures the risk.

b.3.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities as of balance sheet date are shown below.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2008	Equivalant of Thousands TRY	US Dollars	EUR	JPY	GBP	Other (Equivalant of Thousands TRY)
1. Trade Receivables	142,583	19,215,842	36,918,624	-	6,051	34,474
2. Monetary Financial Assets	119,235	49,321,386	14,396,164	28,175,022	3,923	13,347
3. Other	1,442	-	281,514	-	-	840
4. CURRENT ASSETS	263,260	68,537,228	51,596,302	28,175,022	9,974	48,661
5. Trade Receivables	4,352	1,166,988	395,975	-	-	1,740
6. Monetary Financial Assets	9,621	-	-	-	-	9,621
7. Other	92	60,867	-	-	-	-
8. NON CURRENT ASSETS	14,065	1,227,855	395,975	-	-	11,361
9. TOTAL ASSETS	277,325	69,765,083	51,992,277	28,175,022	9,974	60,022
10. Trade Payables	374,920	193,787,185	11,371,439	-	1,472,413	54,284
11. Financial Liabilities	158,423	98,477,199	2,126,741	-	-	4,943
12. Monetary Other Liabilities	64,673	8,933,086	2,543,424	-	-	45,719
13. CURRENT LIABILITIES	598,016	301,197,470	16,041,604	-	1,472,413	104,946
14. Trade Payables	1,551	-	-	-	-	1,551
15. Financial Liabilities	7,298	4,519,322	216,242	-	-	-
16. Monetary Other Liabilities	1,024	677,340	-	-	-	-
17. NON CURRENT LIABLITIES	9,873	5,196,662	216,242	-	-	1,551
18. TOTAL LIABILITIES	607,889	306,394,132	16,257,846	-	1,472,413	106,497
19. Net foreign currency assets/(liabilities) position	(330,564)	(236,629,049)	35,734,431	28,175,022	(1,462,439)	(46,475)
20. Monetary items net foreign currency assets/(liabilities) position (1+2+5+6-10-11-12-14-15-16)	(332,098)	(236,689,916)	35,452,917	28,175,022	(1,462,439)	(47,315)
21. Export	103,327	79,631,199	-	-	-	-
22. Import	924,064	700,310,570	6,890,866	-	1,002,434	1

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2007	Equivalant of Thousands TRY	US Dollars	EUR	JPY	GBP	Other (Equivalant of Thousands TRY)
1. Trade Receivables	87,467	30,846,111	17,215,899	43,303	-	22,097
2. Monetary Financial Assets	261,669	75,518,127	32,209,731	10,488,837	47,504,488	8,029
3. Other	11,251	4,331,256	2,217,790	-	-	2,414
4. CURRENT ASSETS	360,387	110,695,494	51,643,420	10,532,140	47,504,488	32,540
5. Trade Receivables	2,459	933,774	801,729	-	-	-
6. Monetary Financial Assets	11,410	-	-	-	-	11,410
7. NON CURRENT ASSETS	13,869	933,774	801,729	-	-	11,410
8. TOTAL ASSETS	374,256	111,629,268	52,445,149	10,532,140	47,504,488	43,950
9. Trade Payables	339,282	191,581,486	43,941,109	78,738	225,059	40,474
10. Financial Liabilities	103,043	56,960,121	10,779,171	-	-	18,267
11. Monetary Other Liabilities	59,529	9,001,933	15,322,060	-	-	22,841
12. CURRENT LIABILITIES	501,854	257,543,540	70,042,340	78,738	225,059	81,582
13. Trade Payables	1,048	-	125,203	-	-	834
14. Financial Liabilities	5,427	3,738,238	282,621	-	-	590
15. NON CURRENT LIABLITIES	6,475	3,738,238	407,824	-	-	1,424
16. TOTAL LIABILITIES	508,329	261,281,778	70,450,164	78,738	225,059	83,006
17. Net foreign currency assets/(liabilities) position	(134,073)	(149,652,510)	(18,005,015)	10,453,402	47,279,429	(39,056)
18. Monetary items net foreign currency assets/(liabilities) position (1+2+5+6-9-10-11-13-14)	(145,324)	(153,983,766)	(20,222,805)	10,453,402	47,279,429	(41,470)
19. Export	79,225	68,021,602	70,000	-	-	-
20. Import	480,858	412,860,060	1,486,154	-	-	-

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollars and Euro.

The following table details the Group's sensitivity to a 10% increase and decrease in the US Dollars and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss.

	31 December 2008	
	Profit / Loss	
	Appreciaiton of foreign currencies	Depreciaiton of foreign currencies
	If US Dollars 10% appreciated vs TRY	
US Dollars net assets / liabilities	(35,785)	35,785
	If Euro 10% appreciated vs TRY	
Euro net assets / liabilities	7,650	(7,650)
	If Other foreign currencies 10% appreciated vs TRY	
Other foreign currency net assets / liabilities	(4,921)	4,921
TOTAL	(33,056)	33,056

	31 December 2007	
	Profit / Loss	
	Appreciaiton of foreign currencies	Depreciaiton of foreign currencies
	If US Dollars 10% appreciated vs TRY	
US Dollars net assets / liabilities	(17,430)	17,430
	If Euro 10% appreciated vs TRY	
Euro net assets / liabilities	(3,079)	3,079
	If Other foreign currencies 10% appreciated vs TRY	
Other foreign currency net assets / liabilities	7,102	(7,102)
TOTAL	(13,407)	13,407

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.2) Interest rate risk management

Interest rate sensitivity

Detail of the Group's financial instruments exposed to interest rate sensitivity is as follows:

Interest Rate Position Table

Fixed Rate Financial Instruments	31 December 2008	31 December 2007
Financial Liabilities	608,183	387,438
Floating Rate Financial Instruments		
Financial Liabilities	9,676	35,551

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. Group management does not expect any significant changes in interest rates.

At 31 December 2008 if the TRY denominated interest rate had been 5 basis points higher/lower and all other variables held constant, profit before tax and minority interest would decrease/increase by 42 (31 December 2007: 100).

b.3.3) Other price risks

Equity pricing sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks for stock.

At reporting date, if variable valuation methods had been 10% higher/lower and all other variables held constant:

- As at 31 December 2008, unless stock investments are disposed of and if are not subject to any impairment and as long as classified as assets held for sale, they will have no effect over net profit/loss.
- There will be an increase/decrease of 3,562 (2007: 6,059 increase/decrease) in other equity funds. This is mainly caused as a result of changes in fair values of stocks classified as held for sale.

Group's stock prices sensitivity has not shown any significant deviation against prior year.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

33. FINANCIAL INSTRUMENTS

Categories of financial instruments and fair values

31 December 2008	Financial assets at amortized cost	Loans and receivables	Available for sale investments	Financial liabilities at amortized cost	Carrying value	Note
Financial assets						
Cash and cash equivalents	504,767	-	-	-	504,767	5
Trade receivables (due from related parties included)	-	470,539	-	-	470,539	8,31
Financial investments	-	-	37,587	-	37,587	6
Other current and non current assets	-	26,899	-	-	26,899	9
Financial liabilities						
Financial debts	-	-	-	617,859	617,859	7,31
Trade payables (due to related parties included)	-	-	-	606,809	606,809	8,31
Other short and long term liabilities	-	-	-	28,678	28,678	9

The Group believes that the carrying values of its financial instruments reflect their fair values.

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

33. FINANCIAL INSTRUMENTS (cont'd)

Categories of financial instruments and fair values

31 December 2007	Financial assets at amortized cost	Loans and receivables	Available for sale investments	Financial liabilities at amortized cost	Carrying value	Note
Financial assets						
Cash and cash equivalents	521,653	-	-	-	521,653	5
Trade receivables (due from related parties included)	-	351,092	-	-	351,092	8,31
Financial investments	-	-	59,438	-	59,438	6
Other current and non current assets	-	21,178	-	-	21,178	9
Financial liabilities						
Financial debts	-	-	-	422,989	422,989	7,31
Trade payables (due to related parties included)	-	-	-	341,016	341,016	8,31
Other short and long term liabilities	-	-	-	29,753	29,753	9

The Company believes that the carrying values of its financial instruments reflect their fair values.

34. SUBSEQUENT EVENTS

TST International Finance S.A and its owner TST Investment Holding S.A both owned by the Group has been combined with TST Investment Holding S.A on 2 March 2009. In the other hand, 83,400,000 US Dollars in dividends was paid off on 3 March 2009.

The Board of Directors, on 26 December 2008, has agreed to increase Eurobank Tekfen A.Ş.'s capital of which it owns 29.13%, from 230,000 to 380,000. 25,000 of the increase to be provided from internal resources and 125,000 of it as cash. Board has decided to participate in the cash increased part with an amount of 36,414 on 21 January 2009.

Between Toros Tarım Sanayi ve Ticaret AS Turkey, member of the Petroleum Chemistry of Rubber and Plastic Industry Employers Union (KİPLAS Employers Union), and Petrol-İş Union, because of the collective labor agreement negotiations not resulting in agreement for the period covered by 1 January 2009-31 December 2010, Ceyhan / Adana and Mersin plants have gone on strike.

As of balance sheet date, 215,354 of 473,223 balances of Receivables from ongoing construction contracts have been invoiced as of the report date.