



2008 Annual
Report



ALARKO HOLDING A.Ş.



Dr. Üzeyir Garih
1929-2001

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



ALARKO HOLDİNG A.Ş.



ANNUAL REPORT 2008

May 11, 2009
General Assembly Meeting
2008 Fiscal Year

Registered Capital
TL 500.000.000

Issued Capital
TL 215.876.230



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MESSAGE FROM THE CHAIRMAN

Esteemed Shareholders,

Extraordinary hostile conditions were experienced in world economy throughout 2008. First, the mortgage system in the USA collapsed. The American banking business was fatally injured. A short time later, European banks became affected.

However, it is also true that in a globalized world everything, whether it be positive or negative, spreads very rapidly. The real sector started paying dearly with the collapse of the world financial sector. A major recession is awaiting the world. All of humanity must be ready to face the economic, political and social outcome that this will create. The most important outcome will be unemployment. Solving the problems of those who will lose their jobs or at least attenuate them must be the fundamental duty of governments.

It seems that the effects of these difficulties will inevitably be felt for awhile. Despite all the precautions taken, creating the necessary environment of confidence in the banking, consumer and investor fronts will take some time.

If the necessary precautions are taken on time, the Turkish economy can survive this storm with relatively little damage. This relatively positive prospect is based on two fundamental reasons.

1. Turkey did not suffer the kind of collapse that the USA and Spain were faced with since the mortgage system in real estate is not very wide spread in Turkey. Only some construction companies faced difficulties because they could not sell the large stocks they had on hand.
2. The Turkish banking system was stronger in facing this crisis since it made more secure investments. No Turkish bank went bankrupt.

As for us, the Alarko Group established in 1954 is getting the favorable results of its traditional conservative and realistic philosophy. Our experiences in previous crises have taught us to keep our cash reserves high and follow a balanced growth policy.

The Alarko Group possesses the mental and corporate formation to overcome the effects of this crisis with minimum damage.

No serious layoffs were experienced by any company within our Group. Employees of the Alarko Group have continued to feel secure about the future.

The turnover and yields of the companies of Alarko Holding almost attained the results foreseen in their budgets. The investments we have started are developing as planned.

Despite the crisis and this major depression, the management staff of Alarko Holding with a past of 55 years is looking ahead with confidence and is sharing with you, our esteemed shareholders the satisfaction of being based on solid foundations.

Respectfully,

İshak Alaton
Chairman

BOARD OF DIRECTORS



İshak ALATON
Chairman
(22.05.2008 - 11.05.2009)



İzzet GARİH
Vice Chairman
(22.05.2008 - 11.05.2009)



Vedat A. ALATON
Vice Chairman
(22.05.2008 - 11.05.2009)



Ayhan YAVRUCU
Director
Chief Executive Officer
(22.05.2008 - 11.05.2009)

Prof. Dr. Ahmet Zeyyat HATİPOĞLU

Auditor

(22.05.2008 - 11.05.2009)

Aykut BAYCAN

Auditor

(22.05.2008 - 11.05.2009)

**BOARD OF
AUDITORS**



Güner KOÇEL
Director
(22.05.2008 - 11.05.2009)



Dalia GARİH
Director
(22.05.2008 - 11.05.2009)



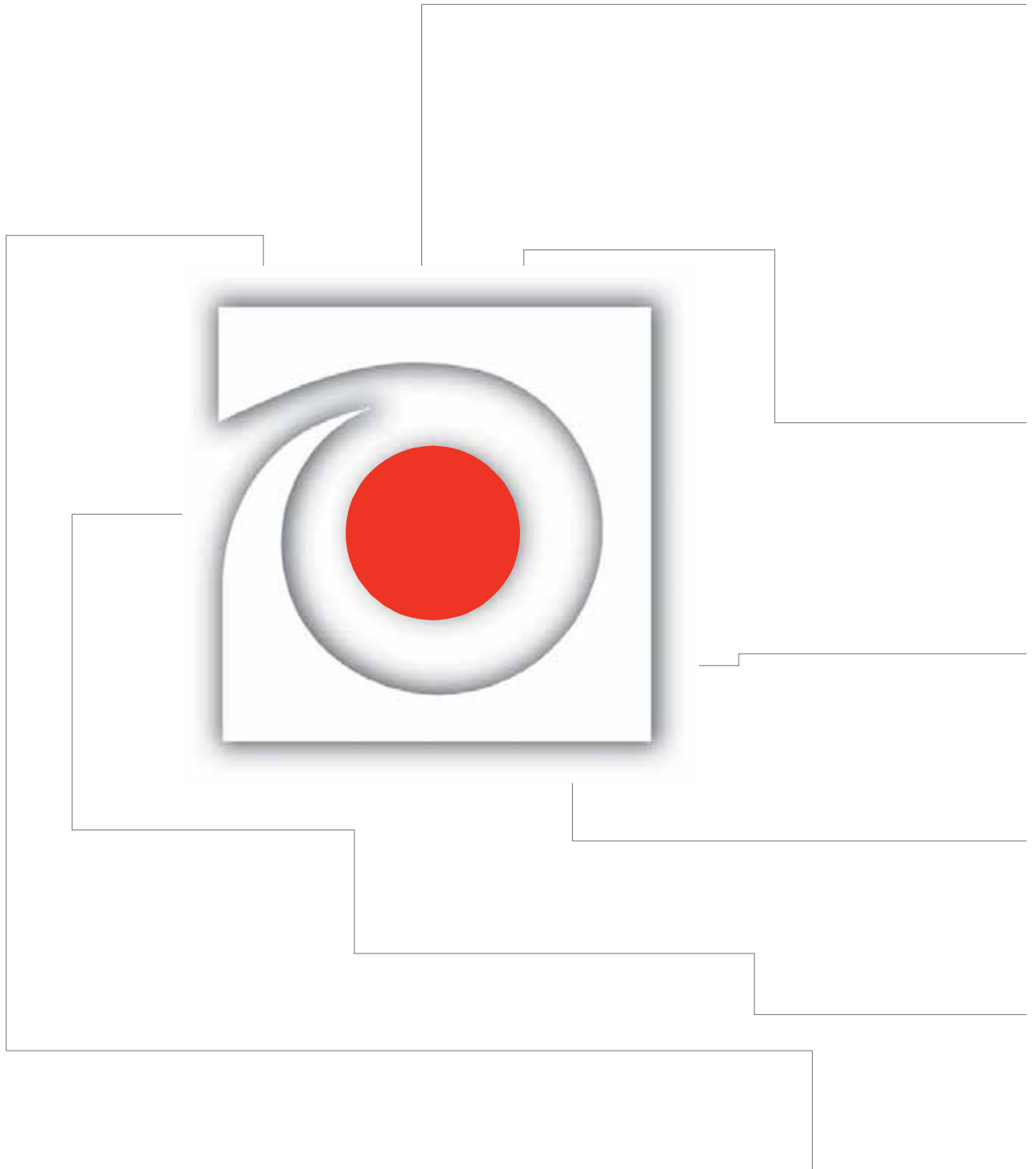
Leyla ALATON GÜNYELİ
Director
(22.05.2008 - 11.05.2009)



Ahmet Vural AKIŞIK
Director
(22.05.2008 - 11.05.2009)

**Independent Auditing
Company**
Denet Bağımsız Denetim
Yeminli Mali
Müşavirlik A.Ş.
**(Member firm of
BDO International)**

THE ALARKO GROUP OF COMPANIES



THE
CONTRACTING
GROUP

ALSİM ALARKO SAN. TES. VE TİC. A.Ş.

99,56 %

ADANA SUBWAY DIVISION
İSTANBUL SUBWAY (TAKSİM - YENİKAPI ELECTRO - MECHANIC SYSTEMS) CONSTRUCTION
ALKENT 2000 LAKE MANSIONS CONSTRUCTION
ALSİM ALARKO - OHL - GYO J.V. TCDD ANKARA - ESKİŞEHİR HIGH SPEED TRAIN PROJECT
ALSİM ALARKO - ROSNEFTEGAZSTROY MELEN J.V
ARZEW DESALINATION AND POWER PLANT PROJECT
KIRIKKALE TÜPRAŞ REFINERY DHP - CCR CONSTRUCTION PROJECT
ALSİM ALARKO - GARANTI KOZA J.V. İSTANBUL METRO 4.LEVENT- AYAZAĞA
ROUTE CONSTRUCTION PROJECT
ASTANA WATER PROJECT
MOSKOW ONCOLOGY HOSPITAL CONSTRUCTION
CYPRUS WATER PROJECT ENGINEERING SERVICES
ATRAU - AKTAU ROAD RE-CONSTRUCTION PROJECT
İSTANBUL METRO 4. LEVENT-AYAZAĞA SECTION EKECTROMECHANICAL
WORKS PROJECT ALARKO-MAKYOL J.V.
ALARKO - CAF JOINT VENTURE - ANTALYA LIGHT RAIL TRANSPORT SYSTEM
SAMSUN LIGHT RAIL TRANSPORT SYSTEM PROJECT
KIRKLARELİ COMBINED CYCLE POWER PLANT PROJECT
KIEV BORYSPİL AIRPORT PROJECT
ANKARA METRO ELECTROMECHANICAL WORKS AND SIGNALIZATION SYSTEMS CONSTRUCTION WORKS

THE
INDUSTRY
AND TRADE
GROUP

ALARKO CARRIER SANAYİ VE TİCARET A.Ş.

43,19 %

THE MAIN MANUFACTURING PLANT
RADIATOR MANUFACTURING PLANT
DEALER SALES
SYSTEM SALES
AFTER MARKETS SERVICE
TOTALINE DIVISION
FREE ZONE BRANCH

ALARKO FENNİ MALZEME SATIŞ VE İMALAT A.Ş.

99,90 %

ALMÜT ALARKO SİNAİ GEREÇLER İMALAT VE MÜM. A.Ş.

94,30 %

TÜM TESİSAT VE İNŞAAT A.Ş.

49,58 %

ALAMSAS ALARKO AĞIR MAKİNA SAN. A.Ş.

99,95 %

SARET SANAYİ TAAHHÜTLERİ VE TİC. A.Ş.

100,00 %

THE
ENERGY
GROUP

ALTEK ALARKO ELEKTRİK SANTRALLARI TES. İŞL. VE TİC. A.Ş.

49,89 %

HASANLAR HYDROELECTRIC POWER STATION
BERDAN HYDROELECTRIC POWER STATION
TOHMA HYDROELECTRIC POWER STATION
KIRKLARELİ NATURAL GAS COMBINED CYCL POWER PLANT

TEMZET ELEKTRİK ÜRETİM İLETİM A.Ş.

49,78 %

ALARKO ENERJİ ÜRETİM A.Ş.

100,00 %

THE
TOURISM
GROUP

ATTAS ALARKO TURİSTİK TESİSLER A.Ş.

99,58 %

HILLSIDE BEACH CLUB
HILLSIDE CITY CLUB - ETİLER
HILLSIDE CITY CLUB - İSTİNYE
HILLSIDE CITY CLUB - TRIO
CINECITY - ETİLER
CINECITY - TRIO
CINECITY - OLIVİUM
CINECITY - KİPA
HILLSIDE SU HOTEL
SANDA SPA (HBC, HCC-ETİLER, HCC-İSTİNYE, HCC-TRIO, HSH)

THE LAND
DEVELOPMENT
GROUP

ALARKO GAYRİMENKUL YATIRIM ORT. A.Ş.

50,94 %

ALDEM ALARKO KONUT İNŞAAT VE TİCARET A.Ş.

99,56 %

AL-RİVA PROJESİ ARAZİ DEĞER., KONUT İNŞ. VE TİC. A.Ş.

40,00 %

AL-RİVA ARAZİ DEĞER. KONUT İNŞ. VE TİC. A.Ş.

40,00 %

AL-RİVA ARAZİ DEĞER., KONUT İNŞ., TURİSTİK TES., GOLF İŞL. VE TİC. A.Ş.

40,00 %

ALARKO DEYAAR GAYRİMENKUL GELİŞTİRME A.Ş.

49,78 %

MOSALARKO J.V.

50,00 %

AL-KONUT DIVISION

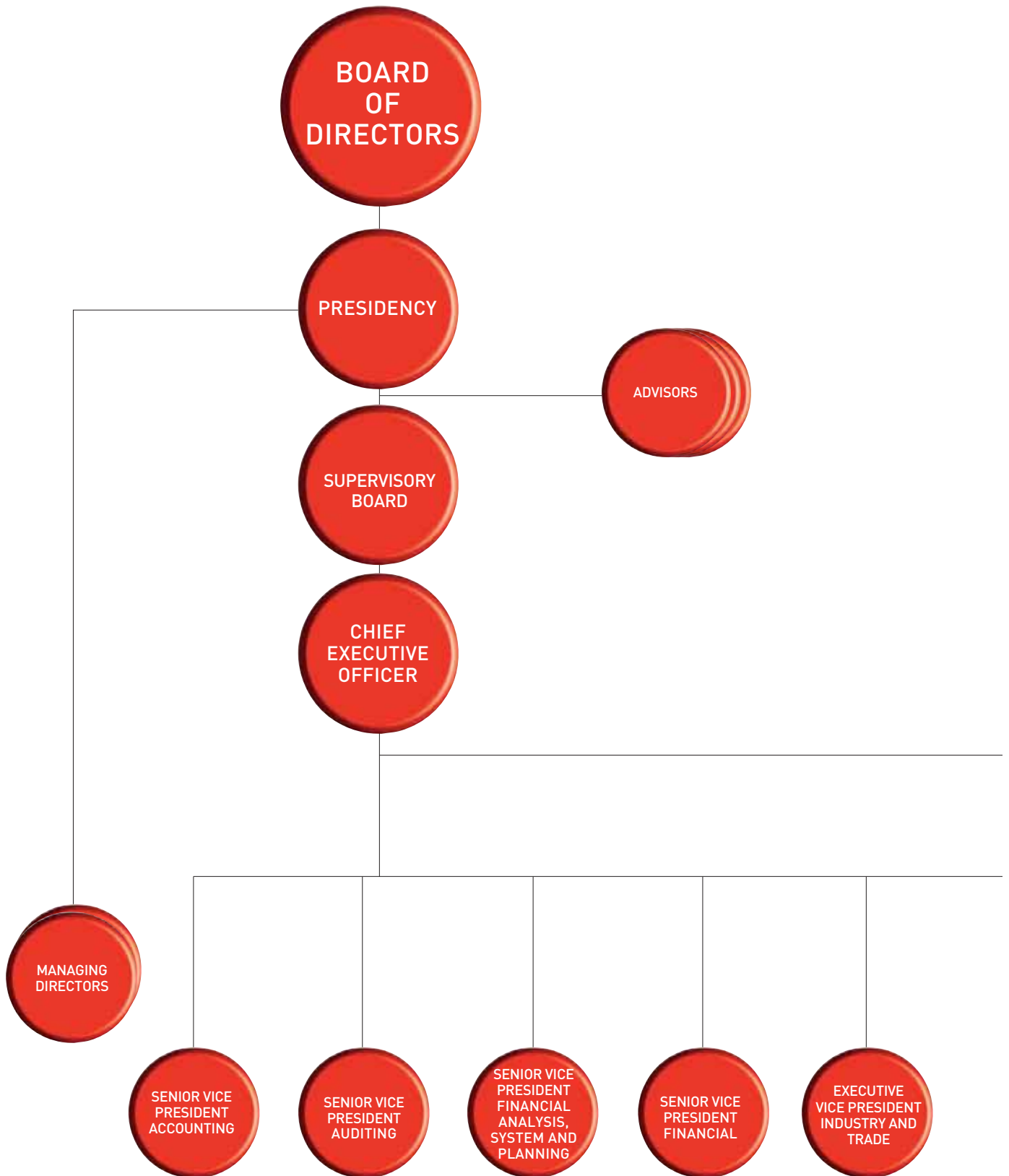
THE
SEAFOOD
PRODUCTS
GROUP

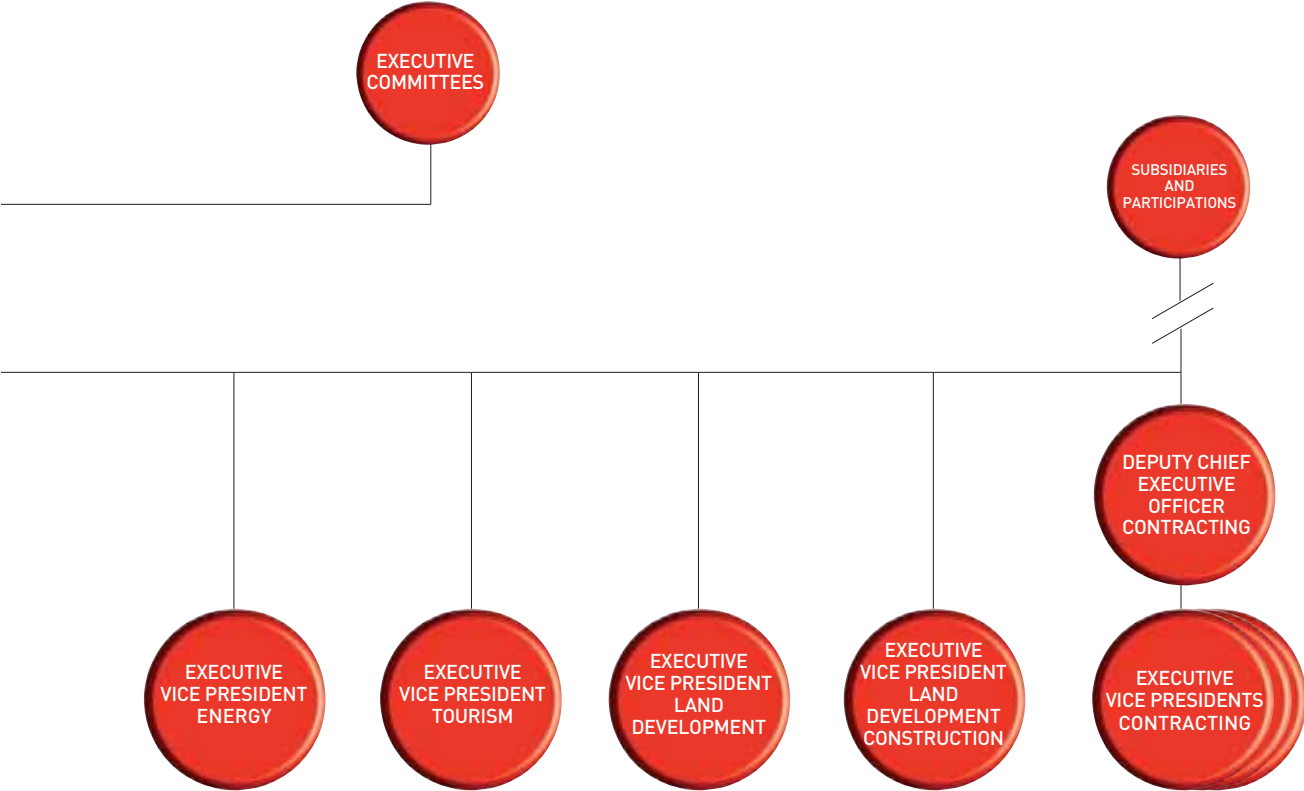
ALFARM ALARKO LERÖY SU ÜRÜNLERİ SAN. VE TİC. A.Ş.

49,99 %

ATAŞEHİR : MANAGEMENT & SALES OFFICE
SEAFOOD PRODUCTS FACTORY : SUADIYE / İZMİT
ANTALYA : SALES OFFICE

GENERAL ORGANIZATION





MANAGEMENT STAFF

CORPORATE PRESIDENT

İSHAK ALATON

MANAGING DIRECTORS

İZZET GARİH

VEDAT AKSEL ALATON

CHIEF EXECUTIVE OFFICER

AYHAN YAVRUCU

DEPUTY CHIEF EXECUTIVE OFFICER

M. ALPER KAPTANOĞLU

CONTRACTING

SENIOR VICE PRESIDENTS

MUSTAFA FİLİZ
ÜMİT NURİ YILDIZ
MEHMET AHKEMOĞLU

ACCOUNTING
FINANCIAL ANALYSIS, SISTEM & PLANNING
AUDITING

EXECUTIVE VICE PRESIDENTS

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

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

ADNAN YAĞMUR
AYKUT BAYCAN
BEKİR BORA
ONAT BİTİK

DEPUTY SENIOR VICE PRESIDENTS

EROL UÇMAZBAŞ
ÖMER ÇELİK
TURGUT ÇELİK

ACCOUNTING
FINANCING
INFORMATION TECHNOLOGY

DEPUTY EXECUTIVE VICE PRESIDENTS

A. CEM KOCASOY
B. BÜLENT AKKAN
F. NEŞE UCAR
HALUK MARTAĞAN
KORHAN UĞUR ÖZBAYSAL
MEHMET HASİP AKŞİT
MUSTAFA V. GAFUROĞLU
NAİM TÜRKOĞLU
KADİR EKE
İSMET GENCER
HALUK FERİZOĞLU
HIRANT KALATAŞ

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

İBRAHİM BİNER
KEMAL BIÇAKÇI
MURAT ÇOPUR

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

PROJECT CONTRACT MANAGERS, GENERAL MANAGERS, REGION MANAGERS, ASSISTANT GENERAL MANAGERS, DEPUTY PROJECT MANAGERS, FACTORY MANAGERS

ABBAS ŞAHİN
KADİR BAŞOĞUL
LEVENT TUNA
M. ALİ GİRGİNCE
M. GÖKHAN GÜVEN
MEHMET HALİL TUNA
S. VELİ MESTA
ŞAFAK KOLAY
TAMER ÖZER
TARIK ULUNUR BÜYÜKBAY
TURAN SÜHA AÇARBIÇER
TURHAN GÜNERİ
OKAN SÜRGİT
İSMAİL EROĞLU
MURAT MAZI
SERDAR KARAHÖYÜK
SERDAR SAĞLAM
ÜMİT BORAN
AHMET YÜKSEL VAROL
ARİF NEZİH YILMAZ
BÜLENT TOKAN
İSMAİL H. YILDIRIM
LEVENT ÖZMARAL
BÜLENT İŞİK
RECEP ORDU

CONTRACTING - PROJECT CONTRACT MANAGER -
ASTANA WATER SUPPLY PROJECT
CONTRACTING - PROJECT CONTRACT MANAGER - KIRKLARELİ 2 PROJECT
CONTRACTING - PROJECT CONTRACT MANAGER - 4. LEVENT -
AYAZAĞA METRO PROJECT
CONTRACTING - PROJECT CONTRACT MANAGER - TAKSİM -
YENİKAPI METRO PROJECT
CONTRACTING - PROJECT CONTRACT MANAGER - LEVENT -
HACIOSMAN METRO PROJECT
CONTRACTING - PROJECT CONTRACT MANAGER - CYPRUS WATER
SUPPLY PROJECT
CONTRACTING - PROJECT CONTRACT MANAGER - ANTALYA SUBWAY PROJECT
CONTRACTING - PROJECT CONTRACT MANAGER - MELEN WATER
SUPPLY PROJECT
CONTRACTING - PROJECT CONTRACT MANAGER - ASTANA WATER
SUPPLY PROJECT
CONTRACTING - PROJECT CONTRACT MANAGER
CONTRACTING - PROJECT CONTRACT MANAGER - SAMSUN LRTS PROJECT
CONTRACTING - PROJECT CONTRACT MANAGER
CONTRACTING - REGION MANAGER - KAZAKHSTAN & TÜRKMENİSTAN
CONTRACTING - DEPUTY PROJECT MANAGER -TAKSİM - YENİKAPI
METRO PROJECT
CONTRACTING - DEPUTY PROJECT MANAGER - ASTANA WATER
SUPPLY PROJECT
CONTRACTING - DEPUTY PROJECT MANAGER
CONTRACTING - DEPUTY PROJECT MANAGER - TÜPRAŞ KIRIKKALE
PROJECT
CONTRACTING - DEPUTY PROJECT MANAGER - LEVENT HACIOSMAN
METRO PROJECT
LAND DEVELOPMENT - ASSISTANT GENERAL MANAGER -
FINANCING AND ADMINISTRATION
ENERGY - KIRKLARELİ POWER PLANT MANAGER
ENERGY - ASSISTANT GENERAL MANAGER - FINANCING AND ADMINISTRATION
ENERGY - H.E.P.P. OPERATIONS MANAGER
ENERGY - PROJECT MANAGER
SEAFOOD - GENERAL MANAGER
SEAFOOD - FACTORY MANAGER

ADVISOR

YUSUF TEZMAN
PRESIDENTIAL ADVISOR - FINANCE

AGENDA OF THE ORDINARY GENERAL ASSEMBLY

- 1- Moment of silence
- 2- Deliberations and decision on the election of the Presiding Committee.
- 3- Deliberations and decision to authorize the Presiding Committee to sign the minutes of the General Assembly.
- 4-
 - a) Reading of the Board of Directors' Annual Report of 2008 and the Balance Sheet and Income Statement of 2008.
 - b) Reading of the Statutory Auditors' Report.
 - c) Reading of the Independent Auditors' Report
 - d) Approval of the 2008 Balance Sheet and Income Statement.
 - e) Deliberations and decision to acquit the Members of the Board of Directors and the Statutory Auditors' fiduciary responsibilities on account of the company's results in 2008.
- 5- Giving information about donations made by the Company.
- 6- Deliberations and decision on the proposal of the Board of Directors concerning the distribution of the profits.
- 7- Determining the number of Board members for the next operational term, the election of these members in accordance with the provisions of the articles of corporation and deliberations and decision on the salaries to be paid to them.
- 8- Re-election of the Statutory Auditors whose terms in office have expired or election of new auditors and deliberations and decision concerning the salaries to be paid to them.
- 9- Deliberations and decision on granting Board members the authority set forth in Articles 334 and 335 of the Turkish Commercial Code.
- 10- Deliberations and decision concerning the signing of a contract for the auditing of the company's accounts by an independent auditing company selected by the Board of Directors in accordance with the Capital Market Regulations and approval of the draft of the contract.

Board of Directors

BOARD OF DIRECTORS' ANNUAL REPORT

Esteemed Shareholders,

The economic crisis that began in 2007 and affected the whole world started to have an impact on our country as of the second half of 2008. The effect of the crisis on our economy was felt particularly in the form of recession, unemployment and liquidity shortage. In 2009, both developed and developing countries will have to bear the load of recession and unemployment on their economies. We anticipate that this crisis will continue until the last quarter of 2009 and recuperation will only start in 2010.

The Turkish economy entered a growth process in 2002 due to the measures taken and the structural reforms applied following the crisis of 2001. All the same, the positive effects of the growth trend observed in the world at the time on that of our country should not be denied, either. However, the slow down in structural reforms as of the beginning of 2006, the fact that EU membership was put aside as of secondary importance, that elections and some socio-political issues came to the fore led to objectives not being met. While growth rates declined, the inflation targets could not be attained. Current deficit rose to levels that threatened economic soundness. However, until 2008, these deficits could easily be financed due to abundance of liquidity. In the case of 2009 and later on, it seems as though financing of the current deficit will pressure Turkish economy as a result of decrease in liquidity and increase in financing costs.

It is estimated that Turkey's growth rate in 2008 will either be very low or zero. Compared to previous years, bankruptcies, work suspensions and related layoffs in the manufacturing and service sectors have greatly increased. The most important reasons for these are the lack of demand in the market and the ambiguity in the exchange and interest rates. The only way to overcome this situation is through the application of well planned manufacturing and employment policies. Growth should be based on sound resources and the fact that production is the driving force should not be overlooked. Solving the growth issue in this manner will also solve the employment issue.

As a result of long years of experience, our group has managed and will continue to manage this crisis successfully. Our flexible, rapid and specialized decision making mechanisms have succeeded in reducing the effects of the crisis to the minimum thanks to taking the right decisions at the right time. We have concentrated on efficiency increasing measures and applied wastage preventive measures.

The year 2008 has been one of breakthrough in the energy sector. This year, the electricity distribution privatizations have been pursued actively and the best offer for a distribution area was given by our Group. Thus, we caught the chance to create a synergy with the power plants we are planning to build. We will continue to pursue such privatizations and investment possibilities in 2009.

As foreseen in our Annual Report of last year, the year 2008 has been a slow one in the housing sector. This will continue in 2009. Hence, our group has directed its efforts towards major contracting projects and has pursued major projects both in Turkey and abroad. Some of these projects have been included in our portfolio.

Our Group has shown a notably successful performance in 2008. The difficulties to be encountered in 2009 have been considered and the necessary plans and applications have been made accordingly. Decisions to be made in 2009 will take into consideration both the economic crisis and the strong and weak points of Turkish economy. As it is impossible to foresee all the risks in economy beforehand, our Group will be selective in investments to be made and operation decisions will be taken with more extensive examination.

With these thoughts and feelings, we extend our regards to your Esteemed Committee.

BOARD OF DIRECTORS' ANNUAL REPORT

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

- a) This Annual Report covers the period between 01.01.2008 and 31.12.2008.
- b) The terms in office of members of the Board and Statutory Auditors for the year 2008 are given on pages 6 and 7. The financial statements of the operational results obtained by Alarko Holding A.Ş. in 2008 were audited independently by Denet Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş. (member firm of BDO International).
- c) Our partnership's registered capital ceiling in 2008 was TL 500.000.000.
- d) Our issued capital is TL 215.876.230.- and our consolidated profit before tax in 2008 was TL 78.972.708.
- e) Our Annual General Assembly held on 22.05.2008 was attended by 19 of our partners. Our partners with more than 10 % of our capital, owned 28,72 % of the shares İshak Alaton (Beneficial Owner), 18,18 % of the shares İzzet Garih, 18,18 % of the shares Dalia Garih. Vedat Aksel Alaton and Leyla Alaton Günyeli own 3,82 % of the share. Net dividends of 6 % of the total capital and 20 % of the paid-in capital were paid for the year 2005. Net dividends of 0,76 % of the total capital and 27,4 % of the paid-in capital were paid for the year 2006. Net dividends of 0,91 % of the total capital and 39,8 % of the paid-in capital were paid for the year 2007. The proposal for the distribution of the profits for 2008 submitted by our Board of Directors to the approval of the General Assembly is on page 94 of this report. The value of our shares being traded at the Istanbul Stock Exchange at the time this report was prepared was TL 1,86.
- f) The total amount of donations made by our partnership to various foundations and associations in 2008 was TL 1.540.
- g) The following table includes the subsidiaries of our company with their areas of operation, their capitals and the percentage of shares owned as of 31.12.2008.

SUBSIDIARIES AND PARTICIPATIONS

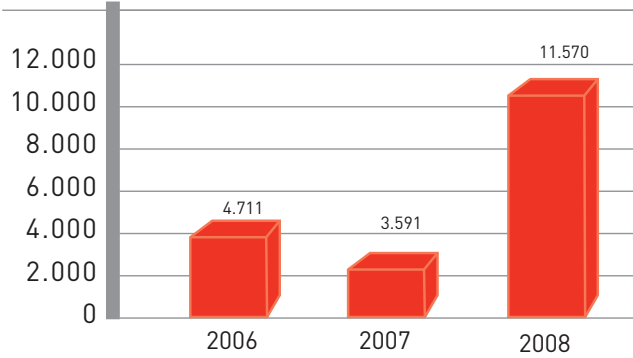
COMPANIES	SECTOR	AUTHORIZED CAPITAL (TL)	PERCENTAGE SHARE (%)
Alarko Carrier Sanayi ve Ticaret A.Ş.	Production of heating and cooling equipment, manufacturing, contracting, tourism	10.800.000	42,03
Alamsaş Alarko Ağır Makina Sanayii A.Ş.	Production of machines and equipment for industrial investments	500.000	90,42
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	Turnkey contracting construction and tourism	43.321.865	99,53
Alarko Fenni Malzeme Satış ve İmalat A.Ş.	Marketing of industrial and after sales service	230.000	88,61
Attaş Alarko Turistik Tesisler A.Ş.	Touristic facility management	6.500.000	0,46
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.	Real estate investment	5.490.100	16,17
Almüt Alarko Sınai Gereçler İmalat ve Mümessillik A.Ş.	Manufacturing of technical equipment and representation	50.000	84,00
Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş.	Electric energy production	36.000.000	48,25
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.	Production and marketing of seafood	1.795.000	49,94
Aldem Alarko Konut İnşaat ve Ticaret A.Ş.	Housing, construction	50.000	0,13
Al-Riva Projesi Arazi Değerlendirme, Konut İnşaat ve Tic. A.Ş.	Housing, construction	6.839.064	11,55
Al-Riva Arazi Değerlendirme, Konut İnşaat ve Tic. A.Ş.	Housing, construction	3.308.556	2,49
Al-Riva Arazi Değerlendirme, Konut İnşaat, Turistik Tesis., Golf İşl. ve Tic. A.Ş.	Housing, construction and touristic facility management	10.489.765	2,16
Gönen Gıda Sanayi A.Ş.	Production of canned goods	2.000	0,84
Yaşar Dış Ticaret A.Ş.	Export and import	90.038.867	0,0005
Arı Teknokent Proje Geliştirme Planlama A.Ş.	Technologic Development	50.000	1,00
Mosalarko J.V.	Real estate project construction and use	Ruble 100.000.000	50,00
Tüm Tesisat ve İnşaat A.Ş.	Construction	141.000	48,16
Saret Sanayi Taahhütleri ve Ticaret A.Ş.	Construction	75.000	100,00
Alarko Deyaar Gayrimenkul Geliştirme A.Ş.	Real estate development, construction and marketing	77.419.087	0,0005

EARNINGS FROM SUBSIDIARIES

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

Company Name	(TL)		
	2006	2007	2008
Alarko Carrier Sanayi ve Ticaret A.Ş.	3.932.806	2.262.501	2.042.608
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	-	-	5.971.559
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.	299.094	153.535	124.293
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.	476.222	1.086.019	1.286.761
Alamsaş Alarko Ağır Makine San.A.Ş.	-	83.775	1.651.555
Saret Sanayi Taahhütleri ve Ticaret A.Ş.	-	-	258.156
Tüm Tesisat ve İnşaat A.Ş.	-	-	2.911
Attaş Alarko Turistik Tesisler A.Ş.	2.450	5.085	2.126
Mosalarko J.V.	-	-	229.940
TOTAL	4.710.572	3.590.915	11.569.909

TL THOUSAND EARNINGS FROM SUBSIDIARIES



- b) The 2007 profits of the companies within the Alarko Group from which we receive dividends, the distributable profits remaining after tax and legal reserves are set aside and the dividends distributed from the past year's reserves are given in the table below.

ALARKO GROUP MANAGED COMPANIES	Profit For The Period 2007	(TL)		(B/A) %
		Distributable Profit (A)	Distributed Profit (B)	
Alarko Carrier Sanayi ve Ticaret A.Ş.	23.319.079	19.093.297	4.860.000	25
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.	3.106.176	2.987.522	768.614	26
Attaş Alarko Turistik Tesisler A.Ş.	1.265.095	928.285	460.000	50
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.	2.464.103	1.884.017	1.653.327	88
Saret Sanayi Taahhütleri ve Ticaret A.Ş.	300.949	283.597	258.156	91
Tüm Tesisat ve İnşaat A.Ş.	7.929	6.045	6.045	100

SUBSIDIARIES OF ALARKO GROUP

The Alarko Group of Companies consists of numerous companies and entities operating in various sectors within the framework of Alarko Holding A.Ş. Although the companies within the group are autonomous, they are managed and supervised centrally in terms of financing, financial coordination, auditing, legal affairs, management information systems, human resources, promotion, training and organization in accordance with the central coordination and control principle.

The companies of the Alarko Group operate in 6 major fields of activity.

CONTRACTING GROUP

INDUSTRY AND TRADE GROUP

ENERGY GROUP

TOURISM GROUP

LAND DEVELOPMENT GROUP

SEAFOOD PRODUCTS GROUP

THE CONTRACTING GROUP

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

Since the contracting sector is the leading sector in which the world's largest scale companies compete, it is becoming more and more difficult to get contracts due to the increasing competition and risks. Therefore, completing started projects rapidly with maximum profit while increasing market and customer variety is becoming a must in this competitive atmosphere.

The project management philosophy of the Contracting Group is based on autonomous management and central supervision. Each project is considered an individual profit centre and our organization and management systems are reviewed continuously to develop strategic thinking, effective decision making policies, shorten work completion time, reduce our costs to the minimum and increase quality constantly. In 2008, we continued our trainings intensively, our staff was supplemented due to increasing work load. New sources for the purchase of materials and services were explored in domestic and foreign markets for cost savings and better quality and cost savings were obtained. We have also maintained our improvement efforts for work to be completed in the shortest time and faultlessly. In 2008, continuous and periodical work-site supervision was maintained in our sites both with internal supervision and supervision companies approved internationally and effectiveness of supervision was improved. Thanks to the Occupational Health and Safety Management Systems applied, there has been a serious drop in occupational accidents and



our accident rate is now at developed countries' standards. Moreover, the Environment Management Systems applied has enabled us to lower the possible damage of our operations to the environment to acceptable levels. Our company has the ISO 14001, ISO 9001:2000 and OHSAS 18001 certifications and is maintaining its efforts to improve its management systems.

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

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



Projects in progress in 2008 and those recently undertaken are summarized below:

TCDD Ankara - Istanbul High Speed Train Project

The Project including the signalization system has been completed and delivered. Commercial operation is expected to start shortly. The land



transport between Ankara and Eskişehir that takes 2 hours 30 minutes will be reduced to one hour with the High Speed Train.

Adana Metro Project

The Adana Light Rail Transit System Project that is to connect the north section of Adana to the south section is nearing completion. When completed, the 14 km long RTS Project with 13 stations will decrease the urban traffic volume in the most congested areas of the city, will diminish noise and air pollution, and provide the inhabitants of Adana comfortable, safe and environment friendly transportation. Work in accordance with occupational health, safety, environment conditions and international quality standards is carried out on a 24 hour basis. The 7 stations that constitute the first phase of the project are to be completed at the end of March 2009 and the complete project as of the end of 2009.

Istanbul Municipality Taksim - Yenikapı Metro Project

This project covering the electromechanical and finishing works of the Şişhane Station, where passengers access the metro line through two separate concourse buildings, and the fabrication on the tracks in the tunnel between Taksim and Şişhane is completed. The project consists of the execution of the finishing works in the Şişhane, Unkapanı, Şehzadebaşı and Yenikapı stations that will function in total compliance with the existing Taksim - 4. Levent Line and on the 5.200 m long double track tunnel. In addition to the finishing works, the project also includes execution of systems such as power supply and distribution

system, signalization system, control and communications system, illumination, wireless and telephone system, tunnel and special area air conditioning, as well as the execution of such works as sanitary installations, escalators, elevators and track works. Moreover, the connection of the operating Aksaray-Airport light metro line with Yenikapı will be executed, thus completing the integration of Atatürk Airport, Esenler Otogar metro and Bosphorus tube crossing. The testing and commissioning work on this important line between Taksim and Şişhane which will also be integrated with the IDO Sea buses at Yenikapı is ongoing. Operation with passengers will start in January of 2009.

DSI Cyprus Water Supply Project

The project consists of taking water from the Alaköprü Dam to be built on the Dragon Stream in Anamur, Turkey and following its stabilization in a reservoir close to the shore, transport it to the Turkish Republic of Northern Cyprus through a 80 km long HDPE pipeline with a diameter of 1600 mm designed as a floating system running 250 meters below the level of the Mediterranean and collecting this water at the Geçitköy Dam to be built in TRNC. The Turkish Patent Institute and the Austrian Patent Institute have cooperated for this system which is a first in the world and have taken the work of our company under protection with an examined patent. All the engineering research related to the sea crossing (geophysical, geotechnical, oceanographic, biofouling sea research, seismic research, model tests of pipeline and its components, dynamic and hydraulic analyses) has been completed and the Final Project Reports have been delivered to DSI. The application projects of the supply lines and art buildings within the scope of the project phase of the land facilities consisting of the dams, stabilization tank, pump station, valve chamber and supply are at the finalization stage and the dams are at the final project for application stage. Work on the project is at the completion stage.



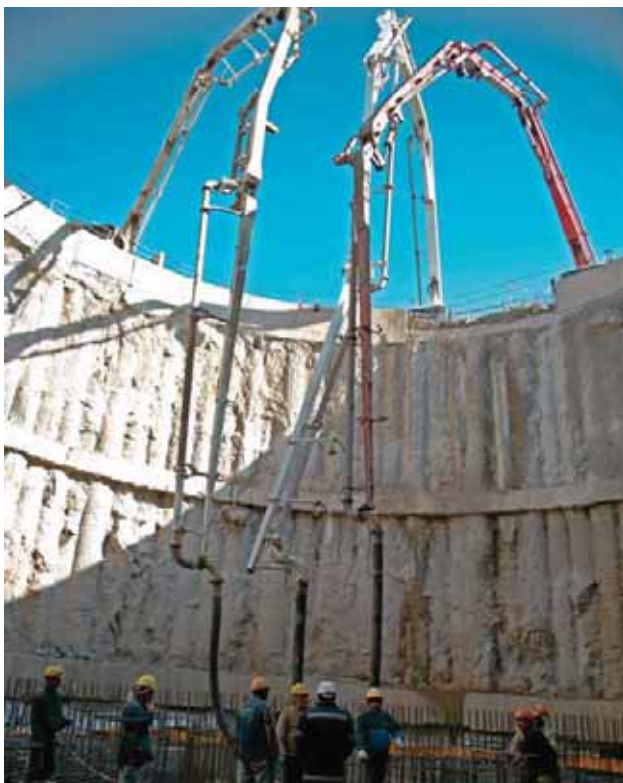
THE CONTRACTING GROUP

Istanbul Municipality 4. Levent - Ayazağa Metro Construction

The project consisting of the 4. Levent - Ayazağa - Maslak section of the Istanbul Metro, the depot area in Seyrantepe and the connection lines will alleviate the traffic congestion on the Levent - Maslak route and will make an important contribution to the transportation quality and comfort of those living in the Bosphorus - Sarıyer - Zekeriyaköy area and those working at Oto Sanayi and the business centers in the vicinity. The existing line length is 14.363 m and an Atatürk Oto Sanayi station has been added to the existing Sanayi and Ayazağa stations. All of the tunnel digging work (14.363 m), 100 % (13.240 m) of revetment concrete, and 100 % of the cut-cover station building works have been completed. The project will be completed and put in operation as of the end of 2008.

Tüpraş Kırıkkale Refinery DHRP (Diesel - Kerosene) Project

Construction of the annex buildings to increase the refinery's unleaded gasoline production capacity and to enable attaining the upper limits in diesel oil so as to conform to EU norms was completed in 2008 and delivered to TÜPRAŞ.



Astana Water Supply Project

The Astana Water Project comprises the rehabilitation and the construction of the annexes

and the 126 km long distribution lines network to increase the existing capacity of the drinking and wastewater installations of Astana. It also includes the rehabilitation of the water intake building located nearly 250 m from Lake Vyacheslavka 50 km from Astana and the 17 elevation pump stations at various locations. In addition to new construction works, it also comprises the installation of 155,000 cold and hot water meters to be connected to homes and offices. Completion of the project is planned for 2010. Within this scope, construction works will be executed in 2007 - 2008, electrical and mechanical assembly works in 2009. Tests and commissioning of the project will be completed in 2010.

Alkent 2000 Lake Mansions Construction

All the construction work of the 63 mansions in 7 different types (total construction area 50.624 m²) of the Lake Mansions, the third phase of our international award winner Alkent Istanbul 2000 Project realized along the Büyükçekmece Lake and the social club facilities for general use including indoor and outdoor swimming pools, cafeteria, sauna, sports halls, tennis court areas was completed in the first half of 2008 as per our commitment and the mansions are being delivered to their owners. Living in the mansions will start when the owners finish the interior design and landscaping of their homes. The Mediterranean style Lake Mansions Project and landscaping Project, both designed by American architects, has become the most prestigious settlement of Turkey. The whole Project has been completed in two years in the high quality standards of Alarko.

Ayrau-Aktau Highway Rehabilitation Project

The project whose contract was signed in 2006 consists of 850.000 m³ of excavation and filling, 280.000 m³ of bitumen production, 1 million square meters of geotextile laying and the construction of the art buildings within the scope of the rehabilitation of the 122,6 km long route between Opornyl-Beineu in the Caspian Sea region of Kazakhstan. The financing of the project is provided by the "European Bank for Reconstruction and





Development. The provisional acceptance of the project was done on 1 August 2008 and the 24 month guarantee period was started.

Antalya Light Rail System 1st Stage Construction Works Project

The scope of the 11 km long project includes all construction and commissioning work. In addition, 14 cars will be purchased within the scope of the project. The line contains 16 stations (2 are cut and cover), 7 transformer buildings, 1 stockyard area and stockyard connection line (cut and cover). There are mass transport transfer areas on either end of the line and the cars are estimated to run at ridership rate of 95 % at peak hours. The project whose contract was signed on 6 June 2007 is planned to be completed 3 months prior to the completion date of June 2009 foreseen in the contract.

Levent - Haciosman Metro Project

Our Project will enable the extension of the operating Taksim - 4. Levent metro line to Haciosman and the deploying of the maintenance and repair area of the metro vehicles at the Seyrantepe Triage Yard. Test runs between 4. Levent - Atatürk Oto Sanayi station started in October 2008 and the project is planned to be completed in early 2010.

Samsun Light Rail Transport System Project

The construction, finishing works, vehicle procurement, electromechanical systems procurement, assembly and commissioning works of a 15.146 m long double track line between Körfez and Cumhuriyet with 20 stations, transformer buildings, stockyard and stockyard connection lines of the Samsun Light Rail Transportation System was undertaken according to the contract signed on June 2008 with the Samsun Metropolitan Municipality.

The Project includes;

- Building the 15.146 m line including track laying between Körfez and Cumhuriyet,
- Construction of 20 stations, and the finishing and electromechanical works,
- Construction of transformer buildings,
- Stockyard and stockyard connection lines and construction of entrance and exit buildings,
- Track works,
- Power procurement and distribution system,
- Signalization system,
- Elevators,
- Procurement and commissioning of cars.

The Project is planned to be completed in 2010.

Kırklareli Natural Gas Combined Cycle Power Plant Project

The Project whose contract was signed in July 2008 comprises the 81,99 MWe capacity increase within the grounds of the existing power plant of Altek Alarko Elektrik Santralleri Tesis, İşletme ve Ticaret A.Ş. situated on the Kofçaz road in Kırklareli. The main buildings within the scope of the Project are; the administration building, the steam turbine building, water treatment building, natural gas decompression and measuring building and covers a total of 2.650 m². The Project is planned to be completed in 22 months.

Kiev Boryspil Airport Project

This Project whose contract was signed in September 2008 comprises the construction of an additional terminal building, parking ramp and viaduct on the grounds of the existing airport located 29 km southeast of Kiev in the Ukraine. The delivery period of the Project whose main contractor is Doğuş-Alarko-YDA İş Ortaklığı is 29 months.



Ankara Metro Project

The scope Project whose contract was signed in November 2008 includes:

- Renovation of the electromechanical works of the existing Kızılay-Batıkent line,
- Electromechanical works of Batıkent-OSB metro line,
- Signalization of the Kızılay-Çayyolu 2 line,
- Renovation and modification of the depot, workshop and control center at Macunköy according to the requirements of the system,
- Renovation of the signalization, announcement, wireless, etc. systems of the existing 108 vehicles,
- Procurement, assembly and commissioning of the on vehicle equipment for the 324 vehicles to be purchased later.

THE INDUSTRY AND TRADE GROUP



Our industry and trade group whose main area of activity is heating, ventilating, air conditioning and pumps manufactures and markets and gives after-sales services for these products.

As a result of the strategic partnership made with Carrier, one of the world's leading companies in its field, the sales of Air Handling Units, Roof-tops and Fan Coils manufactured using Carrier technology and brand and developed and improved in cooperation, was maintained in 2008 both in the domestic and international markets. Arrangements have been made to stop production of Fan Coils in 2009 and continue sales with imported products. In a similar way, a cheaper series of Air Handling Units in demand by the market will be offered to the market in the first quarter of the year. The Roof-top heat recovery unit that has become a must due to the increasing energy costs has been added to the product range and an increase is expected in domestic and foreign sales. The test laboratory set up to develop this product was completed in 2008 and the commissioning efforts are ongoing. This product designed for export will reinforce our competitive power in the domestic market. We are targeting a serious increase in our market share with this product.

Efforts to increase our product range with higher efficiency products is being maintained due to the increasing importance of energy saving. Therefore, the series of the new Serena combi offered to the market with a ★★★ efficiency label at the end of 2007 has been completed with the 32 kw capacity model offered to the market in February 2008. Procurement of condensing combi equipment with 107,5 % efficiency and a ★★★★★ efficiency label from the Dutch Atag company is being maintained. The economic condensing combi A series, which is 15 % cheaper than the E series, was offered to the market in November 2008. Thus, we are aiming at increasing our share in the condensing combi market in 2009. Atag will start producing

condensing boilers in the 65-185 kw range in 2009 and as a result our competitive power will escalate in the Cascade Boiler systems. R&D work to develop a digital version of the Trendy combi boiler in the economic segment and the domestic condensing combi boiler production will be started at the beginning of 2009.

We have started using the new packing and pallet system and the production of 75 mm length radiators demanded for export. Work on developing flat radiators for export has also been started. We are also conducting interviews with distributor candidates to enable effective sales of panel radiators, one of our major export products, in the Kazakhstan market.

Production and sales of ALG 30 and ALG 120/2 types of gas burners and R&D work for the production of modulation gas burners procured from Lamborghini started with the ALG 210/M type. These products will be offered to the market in 2009. Modulation type of other models of medium and high capacity will be developed later. Development work of 4th body liquid fuel burner has been stopped for a while due to the backdating of work on modulation gas burners.

Sales of complementary products such as boilers, radiator valves, expansion tanks and towel radiators for heating systems procured from domestic manufacturers with the Alarko brand was maintained. The laws and regulations put in effect in 2007-2008 regarding energy efficiency and sharing heating costs have made the use of thermostatic valves, heat cost allocation equipment mandatory. Producers have been found for these products and agreements have been made to provide them for our dealers and they have been offered to the market. Within our sales organization, we will also form authorized measurement firms





that will provide the reading of the heating cost allocation equipment and cost sharing services as stipulated by legislation. Central heating services are expected to gain importance in future years. System automation is necessary to provide maximum efficiency in such heating systems. We have started efforts to put together ready-to-use documentation packages for sample systems to enable automation to be easily applicable and serviceable. The packages will be completed at the beginning of 2009.

Important steps were taken in pumps in 2008. An increasing trend started in the market with the competitive economic 4-inch Diamond series offered to the market in April 2008. The shrinkage in the agricultural sector due to seasonal effects and the drought caused by global warming continued in 2008. Taking into consideration this shrinkage, product development was conducted in our 6-inch - 8-inch submersible pumps for agricultural projects, water plants, official and semi-official institutions (DSİ, KHGM, etc.) and irrigation cooperatives. Models such as the 8131 model with pig iron fan and the new 10180, 10216 models were offered to the market for this purpose. We are planning to offer the market 4 new models in 2009 and an Agricultural Loan Letter applicable until 2013 has been obtained for 15 new models to be developed. In 2008, central promotion activities of 1000 man/hours were conducted for official and semi-official institutions all over Turkey. Development work for models with frequency invertors in our circulation pumps was started within the scope of the Energy Efficiency Law No. 5627 and external solutions were sought for the interim period. Monophase models (9 models) were developed in the ALD 403 pressure tanks group to increase our product range and were offered to the market in March 2008. We have also started to work on developing a special selection program CD that will contain all the water pressurizing systems and will allow updating on internet and we expect to complete this program and distribute the CD by March 2009.

We continue to be the "technology leader" in the individual and light commercial air conditioners market with environment friendly, high energy efficiency products, giving users maximum benefit and having the best price-quality ratio. This year

we have paid special attention to the sales and marketing of "A++ energy" labelled products using inverter technology and have become the market leaders in this segment. We owe the increase we achieved in our share of the shrinking air conditioner market to providing price variety with the Carrier, Toshiba and Alarko brands as well as meeting all the market requirements with 25 different series.

We have a choice of 3 different Toshiba brand products using the variable refrigerant flow (VRF) system. All the project requirements of technology, energy saving and initial investment cost conscious users and our business partners have been met and our share in the VRF market has been maintained. Our leadership in technology will continue in this area with new models and series to be added to our product range.

The level reached following numerous inspections carried out for the previously obtained ISO 9000, ISO 14000, OHSAS 18000, and SA 8000 (Social Accountability) has become a company culture and its sustainability has been proven.

PRODUCTION ACTIVITIES

Main Production Plant

Our main production plant situated in the Gebze Industrial Zone is a modern complex extending over an area of 60.000 m² consisting of a covered area of 20.000 m² for production, 2.000 m² for offices, 2.000 m² for the testing and Research and Development building, and social and training facilities. The following products are manufactured at this plant:

Central Air Handling:

- Air Handling Units,
- Fan Coil Units,
- Roof-top Units,
- Cooling /Heating Coils.

Heating:

- Natural Gas and LPG Fired Combi Boilers,
- Light and Heavy Oil and Gas Burners,
- Heat exchangers.

Water Pressurizing:

- Submersible Pumps and Motors,
- Circulation Pumps,
- Water Boosters.

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

THE INDUSTRY AND TRADE GROUP



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

Radiator Production Plant

Only panel radiators are manufactured at this plant located in the Istanbul Dudullu Organized Industrial Zone. The plant, whose production capacity doubled thanks to expansion and modernization work that was completed in March 2006, covers a closed area of 12.000 square meters. This plant manufactures Alarko brand radiators for the domestic market and Carrier brand as well as various OEM brand radiators for exports.

TRADING AND MARKETING ACTIVITIES

Our company has an extensive and effective distribution and service network in Turkey and sales offices in Istanbul, Ankara, İzmir, Adana and Antalya, and a total of 283 dealers and 401 after-sales service units over the country. Our dealers and service network have earned a special place in the sector with their showrooms and well-trained personnel. Keeping in mind the trends of the market, in addition to products manufactured at our plants we have included imported products to our product range. Due to our customer focused service approach, we offer our dealers a large variety of products and complete solutions to our customers.

Supplementary products sold in addition to those manufactured at our own plants are:

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

On the other hand, building automation systems converting complicated buildings such as large business centers, hotels, hospitals into "intelligent buildings" for smooth operation create a serious difference in relation to our competitors as complete solutions. Operating theater air conditioners for hospitals and special solutions for telecommunications are also within our expertise area.

In addition to central system boiler and burner solutions in heating, we offer combi radiator packages in individual heating thus offering a variety of choice for every customer profile. In individual air conditioners, in addition to Carrier and Alarko brands we are also offering Flair and Toshiba brand equipment for the highest segment where we have attained an important sales volume.

Our **Totaline** spare parts markets offer spare parts and technical service equipment for heating, air-conditioning and pressurizing products since 2002. With headquarters in Istanbul, Totaline has markets in Istanbul, Ankara and İzmir and sales points in Istanbul and Bursa. In addition, service being given within the scope of the "Service Agreements" for



the heating and cooling equipments and systems in large facilities emerges as a rapidly developing area.

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

As in previous years, in 2008, our company has realized numerous highly prestigious projects in the areas of heating, air-conditioning, hygienic air-conditioning and building automation.

THE ENERGY GROUP

Turkish economy obtained a steady economic growth in the last five years and as a result an increase of 43% was observed in the consumption of electrical energy. We foresee that this increase in demand will continue in the medium and long term. Occasionally, we are faced with serious difficulties in meeting electrical energy demand particularly due to the worsening of the hydrological conditions and the risk in electrical power supply in our country is increasing.

Our Energy Group is maintaining its efforts towards increasing the capacity of the existing power plants and at the same time, conducting efforts towards projects of new power plants to be constructed. The 2008 activities of the Group and work related to new power plant projects are summarized below.

Our Power Plants in Operation

Energy production is continuing at the **Düzce-Hasanlar, Tarsus-Berdan** and **Malatya-Tohma Hydroelectric Power Plants** established according to the Build-Operate-Transfer model in Turkey.

In 2008, our **Kırklareli Natural Gas Combined Cycle Power Plant** with a capacity of 82 MWe exceeded its targeted production producing a total of 628 million kwh.

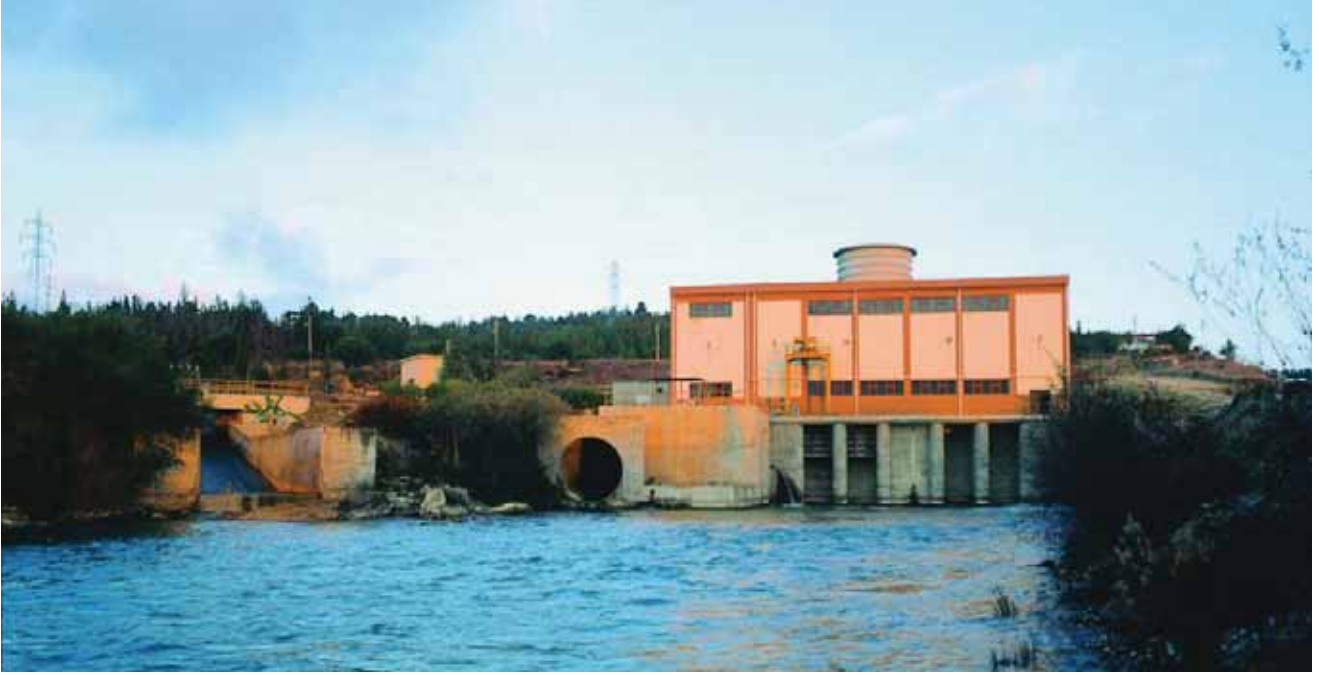


A net total of 708 million kwh production was realized in our four plants in operation in 2008. In 2009, we are targeting a net production of approximately 700 million kwh in these four power plants.

We have started the construction of a new plant, with an installed capacity of 82 MWe, on our land next to the existing plant that will double the capacity of the Kırklareli Natural Gas Combined Cycle Power Plant. The modification of the existing license was obtained from the Electricity Market Board (EPDK) and the major portion of the financing has been obtained. The order contract for the gas turbines was signed with the USA Pratt & Whitney



THE ENERGY GROUP



Company on August 2008. The EPC contract was signed with Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. and the construction of the plant actually started. This plant will first start commercial production as simple-cycle and an additional capacity of 60MWe in the last quarter of 2009. It will continue production as a combined cycle power plant as of mid-2010. Hence, a net total production of 1.200 million kwh will be achieved with the capacity increase provided in 2009 and 2010.

Our New Power Plant Projects

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

Karakuz Hydroelectric Power Plant: The license tender by the EPDK (Energy Market Board) for the construction of this plant was won in 2005 and the water usage contract was signed with DSI (State Waterworks) in 2006. This power plant to be built on the Körkün River within the boundaries of the Adana province will have an installed capacity of 87 MWe and a production capacity of 300 GWh/yr. The production license from the Energy Market Board was obtained in November 2006 and the suit

filed by another company resulted in our favor in 2008. Following the approval of our updated feasibility report by DSI and EİE (Electrical Power Resources Survey and Development Administration) in 2009, work on the preparation and approval of the final project, obtainment of the ÇED (Environmental Effects Evaluation) report and expropriation will begin. Construction is planned to start in the last quarter of 2009 after obtaining the financing of the project. The total investment period of the project is 4 years.

Mut Hydroelectric Power Plant : The bilateral agreement previously signed between the USA and Turkey for the Mut HPP with and installed capacity of 59 MWe and a production capacity of 216 GWh/yr to be built on the Göksu River within the boundaries of the Mersin province was annulled proposing to give production licenses to the project partners. Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş., one of our group of companies, is a partner of this project, therefore, when the license is obtained from the EPDK (Electricity Market Board) according to the contract to be signed with DSI, this project will become a project of our Group. Contract negotiations with the project partners are ongoing.



Samsun - Çarşamba Natural Gas Power Plant :

We have applied to the Electricity Market Board for the combined cycle natural gas power plant with an installed capacity of 485 MWe and a production capacity of 3.276 GWh/yr. Construction will start following obtainment of the license for this project.

Çanakkale - Karabiga Natural Gas Power Plant :

The procedures at the Electricity Market Board and TEİAŞ for the combined cycle natural gas power plant with an installed capacity of 500 MWe and a production capacity of 3.276 GWh/yr to be constructed on our 670 acre land at Karabiga are ongoing.

Çanakkale - Karabiga Thermal Power Plant : We have made the necessary application to the Electricity Market Board to set up an imported coal



fired thermal power plant with an installed capacity of 1.200 MWe and a production capacity of 7.312 GWh/yr on our land of 670 acres situated by the coast in Karabiga, Çanakkale, and the decision that it is suitable for licensing was obtained in October. The license will be obtained and project and construction works will start following completion of the procedures.

Çanakkale - Ezine Thermal Power Plant :

Application to the Electricity Market Board has been made for this imported coal fueled plant with an installed capacity of 500 MWe and a production capacity of 3.018 GWh/yr and work will start after the license is obtained.

Kütahya - Seyitömer Thermal Power Plant :

Approval by the Board of the Turkish Coal Administration (TKİ) is being awaited for a 35 year contract to be signed with TKİ in connection to the license obtained by Temzet A.Ş., one of the participations of our Group for the lignite burning thermal power plant with an installed capacity of 175 MWe and a production capacity of 1.100 GWh/yr. The license will be obtained from the Electricity Market Board following this approval.

Electricity Distribution Area Privatization Bids Won

The tender announced by the Privatization Administration in September 2008 for the Meram Elektrik Dağıtım A.Ş., the electricity distribution area of TEDAŞ was won by Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. one of the companies of our Group.

The privatization to be done by share transfer includes 28,5 years. Approximately 5,9 billion kwh of electrical energy is consumed by 1.475.000 subscribers in the Meram area that includes 6 provinces including Konya.

The approval process of the tender procedures is continuing and the transfer process is expected to be realized in 2009.

THE TOURISM GROUP



The Alarko Tourism Group, one of the first companies that represents Turkey in "Leisure Management", a fast growing sector in the world, defined as "spending leisure time in the most productive and top quality manner is continuing its development in the corporate framework. Our Tourism Group helps people feel good and spend their leisure time in the most enjoyable way with the various concepts it develops. Our Group also successfully markets the concepts it develops and is a leader in the sector with its excellent service quality, and new products and activities. The group is maintaining its efforts in this area with **HILLSIDE BEACH CLUB Holiday Village**, **HILLSIDE SU HOTEL**, **HILLSIDE CITY CLUB - Etiler**, **HILLSIDE CITY CLUB Trio** and **HILLSIDE CITY CLUB - İstinye** sports-recreation centers, the **CINECITY CINEMAS** and the **SANDA SPA** chain.

Our group that always offers concepts beyond expectations is aiming at being "beyond competition" in areas such as hotel management, sports, cinema and Spa operations.

HILLSIDE BEACH CLUB - Fethiye

Hillside Beach Club is maintaining its well earned leader position in Turkish tourism with its high occupancy rate and service quality. Located along its own bay in Fethiye, this 1st class holiday village, that earns many national and international awards every year, has hosted over 20.000 guests in 2008. The club offers its guests the holiday of their dreams with its friendly personnel, unique natural setting and service quality exceeding expectations. The club adheres to the principle of continuous renovation with surprise innovations put into effect every year and thus, the percentage of guests returning to the club increases every year. In the 2008 season, **Hillside Beach Club**, that bases its price policy on the principle of "getting one's money's worth" rather than on high demand, reached an exceptional occupancy rate and as a

result of evaluations made on quality was awarded the "Best Holiday Village and Resort Award" by Skal International, an organization combining all the different branches of travel and tourism with 500 clubs and 25.000 members in 80 countries.

HILLSIDE SU HOTEL - Antalya

The Hillside Su deluxe hotel in Konyaaltı, Antalya, that is one of the important examples of the Alarko Tourism Group's policy of making use of its know-how in the service sector in selected projects through operating agreements, continues to be quoted in select publications both in Turkey and abroad. **Hillside Su** has emerged as the first concept hotel that the world famous Design Hotels Group selected to cooperate within Turkey and has introduced a new hotel concept to Turkey and the world with its original design, the dynamic life style it offers its guests, and its simple, unprecedented and surprising innovations. **Hillside Su** is open all year long as a holiday hotel and at the same time often hosts meetings of various international companies with its fully equipped meeting halls. Since its opening, **Hillside Su** has been quoted in approximately 100 international publications and been the cover of many of them. **Hillside Su** continues to assume an important role in the promotion of Turkey thanks to the interest of the world press, the distinguished groups and celebrities it has hosted.

In 2008, in the evaluation made by International Restaurant & Hotel Award (IRHA) **Hillside Su** was elected "One of the Best Four Hotels of the World" among more than 1.000 hotels of major chains from more than 50 countries.

HILLSIDE CITY CLUB - Etiler

Hillside City Club, the precursor of the fitness concept and customer oriented recreation centers as a sector in Turkey, is a real life-center where the club feeling dominates. The club is also a first in the area of recreation centers with 18 years of "know-how" and is particularly preferred by the professional business world. In addition to offering the new sports trends in the world to Turkey simultaneously, the Club has created a considerably large "community" by organizing tours, cultural tours, tournaments, parties that help enrich the social life of its members as in the past. In 2008, the Club continued to cooperate with numerous national and international companies that want to be associated with the **Hillside City Club**. Having successfully maintained its record number of members this year as well, the Club continued to form a strong synergy with the D-Point Cinecity Cinemas, Mezzaluna Restaurant, Starbucks Coffee,

D&R, SANDA SPA, Mos Hair Saloon, Sun Vital Solarium, The House Café that it houses and are sought after by guests of the Club.



HILLSIDE CITY CLUB - TRIO

Operated by our Group since 2003, **Hillside City Club - Trio**, shortly succeeded in becoming an alternative to Bağdat Avenue on the Asian side of the city. With approximately 5.500 members, **Hillside City Club-Trio** is a giant "recreation center", one of the largest of its kind in Europe, that from investors' point of view has added value to the Kozyatağı area. With sports halls, indoor-outdoor swimming pools, indoor basketball court, squash, racquetball and tennis courts, as well as many operations such as the Bonus Premium Cinecity Cinemas with 7 cinema theaters, Mezzaluna Restaurant, Taps Bar, Sosa Café, Tost Stop, Starbucks Coffee, Puja Café, D&R, Mos Hairdresser, Sun Vital Solarium, Bal Peteği Children's Club and SANDA DAY SPA extending over an area of 23.500 m² **Hillside City Club-Trio** is making a major contribution to group synergy.

HILLSIDE CITY CLUB - IstinYE

Hillside City Club - IstinYE opened its doors as a colorful life center extending over a total area of 6.000 m² in the IstinYE Shopping center in October 2007. In addition to sports facilities including indoor and outdoor swimming pools, the gym which offers the possibility of exercising accompanied by a DJ and the cardio areas, Express Gym, Butts&Gutts, Pilates and Group Exercise Studios, the Club offers not only its members but also its guests other operations where they can enjoy quality leisure time. Bahçecik hairdresser, Şükrü Dudu barber shop, Sun Vital Solarium, Büyüklere Oyuncaklar (Toys for Adults), Antre Gurme, Before'n After Café and SANDA DAY SPA are among the operations that complement Hillside's leisure world concept and were selected by the Club as "the best".

CINECITY CINEMAS

Thanks to the unique service given the **Cinecity Cinemas** operated by our Group since 1993 hosts approximately 1.000.000 people every year. Today, with 3 cinema theaters at Hillside-Etiler, 6 at Zeytinburnu Olivium Outlet Center, 7 at Hillside-Trio and 9 at Izmir Kipa Shopping Center the **Cinecity Cinemas** create a pleasant synergy with the famous restaurants and cafés in its operation and is a leader in the sector with the original services it offers and develops, its continuous innovations, the concepts it creates and its boutique cinema approach.

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

SANDA DAY SPA

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



HILLSIDER MAGAZINE

Hillside Magazine, an **Alarko Tourism Group** publication, celebrated its 13th anniversary in 2008 and profitably continues its "exemplary" role in the world of publication with its rich content and advertisements of national and international companies.

THE LAND DEVELOPMENT GROUP

Our Land Development Group designs and constructs satellite towns that have full infrastructure and recreation areas, are respectful of environmental principles and are operated according to modern management organizations. Our group that undertakes prestigious land development projects for middle and high income groups has earned itself a justified reputation with its quality and dependability, the result of more than 40 years of know-how and experience accumulation.

The 2008 activities and future projects of our Group are summarized below.



Alkent İstanbul 2000

Alkent İstanbul 2000 Recreation Town with a lake view developed in Büyükçekmece surrounded by greenery where 800 families are now living has become one of the most prestigious settlement areas of İstanbul with its modern concept.

The large type “**Lake Mansions**” with large gardens that constitute the third phase of this project and are the most prestigious section of Alkent 2000 İstanbul were completed in 2008.

Riva Project

Our efforts concerning this project were maintained in 2008. The site buildings which were erected were kept ready for anytime the construction could be started. Contribution to the planning work which was restarted was continued. On the other hand, the partnership annulment action filed by our partners is continuing.

Other Projects

Our company is continuing to design satellite towns with the objective of satisfying the housing requirements for earthquake resistant and quality residences in leading locations situated in the most preferred areas of İstanbul. In accordance with





demand, our efforts towards designing a composite project consisting of a hotel, residences and shopping mall in a favorable location of within the city in Istanbul are ongoing.

On the other hand, we have formed a 50 % - 50 % partnership with the Deyaar Development PJSC, a company established in Dubai and a leader in land development. Negotiations and feasibility studies regarding projects to be realized within the structure of this partnership are ongoing and were are aiming at starting two new projects in 2009.

ALARKO REAL ESTATE INVESTMENT PARTNERSHIP COMPANY

The major global financial crisis greatly affected our country, too, and led to an important shrinkage in the economy as of the third quarter of 2008. A considerable decrease in demand was observed in the real estate sector as a result of increase in the interest rates of loans extended to this sector.



Despite all these adverse circumstances, in 2008, our company was among those whose asset value was the least affected thanks to a balanced portfolio distribution and foreign currency.

Work on the Lake Mansions project, the third phase of the Alkent 2000 project is now completed and owners who have completed the interior decoration work of their home will start living there as of early 2009.

Our lease revenue from Fethiye Hillside Beach Club Holiday Village and Alkent Etiler Çarşı that we have included in our portfolio earlier continued and increased in 2008.

THE SEAFOOD PRODUCTS GROUP



Alfarm A.Ş., established within our group of companies in 1991 to breed and process salmon, caught the healthy diet trend on time and made great strides shortly. The company also processes sea trout and other kinds of fish in its own plant and offers these products to the domestic and foreign markets.

Our company opened its first salmon processing plant in Dudullu, Istanbul, in 1993 and in 2001



founded the first and only modern salmon production plant of Turkey in Suadiye, İzmit, to satisfy the increasing market demand. These new plants enabled product variety, our capacity increased ten folds and our market share increased greatly.

2008 Activities, New Projects and New Products

Thanks to the partnership established with the Lerøy Group ASA, one of the leaders in salmon production and sales, in 2005, we have accomplished an important synergy. Sales of imported Norwegian salmon through market chains was increased and country wide distribution was accomplished through fish market fishmongers and fish sellers. Promotion activities for fresh salmon were accelerated in 2008 and distribution to numerous locations in Turkey was achieved.

The attempts at setting up a barcode system to enable better follow up of stocks and sales made in 2007 were finalized. In addition, tracing our products from the egg to the table was enabled by integrating into the system of our partner Lerøy.

In 2008, Salmon Döner was developed by our R&D department in collaboration with a döner company. The shelf life of our packed fresh fish products was increased from 12 days to 19 days as a result of the efforts of our R & D work. Our intense efforts towards developing reasonably priced canned products with a long shelf life are continuing. Our





business volume in store chains will increase and our product return and logistics costs will be reduced as a result of these developments.

In 2008, we have continued our endeavors towards increasing our brand and products recognition by participating in various fairs and organizations. We have increased our efforts in this respect by participating in the ANFAŞ Fair in February 2008 and the ESE 2008 Fair held in Brussels in April 2008 with our partner Lerøy.

New Objectives and Investments Planned

Efforts to obtain the ISO 9001-22000 certification will be maintained in 2009 and priority will be given to increasing production capacity and efficiency. We are planning long term investments that will provide savings and reduce human errors to the minimum.



In 2009, our endeavors related to the Private Label products in fresh salmon that we are conducting with the Migros and CarrefourSa retail market chains will continue. We will also conduct similar efforts with Tesco - Kipa for our Map packed Sliced, Fillet and Smoked Salmon products.

The tasting activities supported by NSEC (Norwegian Seafood Export Council) conducted in numerous retail chain stores in 2008 will be continued in 2009 and these activities will be supported by periodic promotions and catalogues.

In 2009, priority will be given to market research towards exporting our products and participation in fairs held at targeted countries. Our objective is to export half of the products produced in our plant.

BUSINESS VOLUME

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

Companies and Businesses According to Activities	Consolidated Results (Thousand TL)				Consolidated	Total
	2004*	2005	2006	2007	2008 (Thousand TL)	
Contracting & Land Development	55.306	432.447	465.541	527.099	575.134	598.566
Industry & Trade	203.092 **	227.066 **	248.237 **	287.613 **	300.268 **	305.569 **
Energy	13.786 **	7.957 **	50.594 **	92.898 **	141.131 **	141.131 **
Tourism	36.416	37.637	43.995	45.114	54.381	54.408
TOTAL	308.600	705.107	808.367	952.724	1.070.914	1.099.674

* Amounts adjusted for inflation.

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

Perspectives for 2009

Our company has adopted the principle of working according to a plan and it has made it a tradition to reflect this in its annual reports. Our aim is to contribute to the comparison of the results of 2008 with the volumes which we foresee for 2009 and to their evaluation.

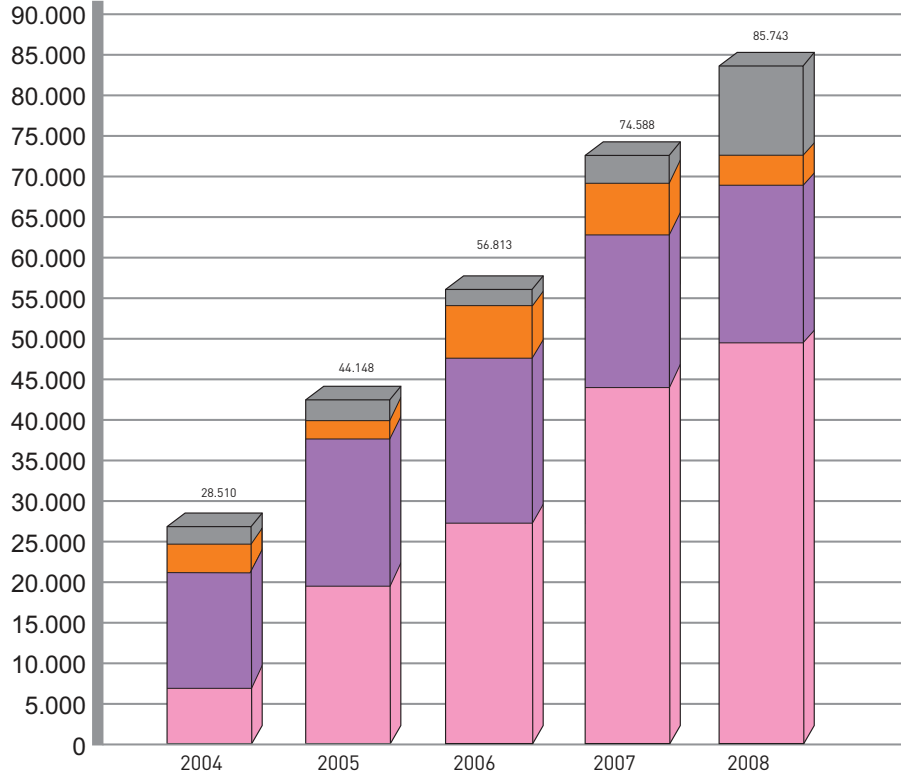
Starting from this point, the turnovers planned for 2009 are as follows according to groups of activities :

Companies and Businesses According to Activities	2009	
	Consolidated (Thousand TL)	Total (Thousand TL)
Contracting & Land Development	625.904	659.231
Industry & Trade	330.908	336.162
Energy	180.431	180.431
Tourism	58.175	58.175
TOTAL	1.195.418	1.233.999

TAXES PAID AND PERSONNEL EXPENSES

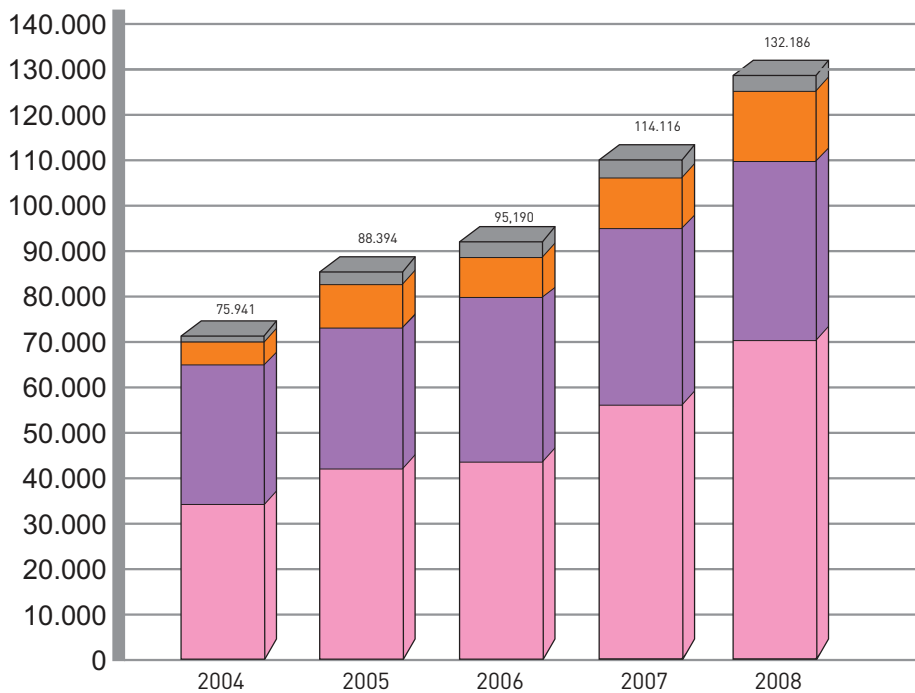
TAXES PAID

(Thousand TL)



PERSONNEL EXPENSES

(Thousand TL)



DEVELOPMENTS IN THE LAST FIVE YEARS

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

	2004	2005	2006	2007	2008
Profit / Loss before Tax (TL)	(2.446.328) *	67.867.271 **	52.388.820 **	53.553.505 **	78.972.708 **
Equity Participation (TL)	15.479.298	15.644.952	14.515.798	12.313.344	11.939.500
Capital (TL)					
• Issued					
- As free shares	11.127.284	11.127.284	171.927.284	210.923.514	210.923.514
- Against cash	4.952.716	4.952.716	4.952.716	4.952.716	4.952.716
Total	16.080.000	16.080.000	176.880.000	215.876.230	215.876.230
• Registered	25.000.000	25.000.000	500.000.000	500.000.000	500.000.000
Dividends					
• Net dividends					
(Per share with a par value of TL 1)					
- According to paid-in capital	-	0,20	0,274	0,398	2,132
- According to total capitalization (including distributed bonus shares)	-	0,06	0,0076	0,0091	0,0489
• Net dividend rates					
- According to paid-in capital	-	20,4 %	27,4 %	39,8 %	213,2 %
- According to total capitalization (including distributed bonus shares)	-	6,3 %	0,76 %	0,91 %	4,89 %

* Amounts consolidated and adjusted for inflation

** Consolidated amounts

BASIC RATIOS AND OTHER INFORMATION

BASIC RATIOS

The net profit margin of our Company's activities in 2008 is 8,10 %. As of 31 December 2008, our company's current ratio was 1,94, liquidity ratio was 1,65, cash ratio was 0,71 and its financial leverage ratio was 0,44.

INTERNAL AUDITING AND RISK MANAGEMENT SYSTEMS RELATED TO THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The preparation of individual financial statements that form the basis of consolidation as well as the internal auditing activities related to avert risks that could be encountered during the consolidation process are being carried out on time and in accordance with the procedures. These activities include controls realized with the help of preventive, determinative, manual or computer assisted programs. The whole process is kept under constant supervision and observation by management and the internal auditing unit. In turn, the consolidation process and the consolidated financial statements are supervised by the independent auditing company.

THE SHARE OF THE SUBSIDIARIES SUBJECT TO CONSOLIDATION IN THE CAPITAL OF THE PARENT COMPANY

The Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. that is one of the subsidiaries subject to consolidation owns 587.562 shares of the Parent Company. The proportion of these shares in the nominal capital of the Parent Company is 0,27 %.

AUTHORIZATION AND LIMITS OF MEMBERS OF THE BOARD AND THE STATUTORY AUDITORS

The Chairman and Members of the Board of Directors represent and manage the Company according to the powers indicated in article 33 of the Company's Articles of Incorporation and the relevant articles of the Turkish Commercial Code. The duties, authorizations and responsibilities of the Members of the Statutory Auditors are indicated in articles 45 and 46 of the Company's Articles of Incorporation.

SOCIAL AND INDUSTRIAL ACTIVITIES

EMPLOYMENT

A total of 2241 people consisting of 1218 white collar employees, mainly engineers and architects, 1023 technicians and workers were employed by the companies and enterprises within the body of Alarko Holding A.Ş. in 2008.

In addition, an average of 2797 people were employed by the sub-contractors and external workshops. The severance pay load of Alarko Holding A.Ş. as of 31 December 2008 was TL 512.338,95 (excluding participations).

TRAINING

In 2008, the personnel received a total of 73.484 man/hour of training given within the group and a grand total of 91.723 man/hour of training including training given by outside groups. Technical, financial, administrative and computer training seminars were organized within the group and our personnel were given the opportunity to attend seminars in their related areas organized by well-known training institutions. In addition, on the job training sessions on welding, assembly and other production techniques, construction, ISO 9000 and Occupational Security were organized. Training given to Alarko Carrier Sanayi ve Ticaret A.Ş. dealers and service units continued.

EMPLOYEE-EMPLOYER RELATIONS AND RIGHTS GRANTED

Keeping in mind the economic situation in Turkey, efforts were made to establish a realistic equilibrium between employees and employer and find solutions that would not disadvantage employees under present economic conditions. A collective labor agreement covering the period 01.09.2008 - 31.08.2010 was signed and put in effect between the companies in our group and MESS - Türk Metal.

ALARKO EDUCATION AND CULTURE FOUNDATION

In the 2008 - 2009 school year, the Alarko Education - Culture Foundation, established in 1986, gave scholarships to 33 students in their last year of university or in graduate programs in the engineering, civil engineering, finance, business administration departments of various universities, 37 students studying in technical or vocational high-schools and 25 successful children of our employees in need of financial support. Thus, more than 1200 university students and more than 600 high school students have so far been granted gratis scholarships from our Foundation.

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

ALARKO FUTURE'S CLUB

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

In 2008, the Alarko Future's Club maintained its activities aiming at the professional and personal development of qualified young people to give them the opportunity to understand the benefits of team spirit and cooperation and become the well-trained experts or managers that will lead Alarko to the future.

REPORT ON COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

1. Statement Of Compliance With Corporate Management Principles

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

PART I - SHAREHOLDERS

2. Unit in Charge of Relations with Shareholders

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

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

For communication:

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

Fax : (90 212) 236 42 08

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

The general assembly meeting of the Company was held, documents to be referred by the shareholders at the meeting were prepared and outcomes of the meeting were communicated to the Istanbul Stock Exchange and Capital Markets Board for publishing during the year. Questions of about 80 investors have been answered during this period.

3. Exercise of Right to Obtain Information by the Shareholders

Questions of the shareholders commonly relate to investments, turnover, capital increase and dividend payments of the company. Some 80 questions were asked within the year. Questions and answers given were communicated to the Board of Directors. Company's articles of association contain no provision regarding appointment of an independent auditor. No request was made during the year for the appointment of an independent auditor.

4. Information About the General Assembly

The Ordinary annual general assembly meeting of the company was held with a quorum of 75,47 %. Representatives of the media attended the meeting.

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

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

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

5. Voting Rights and Minority Rights

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

6. Policy and Time of Profit Distribution

No concession is granted in connection with participation in Company's profits. Profit distribution is carried out within the period set forth in applicable laws. The amount of profit available for distribution will be determined taking into account the new investments to be made and liquidity status if the Capital Markets Board terminates profit distribution obligation in 2009 and the following years.

7. Transfer of Shares

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

PART II - PUBLIC INFORMATION AND TRANSPARENCY

8. Company's Informing Policy

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

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

9. Announcement of Special Cases

During the year 2008, announcements in connection with 14 special cases were made. No additional explanation was requested.

10. Company's Web-Site and Content

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

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

LIST OF LINKS

1) STATEMENT OF COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

PART I - SHAREHOLDERS

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

PART II - PUBLIC INFORMATION AND TRANSPARENCY

- 8)** Company's Informing Policy
- 9)** Announcement of Special Cases
- 10)** Company's Web-site and Content
 - Trade Register information
 - Recent partnership and management structure
 - Detailed information on preference stocks
 - Current text of Company's Articles of Association including date and issue number of Trade Register Gazettes where amendments thereto are published.
 - Announcement of special cases
 - Annual Reports
 - Periodical Financial Statements and Reports
 - Registration Statements and Public Offering Circulars
 - Agendas of General Assembly Meetings
 - Lists of Attendance and Minutes of General Assembly Meetings

- Specimen Form for Voting by Proxy
- Specimen Form for compulsory information prepared in collection of share certificates or proxy by way of invitation.
- Minutes of Board Meetings where important decisions that may affect the value of Capital Market Tools are taken.
- Frequently Asked Questions (demands for information, questions and denunciations to the Company and their answers)
- 11)** Announcement of Real Person Plenary Shareholder (s)
- 12)** Publication of Insiders

PART III - OWNERS OF INTEREST

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

PART IV - BOARD OF DIRECTORS

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

11. Announcement of Real Person Plenary Shareholder (s)

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

12. Announcement of Insiders

List of insiders has been announced to public in the Annual Report of 2004 and the names of insiders as of the end of 2008 are as follows:

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

PART III - OWNERS OF INTEREST

13. Informing Owners of Interest

Owners of interest of the company are regularly informed on matters of interest to them. Employees of the company are informed through annual meetings held regularly. In addition, developments

within the company are announced on a continuous basis through the periodical "Bizim Dünyamız" and "News" published biannually. On the other hand, a comprehensive information effort is carried out through our web-site, e-bulletins and annual reports.

14. Participation of Owners of Interest in Management

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

15. Human Resources Policy

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

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

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

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

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

16. Information on Relations with Customers and Suppliers

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

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

17. Social Accountability

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

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

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

The Alarko Education-Culture Foundation established in 1986 to work in the area of education and culture has granted scholarships to a large number of students. Since its establishment, the foundation has granted scholarships to more than 1200 university students and more than 600 high-school students. The Foundation's scholarships are not to be refunded. A total of 95 students were granted scholarships in the 2008-2009 school year.

PART IV - BOARD OF DIRECTORS

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

Board of Directors	
İshak Alaton	Chairman
İzzet Garih	Vice Chairman
Vedat Akset Alaton	Vice Chairman
Ayhan Yavrucu	Member
Dalia Garih	Member
Leyla Alaton Günyeli	Member
Güner Koçel	Member (Independent)
Ahmet Vural Akışık	Member (Independent)

There are two independent members in the Board of Directors.

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

19. Qualifications of Board Members

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

20. Mission, Vision and Strategical Objectives of the Company

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

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

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

21. Risk Management and Internal Control Mechanism

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

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

22. Powers and Responsibilities of Board Members and Managers

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

23. Operational Principles of Board of Directors

The Board has convened 13 times within the year. Actual participation to the meetings was established. Board decisions are taken unanimously. No weighed voting right or negative veto right is granted to the Board members.

24. No Business or Competition with the Company

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

25. Rules of Ethics

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

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

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

Any contrary act or behavior noticed, notified or suspected by the Board of Auditors, the Auditing Committee, the Chief Executive Officer or other managers are reviewed by the Board of Directors or instructed to be reviewed by the Auditing Committee to ensure compliance therewith. Disciplinary sanctions are applied by the Chief Executive Officer authorized by the Board of Directors to doers of actually proven contrary acts.

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

The auditing committee is established within the legal term and performs the duties set forth in the communiqué of the Capital Markets Board. The members of this committee are İzzet Garih and Vedat Aksel Alaton. After approving the strategic decisions the Audit Consultation and Approval Committee consisting of 5 members of the Board of Directors presents them to the Board.

27. Financial Right Granted to Board of Directors

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

ÜZEYİR GARİH'S VIEW

SOUNDNESS OF COMPANIES

The soundness of companies comes back on the agenda again as a result of the present conjuncture. Due to the nature of things, companies that develop when economic conditions are favorable, business volume is large, consumption is increasing, and interest rates are convenient, lean towards investments.

Leaning towards some wastage, embarking on some risky investment in times of economic development is also in the nature of things.

Especially in developing countries, governments that endeavor to increase foreign income provide investors important incentives for investments to be made in various areas.

As everyone knows, businessmen have the industrialist, entrepreneur, investment virus. And the business world eagerly embarks on investments with the impact of this virus.

Particularly in developing countries, this investment craze fuels consumption for some time, prosperity in the country increases. However, even though in a round about way, this prosperity creates an effect that fuels government investments. It raises the credibility of developing countries before international financial institutions. These institutions indicate the wish to extend credits.

Generally, signs showing disruption in the economy come up one or two years in advance. In such situations, it is up to management to show the sagacity of reducing risks rather than waiting hopelessly.

A postulate comes into effect at this point. There is no danger in getting loans when these are transferred to feasible investments and as long as the revenues of these investments can pay back the principal and interest. However, if the loans are used to pay for current expenses, this is bound to be the indicator of economic collapse regardless whether it is the state or a company that acts in this manner.

At times of abundance both governments and companies increase their well-being investments and luxurious buildings, pretentious investments follow one another. Many times, the money spent for these investments are of a wastage rather than expense character.

When constraints in the economy appear in the horizon, companies must sort their business, liquidate their fixed assets and stop their investments that are not within the scope of their core business.

Difficulties come up in governments or businesses that do not produce enough and quality goods and services, that direct their investments to flamboyance or businesses in which they are not competent rather than to increasing quality and reducing price. At this point, a hunt for the cause of these difficulties particularly in governments and



institutions that do not have patronage starts. Scapegoats are hunted down.

Changes in administration follow one another. Power struggles start in these troubled times. Despite their profits and fixed assets, companies find themselves faced with cash shortage or, correspondingly, countries are faced with foreign currency shortage.

The foresight of the administrator consists of discerning the storm beforehand and taking precautions on time.

Actually, despite illusionary affluence, signals that economic difficulties are hard at hand are apparent one or two years in advance. Despite the hope that the existing illusionary affluence will continue, farsighted administrations must feel the need to take precautions at the risk of reducing their growth rate.

Almost all companies that have gone bankrupt owe this to either shortage of liquidity or political reasons.

A fall in the economic barometer, although the sky is all blue, must force institutions to cut down costs and personnel. In addition, institutions should endeavor to liquidate their fixed assets while the conjuncture is favorable.

Moreover, at such times, they should go into an identity quest, determine their area of expertise and liquidate their assets that are not within their core business area.

Privatization by governments is analogous to what we have just said about institutions.

Rapid growth often requires high risk. In our opinion, the administrations of institutions do not have the right to risk the money of the shareholders.

In more than 40 years of my business life, I have witnessed companies that have gone bankrupt. In almost all of them, the reason was either shortage of cash or political. Very high and sudden profits necessitate taking high risks.

This is as true for private companies just as it is for countries. In companies that have gone public or those that have numerous shareholders, administrators should not have the luxury of going into uncalculated risks. In all sorts of institutions, power is equal to working efficiently, high liquidity, and a reasonable rate of loans.

* This article was taken from the August 1995 edition of "DENEYİMLERİM 4".

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Alarko Holding A.Ş. (the Parent Company) and its Subsidiaries which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated statement of income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The balance sheets as of 31 December 2008 and the statements of income, changes in equity and cash flows for the year then ended related to the subsidiary Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. and the joint venture company Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.Ş. of Alarko Holding A.Ş., which represent 20,74 % of the consolidated balance sheet total as of 31 December 2008 and 58,13 % of the total income stated in the consolidated statement of income for the year then ended have been audited by another independent auditor.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Turkish Accounting / Financial Reporting Standards (TAS / TFRS) which are issued by the Turkish Accounting Standards Board (TASB) and which are similar to the International Accounting / Financial Reporting Standards (IAS / IFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Alarko Holding A.Ş. (the Parent Company) and its Subsidiaries as of 31 December 2008, and of their consolidated financial performance and cash flows for the year then ended in accordance with the TAS/IFRS issued by the TASB.

Explanatory Notes Not Qualifying Our Opinion

As of 31 December 2008, the consolidated financial statements of the subsidiary Alsim Alarko KZ in which the Parent Company has a 100 %, and the subsidiaries Temzet Üretim İletim A.Ş. and Betagas SRL in each of which the Parent Company has 50 % interest are companies which do not materially affect the consolidated financial statements; hence, they have been stated at cost in the accompanying consolidated financial statements.

İstanbul,
10 April 2009

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


DENET
Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.

Ömür Günel
Partner in charge

ALARKO HOLDİNG A.Ş.
CONSOLIDATED BALANCE SHEETS
AS OF 31 DECEMBER 2008 AND 2007
(TL)

ASSETS	Notes	31 December 2008	31 December 2007
Current Assets		1.186.355.288	1.012.394.060
Cash and Cash Equivalents	2,5	436.614.559	260.178.232
Financial Assets	2,6	125.923.140	102.039.536
Trade Receivables	2,8	372.696.117	414.962.018
Other Receivables	2,9	74.461.097	48.517.788
Inventories	2,10	131.791.146	149.044.074
Other Current Assets	2,20	44.783.280	37.553.506
Sub total		1.186.269.339	1.012.295.154
Long Term Assets Held for Trading	2,28	85.949	98.906
Non - Current Assets		289.039.669	279.964.494
Trade Receivables	2,8	119.326	195.972
Other Receivables	2,9	2.663.905	641.844
Financial Assets	2,6	6.310.068	6.368.296
Investments Valued with Equity Method	2,12	5.629.432	5.945.048
Investment Properties	2,13	1.938.010	2.038.448
Tangible Assets	2,14	196.246.913	203.385.426
Intangible Assets	2,15	17.745.184	15.569.940
Goodwill	2,16	379.851	379.851
Other Non-Current Assets	2,20	58.006.980	45.439.669
TOTAL ASSETS		1.475.394.957	1.292.358.554

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

LIABILITIES	Notes	31 December 2008	31 December 2007
Short Term Liabilities		611.966.524	472.539.210
Financial Debts	2,7	106.789.263	64.581.617
Other Financial Liabilities	2,7	139.797	135.920
Trade Payables	2,8	283.164.272	242.222.053
Other Payables	2,9	90.083.846	59.310.044
Taxes Payable on Profit for the Period	2,18,29	20.520.205	9.026.206
Debt Provisions	2,18	10.007.843	7.613.073
Other Short Term Liabilities	2,20	101.261.298	89.650.297
Long Term Liabilities		39.560.427	65.853.299
Financial Debts	2,7	16.340.503	16.494.665
Other Financial Liabilities	2,7	982.808	1.054.587
Trade Payables	2,8	-	585.704
Debt Provisions	2,18	1.368.551	3.789.834
Provision for Termination Indemnity	2,19	10.381.998	9.777.331
Deferred Tax Liabilities	2,29	2.495.318	13.136.133
Other Long Term Liabilities	2,20	7.991.249	21.015.045
EQUITY		823.868.006	753.966.045
Parent Company Equity		732.982.678	673.390.013
Paid in Capital	21	215.876.230	215.876.230
Cross Shareholding Adjustment (-)	21	(587.562)	(587.562)
Value Increase Funds		(115.721)	(115.721)
Translation Differences		4.808.236	(419.854)
Restricted Profit Reserves	21	2.310.368	2.294.141
Retained Earnings/(Accumulated Losses)	21	455.871.526	418.750.641
Net Profit/(Loss) for the Period		54.819.601	37.592.138
Minority Interest	21	90.885.328	80.576.032
TOTAL LIABILITIES AND EQUITY		1.475.394.957	1.292.358.554

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

ALARKO HOLDİNG A.Ş.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007
(TL)

	Notes	31 December 2008	31 December 2007
CONTINUING OPERATIONS			
Sales Income	22	831.863.931	747.947.561
Cost of Sales (-)	22	(801.919.229)	(653.364.471)
GROSS PROFIT / (LOSS)		29.944.702	94.583.090
Research and Development Expenses (-)	23	(989.505)	(884.773)
Marketing, Sales and Distribution Expenses (-)	23	(21.586.531)	(18.289.756)
General Administration Expenses (-)	23	(71.890.486)	(46.145.514)
Other Operating Income	25	64.721.427	23.954.854
Other Operating Expenses (-)	25	(18.157.374)	(10.371.996)
OPERATING PROFIT / (LOSS)		(17.957.767)	42.845.905
Shares in Profits/Losses from Investments Valued by Equity Method	2	(315.616)	(189.237)
Financial Income	26	221.223.867	104.271.526
Financial Expenses (-)	27	(123.977.776)	(91.741.880)
PROFIT / (LOSS) BEFORE TAX ON CONTINUING OPERATIONS		78.972.708	55.186.314
- Tax Income / (Expense) for the Period	2,18,29	(22.251.526)	(10.736.171)
- Deferred Tax Income / (Expense)	29	10.640.815	(5.172.825)
Tax Income / (Expense) on Continuing Operations		(11.610.711)	(15.908.996)
PROFIT / (LOSS) FOR THE PERIOD ON CONTINUING OPERATIONS		67.361.997	39.277.318
PROFIT / (LOSS) FOR THE PERIOD		67.361.997	39.277.318
Distribution of Profit / (Loss) for the Period			
- Minority Interest	21	12.542.396	1.685.180
- Parent Company Shares		54.819.601	37.592.138
EARNINGS / (LOSS) PER SHARE	2,30	0.255	0.213
REVISED EARNINGS / (LOSS) PER SHARE	2,30	0.255	0.186

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

ALARKO HOLDİNG A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007
(TL)

Notes	31 December 2008	31 December 2007
A. CASH FLOWS FROM PRINCIPAL ACTIVITIES		
Net profit before tax (+)	78.972.708	55.186.314
Adjustments:		
Depreciation (+)	24 23.554.356	20.797.748
Termination indemnity	19 604.667	857.611
Debt provisions	18 (26.513)	(17.010.405)
Income on marketable securities or long term investments (-)	26 (35.533)	(591.532)
Inventory provision	10,23,25 5.617.381	6.011
Provision for doubtful trade receivables	8,23,25 17.826.487	203.387
Rediscount income / (expense). net	8 992.537	(285.611)
Interest income (-)	26 (28.032.197)	(25.685.394)
Interest expense (+)	-	-
Net Income Before Working Capital Changes (+)	99.473.893	33.478.129
Increase (-) / decrease (+) in trade receivables	8 23.761.317	(22.087.206)
Increase (-) / decrease (+) in other receivables	9 (27.965.370)	22.194.602
Increase (-) / decrease (+) in inventories	10 11.635.547	(44.462.351)
Increase (-) / decrease (+) in other current assets	20 (7.229.774)	13.126.603
Increase (+) / decrease (-) in trade payables	8 40.118.721	5.139.824
Increase (+) / decrease (-) in other payables	9 30.773.802	9.798.887
Increase (+) / decrease (-) in other short term liabilities	20 11.611.001	2.938.483
Increase (+) / decrease (-) in other long term liabilities	20 (13.023.796)	(18.759.195)
Increase (-)/ decrease(+) in long term assets held for sale	28 12.957	(21.040)
Effect of rate change on deferred tax	-	16.618.131
Tax payments (-)	18 (10.757.527)	(6.859.082)
Net cash provided from principal activities	158.410.771	11.105.785
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition (-) of financial assets. net	6 58.228	(425.052)
Investment Valued by Equity Method	12 315.616	2.627.506
Acquisition of financial assets. net (-)	6 (23.883.604)	(9.472.482)
Acquisition of tangible assets. net (+)	14 (12.801.410)	(42.471.104)
Goodwill (-)	16 -	(379.851)
Increase in intangible assets. net (-)	15 (5.689.239)	(13.074.567)
Increase (-) / decrease (+) in other long term assets	20 (12.567.311)	(11.264.307)
Interests collected (+)	26 28.032.197	25.685.394
Dividends collected (+)	26 35.533	591.532
Net cash (used in)/provided from investing activities	(26.499.990)	(48.182.931)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows related to short and long term financial debts(+)	7 41.985.582	(3.022.399)
Increase in Parent Company shares acquired by subsidiary in nominal value	-	(32.436)
Effect of entities included in the consolidation	21 (82.545)	-
Effect of merger among jointly controlled entities	-	82.962.105
Effect of share increase in subsidiary	21 (855.688)	(806.869)
Effect of consolidation by equity	21 -	11.826
Value increase/decrease in financial assets	21 -	1.524.363
Effect of rate change	21 3.277.004	-
Translation difference	5.228.090	(1.033.955)
Effect of project transfer	21 (527.097)	-
Dividends paid(-)	21 (2.266.700)	(1.509.297)
Increase in minority interest (+)	21 (2.233.100)	(17.461.591)
Net cash provided from financing activities	44.525.546	60.631.747
Increase / (decrease) in cash and cash equivalents	176.436.327	23.554.601
Cash and cash equivalents at the beginning of the period	5 260.178.232	236.623.631
Cash and cash equivalents at the end of the period	5 436.614.559	260.178.232

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

ALARKO HOLDING A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(TL)

Notes	Share Capital	Cross Shareholding Adjustment	Restricted Profit Reserves	Value Increase Fund	Translation Differences	Retained Earnings/ (Accumulated Losses)	Profit for the Period	Parent Company Equity	Minority Interest	Total
Balance as at 1 January 2007	176.880.000	(555.126)	411.214	(118.916)	3.053.547	326.759.476	48.251.943	554.682.138	96.352.443	651.034.581
Capital increase	11.917.165	(32.436)	-	-	-	(11.917.165)	-	(32.436)	-	(32.436)
Transfer to reserves	21	-	562.066	-	-	(562.066)	-	-	-	-
Dividend payment	21	-	-	-	-	(1.509.297)	-	(1.509.297)	-	(1.509.297)
Effect of consolidation by equity	21	-	-	-	-	11.826	-	11.826	-	11.826
Effect of merger among jointly controlled entities	21	-	1.320.861	3.195	22.287	54.536.697	-	82.962.105	(14.077.877)	68.884.228
Subsidiary excluded from consolidation	21	-	-	-	(2.461.733)	2.461.733	-	-	(211.387)	(211.387)
Effect of share increase in subsidiary	21	-	-	-	-	(806.869)	-	(806.869)	(2.096.118)	(2.902.987)
Value increase/decrease in financial assets	21	-	-	-	-	1.524.363	-	1.524.363	(514.264)	1.010.099
2006 profit transfer	21	-	-	-	-	48.251.943	(48.251.943)	-	-	-
Translation difference	-	-	-	-	(1.033.955)	-	-	(1.033.955)	17.998	(1.015.957)
Minority interest (Dividends paid)	-	-	-	-	-	-	-	-	(579.943)	(579.943)
Net Profit	21,30	-	-	-	-	-	37.592.138	37.592.138	1.685.180	39.277.318
Balance as at 31 December 2007	215.876.230	(587.562)	2.294.141	(115.721)	(419.854)	418.750.641	37.592.138	673.390.013	80.576.032	753.966.045
Transfer to reserves	21	-	16.227	-	-	(16.227)	-	-	-	-
Dividend payment	21	-	-	-	-	(2.266.700)	-	(2.266.700)	-	(2.266.700)
Effect of share increase in subsidiary	21	-	-	-	-	(855.688)	-	(855.688)	(1.785.879)	(2.641.567)
Effect of jointly controlled entities included in the consolidation	21	-	-	-	-	(82.545)	-	(82.545)	-	(82.545)
Effect of rate change in subsidiary	21	-	-	-	-	3.277.004	-	3.277.004	31.011	3.308.015
Effect of project transfer	21	-	-	-	-	(527.097)	-	(527.097)	(95.700)	(622.797)
Value increase/decrease in financial assets	-	-	-	-	-	-	-	-	293	293
2007 profit transfer	21	-	-	-	-	37.592.138	(37.592.138)	-	-	-
Translation difference	-	-	-	-	5.228.090	-	-	5.228.090	(2.878)	5.225.212
Minority interest (Dividends paid)	-	-	-	-	-	-	-	-	(379.947)	(379.947)
Net Profit	21,30	-	-	-	-	-	54.819.601	54.819.601	12.542.396	67.361.997
Balance as at 31 December 2008	215.876.230	(587.562)	2.310.368	(115.721)	4.808.236	455.871.526	54.819.601	732.982.678	90.885.328	823.868.006

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

ALARKO HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

1. Organization and Principal Activities

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

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

Name of the Company	Principle Activity	Shareholding of the Group (%)	
		31 December 2008	31 December 2007
Subsidiaries *:			
Alsim Alarko San. Tes. ve Tic. A.Ş. (Turkey)	Contracting and construction	99,56	99,56
Aldem Alarko Konut İnşaat ve Tic. A.Ş. (Turkey)	Residence, construction	99,56	99,56
Attaş Alarko Turistik Tesisler A.Ş. (Turkey)	Tourism Facility Management	99,58	99,58
Alarko Fenni Malzeme Satış ve İmalat A.Ş. (Turkey)	Marketing of Industrial Products and After-Sales Services	99,90	99,90
Almüt Alarko Sınai Gereçler İmalat ve Müm. A.Ş. (Turkey)	Production, Marketing and Dealership of Technical Equipment	94,30	94,30
Alamsaş Alarko Ağır Makina Sanayi A.Ş. (Turkey)	Production of Machinery and Equipment for Industrial Investments	99,95	78,65
Alarko Gayrimenkul Yatırım Ort. A.Ş. (Turkey) **	Purchase and Sales of Real Estates and Market Tools Related to Real Estates	50,94	50,94
Construction of Alsim-Moscow Pediatric Hospital (Russia)	Construction of Oncology Hospital For Children in Moscow-Russia	99,56	99,56
Alsim-Algeria Arzew Desalination and Power Plant Construction (Algeria)	Algeria-Arzew Desalination Project	99,56	99,56
Alsim - TCDD (Turkey)	TCDD Ankara-Eskişehir Railway Rehabilitation Project	99,56	99,56
Alsim-Rosneftegastroy JSC İş Ort. (Turkey)	DSİ Melen Water Supply Project Construction	99,06	99,06
Aktau Atrau Road Construction Project (Kazakhstan)	Road Construction Project	99,56	99,56
Astana Water Project (Kazakhstan)	Water Project	99,56	99,56
Saret Sanayi Taahhütleri ve Ticaret A.Ş. (Turkey)	Construction	100,00	100,00
Alarko Enerji Üretim A.Ş. (Turkey)***	Power Generation	100,00	100,00
Antalya Light Rail System 1 st Stage Construction Works Project (Turkey)	Light Rail System Project	99,56	99,56
Garanti Koza - Alsim Joint Venture (Turkey)****	Underground construction	99,56	49,78

* Included in the consolidation by full consolidation method.

** Public company listed in the Istanbul Stock Exchange.

*** As of 3 April 2008, the name of Sansal İnşaat Sanayi ve Ticaret A.Ş. has been changed as Alarko Enerji Üretim A.Ş.

**** Included in the consolidation by joint control method as of 31 December 2007, and became a subsidiary as of 31 March 2008 upon which it is included in the consolidation by full consolidation method.

Name of the Company	Principle Activity	Shareholding of the Group (%)	
		31 December 2008	31 December 2007
Jointly Controlled Entities * :			
Alarko Carrier Sanayi ve Ticaret A.Ş. (Turkey)**	Heating, Cooling , Air conditioning Equipment Manufacturing	43,19	43,19
Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş. (Turkey)	Power Generation	49,89	49,89
OAO Mosalarko (Russia)	Russia-Real Estate Project, Construction and Usage	50,00	50,00
Alsim-E.M.İ.T. SpA İş Ort. (Turkey)	İzmit Bay Waste Water Distillation Plant Construction	39,82	39,82
Alsim-Akfen İnşaat Tur. ve Tic. A.Ş. İşl. Ort. (Turkey)	Tüpraş İzmit Refinery Sulphur Reduction Project Construction	49,78	49,78
Streicher-Haustad & Timmermann Günsayıl-Alsim A.Ş. (Turkey)	Bakü-Tiflis- Ceyhan Crude Oil Pipe Line Project	49,78	49,78
Garanti Koza-Alsim Joint Venture (Turkey)***	Underground construction	99,56	49,78
Obrascon Huarte Alsim SA - Alsim Alarko San.Tes. ve Ticaret A.Ş. (Spain)	TCDD Ankara - Eskişehir Railway rehabilitation project	44,80	44,80
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş. (Turkey)	Production and Marketing of Fishery Products	49,99	49,99
Alarko Deyaar Gayrimenkul Geliştirme A.Ş. (Turkey)****	Trade of Real Estate and Market instruments related to Real estate	49,78	-
Alarko - Makyol Adi Ortaklığı (Turkey)*****	Underground construction	49,78	-

* Included in the consolidation by joint control method.

** Public company listed in the Istanbul Stock Exchange.

*** Included in the consolidation by joint control method as of 31 December 2007, and became a subsidiary as of 31 March 2008 upon which it has been included in the consolidation by full consolidation method.

**** Included in the consolidation by joint control method as of 31 March 2008.

***** Included in the consolidation by joint control method as of 30 June 2008.

Affiliates*

Al-Riva Projesi Arazi Değ. Konut İnş. ve Tic. A.Ş (Turkey)**	Residence, Construction	12,13	12,13
Al-Riva Arazi Değ. Konut İnş. ve Tic. A.Ş. (Turkey)**	Residence, Construction	2,63	2,63
Al-Riva Arazi Değ. Konut İnş., Tur. Tes. Golf İşl. ve Tic. A.Ş. (Turkey)**	Residence, Construction and Tourism Facility Management	2,28	2,28

* Included in the consolidation by equity method.

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

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

Muallim Naci Cad. No : 69 Ortaköy / İSTANBUL

As of 31 December 2008 and 2007, the shareholding structure is as follows (TL):

Name	Shareholding
Alaton Family	36,37 %
Garih Family	36,37 %
Other*	27,26 %
	<u>100,00 %</u>

* Represents shareholdings of less than 10 %.

The shares of Alarko Holding A.Ş. are traded in the Istanbul Stock Exchange since 24 May 1989, and as of 31 December 2008, 26,46 % of the Company shares are offered to public.

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

The subsidiary, Alarko Gayrimenkul Yatırım Ortaklığı A.Ş., is registered at the Capital Markets Board (CMB) and 49 % of its shares are offered to public. The shares are traded at the Istanbul Stock Exchange since 1996.

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

	31 December 2008	31 December 2007
Salary earners	1.236	1.509
Wage earners	1.105	1.960
	<u>2.341</u>	<u>3.469</u>

2. Presentation of the Financial Statements

i. Basis of Presentation :

The Parent Company and its subsidiaries, affiliates, and jointly controlled entities maintain their books of account and prepare their statutory financial statements in Turkish Lira (except for companies which trade in other countries) in accordance with the prevailing commercial and financial legislation. The accompanying consolidated financial statements are prepared in accordance with the Capital Markets Board (CMB) Communiqué Nr. XI/29 "Communiqué Related to the Financial Reporting Principles at the Capital Markets". This Communiqué has come into force starting with the first interim financial statements subsequent to 1 January 2008 and bears in its Article 5 the provision stating that the enterprises subject to CMB apply the International Accounting / Financial Reporting Standards as accepted by the European Union (EU) taking as basis the harmonic standards, namely the Turkish Accounting / Financial Reporting Standards (TAS/TFRS), issued by the Turkish Accounting Standards Board (TASB). Furthermore, in the provisional Article 2 of the same Communiqué it is stated that the IAS/IFRS are to be applied until the differences between the IAS/IFRS accepted by the European Union and those issued by the International Accounting Standards Board (IASB) are published by the TASB taking as basis the harmonic standards, TAS/TFRS, issued by the TASB.

However, the Turkish Accounting Standards Board (TASB) has not issued the differences between the IAS/IFRS accepted by the EU and the standards issued by the International Accounting Standards Board (IASB) as yet, hence the accompanying consolidated financial statements are prepared in accordance with the IAS/IFRS taking as basis the harmonic standards TAS/TFRS issued by the TASB. As required by the TFRS 1, comparative financial statements are prepared on the same basis. As stated below, certain adjustments and classifications have been made during the preparation of the accompanying financial statements in order to comply with the TAS/TFRS.

The accompanying consolidated financial statements are presented in accordance with the mandatory formats and principles announced by CMB in its Weekly Bulletin dated 14-18 April 2008 Nr. 2008-16.

As per the resolution of the Council of Ministers dated 4 April 2007 Nr. 2007/11963, the word "New" in the "New Turkish Lira" and in the "New Kuruş" have been cancelled with effect from 1 January 2009. Accordingly, TRY 1 (New Turkish Lira) will be equal to TL 1 (Turkish Lira).

The functional currency used by the Company is Turkish Lira (TL) and the accompanying financial statements and related notes are presented in TL.

The Company's consolidated financial statements prepared as of 31 December 2008 as per the Communiqué XI/29 are approved at 10 April 2009 by the Company management to be submitted to the Board of Directors.

The Parent Company's Board of Directors and the CMB retain the right to amend the interim financial statements, while the General Meeting and the CMB retain the right to amend the annual financial statements.

The functional currencies of the subsidiaries and jointly controlled entities of the Parent Company located in Spain, Russia, Algeria, and Kazakhstan are Euro, Ruble, Dinar and Tenge, respectively. The balance sheet items are translated into TL at the foreign exchange rate at the balance sheet date, and income and expenses are translated at the yearly average rate. Profits or losses arising from translation are stated in the "foreign currency translation differences" account under the equity.

ii. Adjustment of Financial Statements During Hyper-Inflationary Periods:

TAS 29 deals with the effects of inflation on financial statements and requires that financial statements prepared in the currency of a high inflation economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms. As per the resolution of the CMB dated 17 March 2005 Nr 11/367 the application of inflation adjustment of the financial statements has ended in 2005, hence the financial statements are restated at the purchasing value of the Turkish Lira as at 31 December 2004. Additions to non-monetary items subsequent to 1 January 2005 are stated at their nominal values.

Balance sheet items in foreign currency are translated to TL at the foreign exchange rate of the balance sheet date and the foreign currency income and expenses are translated using the average rate of exchange. The profits and losses arising from the translation operation are stated in the foreign currency translation differences account within the equity account group.

iii. Consolidation Principles :

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

31 December 2008

31 December 2007

Subsidiaries*

Alsim Alarko San.Tes. ve Tic. A.Ş.	99,56%	99,56%
Aldem Alarko Konut İnşaat ve Tic. A.Ş.	99,56%	99,56%
Attaş Alarko Turistik Tesisler A.Ş.	99,58%	99,58%
Alarko Fenni Malzeme Satış ve İmalat A.Ş.	99,90%	99,90%
Almüt Alarko Sınai Gereçler İmalat ve Müm. A.Ş.	94,30%	94,30%
Alamsaş Alarko Ağır Makina Sanayii A.Ş.	99,95%	78,65%
Alarko Gayrimenkul Yatırım Ort. A.Ş.	50,94%	50,94%
Alsim-Moskova Çocuk Hastanesi İnşaatı	99,56%	99,56%
Alsim-Cezayir-Arzew Desalinasyon ve Kuvvet Santral İnşaatı	99,56%	99,56%
Alsim TCDD Turkey	99,56%	99,56%
Alsim-Rosneftegastro JSC. İş Ort.	99,06%	99,06%
Aktau Atrau Kara Yolu Projesi İnşaatı	99,56%	99,56%
Astana Su Projesi	99,56%	99,56%
Saret Sanayi Taahhütleri ve Ticaret A.Ş.	100,00%	100,00%
Alarko Enerji Üretim A.Ş.**	100,00%	100,00%
Antalya Hafif Raylı Sistem		
1. Aşama Yapım İşleri (Turkey)	99,56%	99,56%
Garanti Koza - Alsim Joint Venture***	99,56%	49,78%

Jointly Controlled Entities ****

Alarko Carrier Sanayi ve Ticaret A.Ş.	43,19%	43,19%
Altek Alarko Elektrik Sant. Tes.İşl.ve Tic. A.Ş.	49,89%	49,89%
OAD Mosalarko	50,00%	50,00%
Alsim-E.M.İ.T SpA İş Ort.	39,82%	39,82%
Alsim-Akfen İnşaat Tur ve Tic. A.Ş. İş Ort.	49,78%	49,78%
Obrascon Huarte Lain SA - Alsim		
Alarko San. Tes. ve Tic. A.Ş. (Spain)	44,80%	44,80%
Streicher-Haustad & Timmermann-Günsayıl-Alsim A.Ş.	49,78%	49,78%
Garanti Koza - Alsim Joint Venture ***	99,56%	49,78%
Alfarm Alarko Leröy Su Ürünleri		
San. ve Tic. A.Ş. (Turkey)	49,99%	49,99%
Alarko Deyaar Gayrimenkul Geliştirme A.Ş.*****	49,78%	-
Alarko - Makyol Adi Ortaklığı *****	49,78%	-

Affiliates*****

Al-Riva Projesi Arazi Değ. Konut İnş.ve Tic. A.Ş.*****	12,13%	12,13%
Al-Riva Arazi Değ.Konut İnş. ve Tic. A.Ş.*****	2,63%	2,63%
Al-Riva Arazi Değ.Konut İnş. Tur. Tes.		
Golf İşl. ve Tic. A.Ş.*****	2,28%	2,28%

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

** As of 3 April 2008, the name of Sansal İnşaat Sanayi ve Ticaret A.Ş. has been changed as Alarko Enerji Üretim A.Ş.

*** Included in the consolidation by joint control method as of 31 December 2007, and became a subsidiary as of 31 March 2008 upon which it is included in the consolidation by full consolidation method.

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

***** Included in the consolidation by joint control method as of 31 March 2008.

***** Included in the consolidation by joint control method as of 30 June 2008.

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

***** The rate of participation and control rights of the said affiliates in the Parent Company's is 40 %.

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

Full Consolidation Method :

- All balance sheet items except for the paid in capital of the Parent Company and the subsidiaries as well as their equities at the acquisition date are added, and inter-company balances are eliminated.
- The Parent Company's interest in the subsidiaries; The Long Term Financial Assets account of the Parent Company is reciprocally set off against the Share Capital accounts of the Subsidiaries.
- As of the acquisition date, the Parent Company's shareholding in its subsidiaries is set off against the portion of share capital it owns in the subsidiary's equity for once. The equity of the subsidiary at the acquisition date should be drawn up according to the market value of the subsidiary's net assets at that date. The difference that appears in favor of the recorded value is recognized as positive goodwill in the consolidated balance sheet as a separate item and that which appears against the recorded value is recognized as negative goodwill in the statement of income.

- Minority interests are deducted from all equity account group items including the paid in/issued share capital of subsidiaries included in the consolidation and are recognized as "Minority Interests" in the consolidated balance sheet before the equity account group and in the statement of income.
- The purchases and sales among the Parent Company and its Subsidiaries and the profit and losses arising from these transactions are eliminated in the Consolidated Income Statement. Further, profit and losses arising from the purchase or sale of marketable securities, stocks, tangible and intangible assets, long term financial assets and other assets among the consolidated group companies are also eliminated.

Joint Control Method

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

Equity Method:

- Affiliates are stated at the acquisition cost.
- For the period starting as of the date the affiliate is acquired by the Parent Company until the balance sheet date, the Parent Company's share of the increases and decreases in the affiliate's equity are either added to or deducted from the acquisition cost of the affiliate. The increases and decreases corresponding to the equity share in comparison with the acquisition cost are stated in the income statement as profit and loss, respectively. In case where the differences arise from equity items other than profit and loss, adjustments are also made in relation to these items in the equity of the Parent Company. The dividends received from affiliates are deducted from the related investments.
- As of the acquisition date and the subsequent acquisitions of shares, the difference between the acquisition value of the affiliate's shares owned by the Parent Company and the value stated in the equity account of the affiliate's balance sheet prepared on the basis of the fair values of such shares is included as goodwill in the book value of the investment for one time only.

iv. Adjustments:

The accompanying consolidated financial statements have been prepared in accordance with TAS/TFRS with the below mentioned adjustments which are not stated in the statutory records:

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

v. Comparative Information and Adjustment of Prior Period Financial Statements:

Consolidated balance sheets as of 31 December 2008 and 2007 and notes to these consolidated balance sheets as well as the consolidated statements of income, changes in equity, and cash flows for the years then ended have been presented comparatively. In order to comply with the presentation of the current period financial statements, the comparative information is reclassified when deemed necessary. The negative goodwill and the goodwill amortization reversed in accordance with the TAS/TFRS have increased the prior year profit as of 31 December 2007 by TL 1.701.477, and decreased the profit for the period related to the year then ended by TL 52.372.

vi. Offsetting:

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

vii. Accounting Policies, Changes and Errors in Accounting Estimates:

Alarko Group has applied its accounting policies consistent with the prior year. Significant changes in the accounting policies and significant accounting errors are applied retrospectively and the prior period financials are re-prepared. In the event that the changes in the accounting estimates are related to one period only, they are applied only to the period in which the change has been made; however, if they are related to the future periods, they are applied both to the period in which the change has been made and the future periods.

viii. The New and Revised Turkish Accounting / Financial Reporting Standards:

During the current period, TASB has issued the new and revised standards with effect from 1 January 2008 and the Alarko Group has applied those that relate to its own field of activity.

The standards, changes and comments effective in 2008 that are not applied by the Alarko Group as they have no relation with its operations:

The standards listed below and the changes and comments introduced to the prior standards have been enforced as at 1 January 2008 and in periods subsequent to 1 January 2008. However, such standards, changes and comments are not related to the operations of Alarko Group, hence they are not applied.

- TFRS Comment 11, "TFRS 2 -Group and Treasury Share Transactions".
- TFRS Comment 14, "TAS 19- Limit on a Defined Benefit Asset, Minimum Funding Conditions and their Interaction"

Standards which are expected to come into effect, standards which are not deemed necessary to be applied by Alarko Group earlier than the required time, and changes and comments introduced to existing standards.

The following standards, changes and comments introduced to standards have been issued to come into force subsequent to 31 December 2008 and earlier implementation is allowed. However, the Alarko Group has preferred not to realize early application of the said standards and comments.

TFRS 1	The initial application of the Turkish Financial Reporting Standards - Change Brought to Investment Costs in the First Application of TFRS	Valid at and subsequent to 1 January 2009
TFRS 2	Share Based Payments - Change Brought to the Conditions and Reversals of Progress Payments	Valid at and subsequent to 1 January 2009
TFRS 3	Mergers - Comprehensive Revision in the Implementation of Purchasing Management	Valid at and subsequent to 1 July 2009
TFRS 5	Assets Held for Sale and Discontinued Operations - Plan Related to the Sales of Control Share in the Subsidiary	Valid at and subsequent to 1 July 2009
TFRS 8	Operating Segments	Valid at and subsequent to 1 January 2009
TAS 1	Presentation of Financial Statements - Comprehensive Changes Related to Preparing Comprehensive Income Statement - Change in Financial Instruments with Repurchasing Option and the Disclosure of Liabilities to Arise from their Conversion into Cash - Classification of Derivative Instruments as Current/Non-Current	Valid at and subsequent to 1 January 2009
TAS 16	Tangible Assets - Recoverable Value, Sales of Assets Held for Leasing	Valid at and subsequent to 1 January 2009
TAS 19	Employee Benefits - Curtailment and Negative Past Service Cost, Plan Management Costs, Change in the Term "Matured", Guideline to Contingent Liabilities	Valid at and subsequent to 1 January 2009
TAS 20	Recognition of Government Incentive and Disclosing Government Aids - Government Loans with Interests Lower than the Market Interest Rates	Valid at and subsequent to 1 January 2009
TAS 23	Borrowing Costs - Comprehensive Changes Restricting Direct Expensing - Elements of Borrowing Costs	Valid at and subsequent to 1 January 2009
TAS 27	Consolidated and Separate Financial Statements - Measurement of Subsidiaries Recognized as Assets Held for Sales in Separate Financial Statements	Valid at and subsequent to 1 July 2009
TAS 28	Investments in Associates - Value Decrease in Associates	Valid at and subsequent to 1 July 2009
TAS 31	Interests in Joint Ventures - Disclosure related to Joint Ventures whose Fair Value Changes are Recognized in the Statement of Income	Valid at and subsequent to 1 July 2009
TAS 36	Impairment of Assets - Disclosure of Estimates Used To Determine the Asset's Recoverable Amount	Valid at and subsequent to 1 July 2009
TAS 39	Financial Instruments : Recognition and Measurement - Change in Items that may be subject to Hedging	Valid at and subsequent to 1 January 2009
TAS 40	Investment Property - Real Estate being Constructed or Developed for Future Use as Investment Property	Valid at and subsequent to 1 January 2009
	TFRS COMMENTS	
TFRS Comment 15	Real Estate Construction Contracts	Valid at and subsequent to 1 January 2009
TFRS Comment 17	Distribution of Intangible Assets among Shareholders	Valid at and subsequent to 1 July 2009

The Group management is in the opinion that the implementation of the above mentioned standards and comments will have no significant impact on the Group's financial statements in the future periods.

ix. Accounting Techniques and Valuation Procedures Applied:

(a) Financial Instruments :

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

i. Cash and Cash Equivalents

Cash and cash equivalents consist of cash, bank accounts, cheques received, money in transit, and marketable securities.

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

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

The cheques received with maturity dates exceeding the balance sheet date are stated in trade receivables and are rediscounted at a rate equivalent to that which coincides with the related of government bonds determined by the Treasury. Cheques denominated in foreign currency are subject to rediscount at Libor, Euribor and Tibor rates.

Alarko Group has classified its marketable securities as financial assets held for trading and financial assets held to maturity. Financial assets held for trading are those that are acquired for the purpose of generating profit through fluctuations in price or similar elements created in the market within short term, or those that are a part of a portfolio aimed to generate profit in short term, regardless of the reason for acquisition. Financial assets held for trading are initially reflected to the balance sheet at their cost values including the transaction costs and at their market value in the succeeding periods.

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

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

Fair Value

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

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

ii. Trade Receivables

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

Fair Value

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

iii. Related Parties

A party is related to the Alarko Group if the party is a legal body or a real person which directly or indirectly controls, is controlled by, or is under common control with the Group, has an interest in the entity that gives it significant influence over the entity, and if the party is a subsidiary, an affiliate or a joint venture in which the Group is a venturer. Furthermore, members of the key management personnel of the Group, close members of the family of any individual referred to above, and parties representing post-employment benefit plan for the benefit of employees of the entity are also defined as related parties.

The transactions with related parties concerning Alarko Group's activities are realized at prices that comply with the market conditions.

iv. Leasing Receivables

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

v. Short and Long Term Bank Loans and Trade Payables

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

Fair Value

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

(b) Inventories:

Inventories are stated at the lower of cost and net realizable value. Cost is determined by using the weighted average cost method for the raw material, supplies, semi finished products, finished products, merchandise and other inventories.

Accordingly, real estates held for trading in inventories are stated at cost adjusted as per the inflationary effects. However, the expertise value which constitutes the basis of fair value of real estates held for trading in inventories is compared with the adjusted acquisition costs, and in the event that the expertise value is lower than the adjusted value, provision is made for value decrease as per the conditions stated in the "Impairment of Assets" section. Such impairment is determined and applied separately for each real estate held for trading.

(c) Financial Assets:

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

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

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

Profits and losses originating from changes in the fair value of financial assets available for sale are stated in the financial assets value increase fund account within the consolidated statement of changes in equity. In the event that there are impartial indications of decrease in fair value and impairment in the financial asset ready for sale recognized directly in equity, the total loss recognized directly in equity is transferred from equity to the statement of income, even if the related financial asset is not an off-balance sheet item.

(d) Tangible Assets:

Tangible assets are stated at cost less their accumulated depreciation and value decrease, if any.

Tangible assets have been restated using the measuring unit current at 31 December 2004 based on the dates of acquisition. The acquisitions subsequent to 1 January 2005 are stated at their nominal values. Depreciation of tangible assets is made over the inflation-adjusted amounts and that for the acquisitions subsequent to 1 January 2005 at their nominal values, on a straight-line basis as per the estimated useful lives of these assets. The depreciation periods which approximate to the economic useful lives of the assets are as follows:

Buildings	3-50 years
Land improvements	4-50 years
Machinery, plant and equipment	2-40 years
Motor vehicles	2-12,5 years
Furniture and fixtures	2-50 years
Other tangible assets	4-40 years

(e) Intangible Assets :

Intangible assets are stated at cost less their accumulated amortization and value decrease, if any.

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

Rights	2-19 years
Special costs	2-16 years
Other intangible assets	5 years

(f) Long Term Assets Held for Sale :

Assets whose book values are recovered only upon being sold and not as a result of being used are classified as long term assets held for sale in which case the related depreciation is discontinued. Long term assets held for sale are valued at the lower of their book value and the value representing their fair values less sales expenses.

The Group holds for sale the long term assets acquired as a provision for its overdue receivables.

(g) Service Concession Arrangements:

TFRS Comment 12 includes disclosures related to the accounting methods to be implemented for infrastructure investments and services provided during the operating process by the operators which are granted the administrative rights for a certain period of time by entering into a service concession arrangement with the public. As per the TFRS Comment 12, the operators' investments that are considered to take place within the scope of TFRS Comment 12 are recognized as financial assets and/or intangible assets, and not as buildings, fixed assets or fixtures.

The Agreements, namely Berdan HES, Hasanlar HES and Tohma HES signed by Alarko Group are deemed to comply with the TFRS Comment 12 and the long term assets within the scope of TFRS Comment 12 have been determined.

Alarko Group has classified as intangible assets the net book value of the tangible assets deemed to stay within the scope of TFRS Comment 12 as per the provisional article of TFRS Comment 12 as of 31 December 2008 and 2007.

(h) Leased Assets and Leasing Liabilities :

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

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

Machinery, plant and equipment	4-10 years
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(i) Assets and Liabilities in Foreign Currency :

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

(j) Impairment of Assets :

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

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

(k) Investment Properties :

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

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

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

Buildings	20-50 years
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(l) Construction Contracts :

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

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

If the total contract costs are likely to exceed the total contract proceeds, the expected loss is recognized as expense in the financial statements.

(m) Borrowing Costs :

Borrowing costs are recognized as expense. Borrowing costs related to the qualifying assets are included directly in the cost of the related qualifying asset. Upon completion of the necessary operations to make the qualifying asset ready for use or sale, the capitalization of the borrowing costs are discontinued. The balance of TL 719.908 (31 December 2007- TL (250.160)) directly related to the investments in progress is included in the cost of the related asset.

(n) Deferred Taxes :

Deferred taxes are calculated on the temporary differences that arise between the deductible tax base and the book values of assets and liabilities, by using the liability method. The main temporary differences arise from the income and expense items recognised in different periods with respect to the TAS/IFRS and the tax legislation. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated with the assumption that the Parent Company and its Subsidiaries will have taxable income during the future periods.

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

(o) Income Taxes :

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

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

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

With respect to the bis article 298 of the Tax Law amended by Law 5024, the inflation adjustment application which started in 2004 has ended as the increase in the wholesale price indices for the last 36 months and the last 12 months ended March 2005 are below 100 % and 10 %, respectively. Also, in the 2008 and 2007 accounting periods, the criteria of 100 % and 10 % have not been realized simultaneously in the Producers Price Index and for that reason no inflation adjustment has been applied.

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

As of 31 December 2008 and 2007 income tax provisions have been made in accordance with the prevailing tax legislation.

(p) Employee Benefits :

Under Turkish Labour Law Article 25/II, the Group is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service. This entitlement is limited to TL 2.173,19 in respect of each year of service as of 31 December 2008 (31 December 2007- TL 2.030,19).

The termination indemnity liability stated in the accompanying financial statements are determined as per the recognition and valuation principles stated in TAS 19 "Employee Benefits". As the characteristics of the termination indemnity liabilities are similar to the "Post Employment Benefit Plans" stated in this section, these liabilities are calculated and stated in the financial statements on the basis of below mentioned "Proposed Unit Loan Method" and other various assumptions.

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

- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current salaries and wages or the value of the termination indemnity upper limit determined by the Labour Law for 31 December 2008 to remain constant for restatement purposes, and later on, this value is reduced by the actual discount rate of 6,26 % (31 December 2007 - 5,71 %) calculated upon the assumption that the expected annual inflation rate will be 5,4 % (31 December 2007 - 5 %) and the expected discount rate will be 12 % (31 December 2007 - 11%) which represents the proposed average interest rate per annum of the government bonds, in order to determine the current net value of the termination indemnity liability at the balance sheet date.

(r) Revenues and Expenses:

The accrual basis of accounting is applied for the recognition of revenues and expenses. The accrual concept requires that revenue, income and profits should be matched with costs, expenses and losses belonging to the same period.

Interest income is accrued taking as basis the effective interest rate in the calculation. In the event that there is unpaid interest accrual prior to the acquisition of a marketable security bearing interest, the interest collected subsequently is separated for the periods before and after the acquisition, and only the part related to the latter is recognized as income in the financial statements.

Leasing income/expenses originating from operational leasing are recognized in the financial statements of income/expense in equal sums throughout the leasing period.

Dividend income is recognized at the time when collection right is established.

(s) Revenue:

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods, when the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, when the amount of revenue can be measured reliably, when it is probable that the economic benefits associated with the transaction will flow to the entity, and when the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue associated with the rendering of services is recognized when the costs incurred, or to be incurred, in respect of the transaction can be measured reliably, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the entity. In the event that a service transaction has effect on more than one accounting period, the service revenue is recognized as per the "percentage of completion" method provided that the cost of the service and the total cost to be incurred can be measured reliably, in addition to the criteria stated above.

Maturity difference income and expenses on maturity sales and acquisitions, are calculated as per the effective interest rate method during their maturity periods and as per the accruals concept, they are stated among the financial income and expense items.

Service sales directly related to the construction contracts are recognized as per the TAS 11. A construction contract as defined in TAS 11 is a contract specifically negotiated for the construction of an asset or a group of assets interrelated in terms of design, technology, function or final purpose or usage. If the outcome of a construction contract can be estimated reliably, revenue and costs should be recognised as per the percentage of completion method. If the outcome cannot be estimated reliably, contract revenue should be recognised only to the extent that contract costs incurred are expected to be recoverable and contract costs should be expensed as incurred. An expected loss on a construction contract should be recognised as an expense as soon as such loss is probable.

(t) Earnings / (Loss) per Share :

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

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

(u) Accounting Estimates :

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

(v) Subsequent Events:

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

(w) Conditional Assets and Liabilities:

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

(y) Segment Reporting :

The activities of Alarko Group in the years ended 31 December 2008 and 2007 are classified under six sectors, namely, holding, tourism, industry and commerce, energy, contracting and land development, and fishery products.

(z) Government Incentives and Aids :

The government incentives used by the Alarko Group are those related to income, and they are recognized in the statement of income.

3. Mergers

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

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

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

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

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

A.Ş. with an interest of 72,74 %.

As a result, Alaton and Garih families which were indirect shareholders in Alarko Holding A.Ş. with an interest of 68,71 % prior to the merger, have subsequently become direct shareholders with an interest of 72,74 %. Upon merger, Alaton and Garih families' indirect management rights in Alarko Holding A.Ş. have become direct management rights. In other words, before and after the merger, there has been no change in the management of Alarko Holding A.Ş.

As the ultimate management control of Alarko Holding A.Ş. before and after the said merger has not changed, the merger transaction has been defined as jointly controlled operations. Accounting for jointly controlled merger operations does not take place in the CMB Communiqué Nr. XI/25 or any other standard; hence it has been regarded as per the other generally accepted accounting standards trusting that the related transaction will reflect the economical essence of the said merger operations in the most precise manner and the accounting of jointly controlled merger operations has been realized such that all assets and liabilities of Anmak Holding A.Ş. consolidated with the exception of those related to the partnership with Alarko Holding A.Ş. are transferred at their book values.

As a result, no goodwill is calculated in relation to the merger. The statements of income have been merged starting as of the beginning of the fiscal year in which the merger is realized.

The jointly controlled entities and the subsidiaries listed below have transferred their entire equities to the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. as at the corresponding dates:

Jointly controlled entities

Streicher - Haustad & Timmermann Günsayıl - Alsim A.Ş. Bakü - Tiflis - Ceyhan Crude Oil Pipe Line Project	31 March 2008
Alsim - Akfen Tüpraş İzmit Refinery Sulphur Elimination Project Construction	31 March 2008

Subsidiaries

Alsim - Aktobe Branch West Kazakhstan Road Rehabilitation Project	31 December 2007
Alsim - Astana Airport Construction Project (Kazakhstan)	31 December 2007

4. Segment Reporting

As of 31 December 2008, segment reporting consists of the following (TL) :

31 December 2008								
ASSETS	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Elimination	Total
Current / Short Term Assets								
Cash and Cash Equivalents	162.645.811	6.892.197	19.371.889	9.628.986	237.315.618	760.058	-	436.614.559
Financial Assets	42.247.577	-	-	-	83.675.563	-	-	125.923.140
Trade Receivables	4.414.805	2.699.383	43.695.140	17.138.071	442.228.904	2.502.260	(139.982.446)	372.696.117
Other Receivables	1.837.443	1.315	240.629	-	143.107.280	-	(70.725.570)	74.461.097
Inventories (net)	4.261	850.630	24.617.029	673.520	124.863.771	430.343	(19.648.408)	131.791.146
Other Current Assets	2.872.183	2.823.083	6.414.778	226.550	32.070.517	376.169	-	44.783.280
Sub Total	214.022.080	13.266.608	94.339.465	27.667.127	1.063.261.653	4.068.830	(230.356.424)	1.186.269.339
Long Term Assets								
Held for Sale	-	-	85.949	-	-	-	-	85.949
Non-current / Long Term Assets								
Trade Receivables	-	-	108.633	-	10.693	-	-	119.326
Other Receivables	7.395	250.693	30.641	3.619	2.370.915	642	-	2.663.905
Financial Assets	178.898.941	57.818	2.921.685	729.236	71.340.537	-	(247.638.149)	6.310.068
Investments Valued by								
Equity Method	5.629.432	-	-	-	-	-	-	5.629.432
Investment Properties	-	-	-	-	35.774.248	-	(33.836.238)	1.938.010
Tangible Assets	2.435.285	16.885.648	24.277.113	70.059.960	48.317.209	1.692.900	32.578.798	196.246.913
Intangible Assets	65.427	10.737.777	440.526	6.270.109	152.542	63.131	15.672	17.745.184
Goodwill	-	-	-	-	-	-	379.851	379.851
Deferred Tax Assets	76.907	-	1.289.216	-	3.321.051	-	(4.687.174)	-
Other Non-current / Long Term Assets	226	156.617	19.101	5.478.997	54.556.341	47	(2.204.349)	58.006.980
TOTAL ASSETS	<u>401.135.693</u>	<u>41.355.161</u>	<u>123.512.329</u>	<u>110.209.048</u>	<u>1.279.105.189</u>	<u>5.825.550</u>	<u>(485.748.013)</u>	<u>1.475.394.957</u>

31 December 2008

LIABILITIES	31 December 2008							Total
	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Elimination	
Short Term Liabilities								
Financial Debts	44.830	525.114	4.254.708	8.059.607	93.882.232	22.772	-	106.789.263
Other Financial Liabilities	-	-	-	139.797	-	-	-	139.797
Trade Payables	27.424	7.670.116	8.982.062	6.839.642	398.426.310	469.406	(139.250.688)	283.164.272
Other Liabilities	275.699	1.782.245	761.219	569.942	156.544.845	875.465	(70.725.569)	90.083.846
Tax Liability on Profit for the Period	6.587.908	-	1.276.155	328.035	13.159.842	217.576	(1.049.311)	20.520.205
Debt Provisions	4.752	166.271	1.698.976	2.611.981	4.475.854	698	1.049.311	10.007.843
Other Short Term Liabilities	16.806	9.419.021	5.821.275	17.866	88.256.662	424.170	(2.694.502)	101.261.298
Long Term Liabilities								
Financial Debts	-	-	-	14.134.621	2.194.731	11.151	-	16.340.503
Other Financial Liabilities	-	-	-	982.808	-	-	-	982.808
Trade Payables	-	-	-	-	-	-	-	-
Debt Provisions	-	-	-	-	1.368.551	-	-	1.368.551
Provision for Termination Indemnity	512.339	1.617.000	3.773.297	284.948	4.094.749	99.665	-	10.381.998
Deferred Tax Liabilities	-	475.546	-	3.397.934	-	40.165	(1.418.327)	2.495.318
Other Long Term Liabilities	19.838	24.795	114.011	16.019	7.805.874	10.712	-	7.991.249
EQUITY								
Paid-in Capital	216.100.984	5.907.067	44.803.229	30.661.861	184.197.162	3.494.917	(269.288.990)	215.876.230
Adjustment for Cross Shareholding	-	-	-	-	-	-	(587.562)	(587.562)
Value Increase Funds	7.164.307	-	7.804	-	-	-	(7.287.832)	(115.721)
Translation Differences	-	-	-	-	4.807.121	-	1.115	4.808.236
Restricted Profit Reserves	2.310.369	578.253	1.778.964	419.978	905.074	304.524	(3.986.794)	2.310.368
Retained Earnings / (Accumulated Losses)	127.708.438	14.929.446	38.746.876	29.109.174	323.917.104	(978.944)	(77.560.568)	455.871.526
Net Profit / (Loss) for the Period	40.361.999	(1.739.713)	11.493.753	12.634.835	(4.930.922)	833.273	(3.833.624)	54.819.601
Minority Interest	-	-	-	-	-	-	90.885.328	90.885.328
TOTAL LIABILITIES AND EQUITY	<u>401.135.693</u>	<u>41.355.161</u>	<u>123.512.329</u>	<u>110.209.048</u>	<u>1.279.105.189</u>	<u>5.825.550</u>	<u>(485.748.013)</u>	<u>1.475.394.957</u>

31 December 2008

CONTINUING OPERATIONS	31 December 2008							Total
	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Elimination	
CONTINUING OPERATIONS								
Sales Income (Outside the Group) (net)	915.264	54.380.989	119.267.382	70.414.319	575.133.627	11.752.350	-	831.863.931
Sales Income (Within the Group)	4.006.168	26.415	656.228	-	23.432.871	2.594	(28.124.276)	-
Cost of Sales (Outside the Group) (-)	(1.167.981)	(36.383.679)	(87.879.527)	(49.960.542)	(616.846.752)	(9.680.748)	-	(801.919.229)
Cost of Sales (Within the Group) (-)	(4.047.600)	(6.484)	(429.850)	(36)	(16.293.469)	(2.685)	20.780.124	-
GROSS PROFIT / (LOSS)	(294.149)	18.017.241	31.614.233	20.453.741	(34.573.723)	2.071.511	(7.344.152)	29.944.702
Research and Development Expenses (-)	-	-	(989.505)	-	-	-	-	(989.505)
Marketing, Sales and Distribution Expenses (-)	-	(5.067.962)	(15.923.222)	-	-	(669.883)	74.536	(21.586.531)
General Administration Expenses (-)	(2.235.815)	(16.597.708)	(7.014.037)	(2.235.019)	(49.228.183)	(385.113)	5.805.389	(71.890.486)
Other Operating Income	798.466	2.421.930	2.073.396	303.151	35.481.635	55.666	23.587.183	64.721.427
Other Operating Expenses (-)	(168.279)	(660.955)	(1.684.896)	(1.168.986)	(17.620.881)	(182.739)	3.329.362	(18.157.374)
OPERATING PROFIT / (LOSS)	(1.899.777)	(1.887.454)	8.075.969	17.352.887	(65.941.152)	889.442	25.452.318	(17.957.767)
Shares in Profits and Losses of Investments Valued by Equity Method	-	-	-	-	-	-	(315.616)	(315.616)
Financial Income	76.310.849	2.081.845	13.822.279	4.428.360	137.448.266	324.809	(13.192.541)	221.223.867
Financial Expenses (-)	(27.485.742)	(1.387.575)	(7.938.843)	(8.024.108)	(79.464.130)	(168.507)	491.129	(123.977.776)
PROFIT / (LOSS) BEFORE TAX RELATED TO CONTINUING OPERATIONS	46.925.330	(1.193.184)	13.959.405	13.757.139	(7.957.016)	1.045.744	12.435.290	78.972.708
Tax Income / (Expense) for the Period	(6.587.908)	-	(2.838.489)	(497.021)	(12.110.531)	(217.577)	-	(22.251.526)
Deferred Tax Income / (Expense)	24.577	(546.529)	372.837	(625.283)	15.136.625	5.106	(3.726.518)	10.640.815
Tax Income / (Expense) in Continuing Operations	(6.563.331)	(546.529)	(2.465.652)	(1.122.304)	3.026.094	(212.471)	(3.726.518)	(11.610.711)
PROFIT / (LOSS) FOR THE PERIOD RELATED TO CONTINUING OPERATIONS	40.361.999	(1.739.713)	11.493.753	12.634.835	(4.930.922)	833.273	8.708.772	67.361.997
MINORITY INTEREST	-	-	-	-	-	-	12.542.396	12.542.396
PARENT COMPANY SHARES	<u>40.361.999</u>	<u>(1.739.713)</u>	<u>11.493.753</u>	<u>12.634.835</u>	<u>(4.930.922)</u>	<u>833.273</u>	<u>(3.833.624)</u>	<u>54.819.601</u>

31 December 2007

ASSETS	31 December 2007							Total
	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Elimination	
Current / Short Term Assets								
Cash and Cash Equivalents	122,841,813	11,315,612	17,542,532	3,504,038	104,561,118	413,119	-	260,178,232
Financial Investments	45,807,414	-	-	-	56,232,122	-	-	102,039,536
Trade Receivables	2,297,981	2,337,997	40,502,839	5,462,278	451,505,186	1,705,127	(88,849,390)	414,962,018
Other Receivables	1,386,272	435	122,735	-	99,184,967	55	(52,176,676)	48,517,788
Inventories	4,405	751,597	23,081,417	1,055,055	131,232,225	375,161	(7,455,786)	149,044,074
Other Current Assets	1,681,080	2,215,041	6,555,916	327,046	26,171,570	602,853	-	37,553,506
Sub Total	174,018,965	16,620,682	87,805,439	10,348,417	868,887,188	3,096,315	(148,481,852)	1,012,295,154
Long Term Assets Held for Sale	-	-	98,906	-	-	-	-	98,906
Non-current / Long Term Assets								
Trade Receivables	-	-	187,461	-	8,511	-	-	195,972
Other Receivables	-	141,818	30,574	3,591	465,243	618	-	641,844
Financial Investments	225,060,772	57,679	4,449,167	-	86,623,042	-	(309,822,364)	6,368,296
Investments Valued by Equity Method	5,945,048	-	-	-	-	-	-	5,945,048
Investment Properties	-	-	-	-	37,325,951	-	(35,287,503)	2,038,448
Tangible Assets	2,572,761	16,111,106	25,762,140	61,612,205	79,596,683	1,834,955	15,895,576	203,385,426
Intangible Assets	100,682	7,353,071	392,945	7,259,662	286,276	71,199	106,105	15,569,940
Goodwill	-	-	-	-	-	-	379,851	379,851
Deferred Tax Assets	52,330	70,983	916,380	-	-	-	(1,039,693)	-
Other Non-current / Long Term Assets	786	635,938	330,892	-	44,471,924	129	-	45,439,669
TOTAL ASSETS	407,751,344	40,991,277	119,973,904	79,223,875	1,117,664,818	5,003,216	(478,249,880)	1,292,358,554

31 December 2007

LIABILITIES	31 December 2007							Total
	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Elimination	
Short Term Liabilities								
Financial Debts	-	222,832	11,747,544	8,147,307	44,396,510	67,424	-	64,581,617
Other Financial Liabilities	-	-	-	135,920	-	-	-	135,920
Trade Payables	49,247	7,630,820	7,085,132	3,138,764	294,202,882	462,350	(70,347,142)	242,222,053
Other Payables	151,774	1,604,456	687,718	357,452	133,714,015	746,982	(77,952,353)	59,310,044
Tax Liability on Profit for the Period	-	224,592	540,948	(29,176)	8,038,952	250,890	-	9,026,206
Debt Provisions	1,955	122,656	1,119,614	1,613,276	4,754,504	1,068	-	7,613,073
Other Short Term Liabilities	3,946	7,642,429	5,629,651	2,601	74,342,415	-	2,029,255	89,650,297
Long Term Liabilities								
Financial Debts	-	217,327	-	13,722,380	2,534,405	20,553	-	16,494,665
Other Financial Liabilities	-	-	-	1,054,587	-	-	-	1,054,587
Trade Payables	-	-	-	585,704	-	-	-	585,704
Debt Provisions	-	-	-	-	3,789,834	-	-	3,789,834
Provisions for Termination Indemnity	519,093	1,357,983	3,744,445	227,860	3,851,024	76,926	-	9,777,331
Deferred Tax Liability	-	-	-	2,773,531	11,814,693	45,273	(1,497,364)	13,136,133
Other Long Term Liabilities	-	93,415	-	-	20,921,630	-	-	21,015,045
EQUITY								
Paid-in Capital	216,100,984	5,907,067	44,803,229	8,256,662	158,358,261	3,147,497	(220,697,470)	215,876,230
Cross Shareholding Adjustment	-	-	-	-	-	-	(587,562)	(587,562)
Value Increase Funds	58,638,837	-	164,280	-	34,120,272	-	(93,039,110)	(115,721)
Translation Differences	-	-	-	-	(418,091)	-	(1,763)	(419,854)
Restricted Profit Reserves	12,656,404	657,876	5,895,018	1,813,531	4,794,464	182,320	(23,705,472)	2,294,141
Retained Earnings / (Accumulated Losses)	119,313,684	14,141,011	30,770,725	27,015,700	280,407,286	(957,188)	(51,940,577)	418,750,641
Net Profit / (Loss) for the Period	315,420	1,168,813	7,785,600	10,407,776	38,041,762	959,121	(21,086,354)	37,592,138
Minority Interest	-	-	-	-	-	-	80,576,032	80,576,032
TOTAL LIABILITIES AND EQUITY	407,751,344	40,991,277	119,973,904	79,223,875	1,117,664,818	5,003,216	(478,249,880)	1,292,358,554

31 December 2007

	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Elimination	Total
CONTINUING OPERATIONS								
Sales Income (Outside the Group) (net)	1.192.452	45.114.227	117.314.273	46.349.682	527.098.529	10.878.398	-	747.947.561
Sales Income (Within the Group)	3.912.330	46.281	409.097	374	97.485.261	2.932	(101.856.275)	-
Cost of Sales (Outside the Group) (-)	(1.016.731)	(26.541.023)	(89.522.241)	(37.956.112)	(489.553.919)	(8.774.445)	-	(653.364.471)
Cost of Sales (Within the Group) (-)	(4.188.785)	1.254	(410.467)	(374)	(79.336.653)	(2.487)	83.937.512	-
GROSS PROFIT / (LOSS)	(100.734)	18.620.739	27.790.662	8.393.570	55.693.218	2.104.398	(17.918.763)	94.583.090
Research and Development Expenses (-)	-	-	(884.773)	-	-	-	-	(884.773)
Marketing, Sales and Distribution Expenses (-)	-	(3.441.159)	(14.247.831)	-	-	(648.452)	47.686	(18.289.756)
General Administration Expense (-)	(2.400.577)	(15.373.980)	(7.695.633)	(1.614.269)	(23.752.458)	(328.987)	5.020.390	(46.145.514)
Other Operating Income	815.678	1.249.322	1.988.010	610.922	21.752.553	56.246	(2.517.877)	23.954.854
Other Operating Expense (-)	(18.261)	(381.855)	(1.024.683)	(4.780)	(8.899.587)	(172.871)	130.041	(10.371.996)
OPERATING PROFIT / (LOSS)	(1.703.894)	673.067	5.925.752	7.385.443	44.793.726	1.010.334	(15.238.523)	42.845.905
Shares in Profits and Losses of Investments Valued by Equity Method	-	-	-	-	-	-	(189.237)	(189.237)
Financial Income	33.142.592	2.840.052	9.155.274	5.204.869	58.607.450	240.781	(4.919.492)	104.271.526
Financial Expenses (-)	(31.145.135)	(1.571.842)	(5.464.074)	(1.420.273)	(52.536.821)	(95.519)	491.784	(91.741.880)
PROFIT / (LOSS) BEFORE TAX RELATED TO CONTINUING OPERATIONS	293.563	1.941.277	9.616.952	11.170.039	50.864.355	1.155.596	(19.855.468)	55.186.314
- Tax Income / (Expense) for the Period	-	(287.953)	(2.158.375)	-	(8.038.953)	(250.890)	-	(10.736.171)
- Deferred Tax Income / (Expense)	21.857	(484.511)	327.023	(762.263)	(4.783.640)	54.415	454.294	(5.172.825)
Tax Income / (Expense) in Continuing Operations	21.857	(772.464)	(1.831.352)	(762.263)	(12.822.593)	(196.475)	454.294	(15.908.996)
PROFIT / (LOSS) FOR THE PERIOD RELATED TO CONTINUING OPERATIONS	315.420	1.168.813	7.785.600	10.407.776	38.041.762	959.121	(19.401.174)	39.277.318
MINORITY INTEREST	-	-	-	-	-	-	1.685.180	1.685.180
PARENT COMPANY SHARES	315.420	1.168.813	7.785.600	10.407.776	38.041.762	959.121	(21.086.354)	37.592.138

Depreciation and termination indemnity expenses as per the segments in the statement of income for the year ended 31 December 2008 are as follows (TL):

	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Total
Investment Properties (Notes 13,24)	-	-	-	-	100.438	-	100.438
Tangible Assets (Notes 14,24)	191.106	2.281.213	2.150.528	4.053.801	11.105.330	157.945	19.939.923
Intangible Assets (Notes 15,24)	-	2.010.570	173.431	5.511	1.316.171	8.312	3.513.995
Current period depreciation expense	191.106	4.291.783	2.323.959	4.059.312	12.521.939	166.257	23.554.356
Provision for termination indemnity no longer required (Notes 19,25)	(112.110)	(250.288)	(771.560)	(13.190)	(1.103.578)	(3.617)	(2.254.343)
Current period termination indemnity expense (Notes 19,24)	105.356	509.304	800.412	70.279	1.110.466	26.356	2.622.173
Total Termination Indemnity Expense for the Period	(6.754)	259.016	28.852	57.089	6.888	22.739	367.830

Depreciation and termination indemnity expenses as per the segments in the statement of income for the year ended 31 December 2007 are as follows (TL):

	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Total
Investment Properties (Notes 13,24)	-	-	-	-	100.438	-	100.438
Tangible Assets (Notes 14,24)	212.879	1.737.828	2.333.486	4.125.292	10.045.253	147.256	18.601.994
Intangible Assets (Notes 15,24)	-	1.411.617	156.894	5.554	513.438	7.813	2.095.316
Current period depreciation expense	212.879	3.149.445	2.490.380	4.130.846	10.659.129	155.069	20.797.748
Provision for termination indemnity no longer required (Notes 19,25)	(47.746)	(289.986)	(704.611)	397	(965.984)	42.737	(1.965.193)
Current period termination indemnity expense (Notes 19,24)	109.246	396.560	844.095	54.680	1.309.235	34.185	2.748.001
Total Termination Indemnity Expense for the Period	61.500	106.574	139.484	55.077	343.251	76.922	782.808

5. Cash and Cash Equivalents

Cash and cash equivalents consist of the following (TL) :

	31 December 2008	31 December 2007
Cash (Note 32(i))	152.003	208.809
Banks (Note 32(i))	429.921.505	251.505.460
- TL demand deposit	331.288	604.715
- Foreign currency demand deposit	1.356.548	4.078.059
- TL time deposit (Note 32(iii))	65.801.102	43.576.910
- Foreign currency time deposit (Note 32(iii))	361.003.207	202.046.541
- Blocked time deposits	1.429.360	1.199.235
Cheques received (Note 32(i))	1.384.281	1.637.390
Other liquid assets (Note 32(i))	135.578	135.518
Repo (Note 32(i))	-	1.721.227
Investment funds (Note 32(i)) *	5.021.192	4.969.828
	436.614.559	260.178.232

As of 31 December 2008, the interest rates applied on time deposits are as follows: TL deposits: 14,00 % - 24,50 % (31 December 2007 - 14,00 % - 18,50 %); Euro deposits: 2,00 % - 8,65 % (31 December 2007 - 2,75 % - 5,00 %); USD deposits: 1,25 % - 8,40 % (31 December 2007 - 2,00 % - 5,66 %); KZT deposits: 5,00 % - 6,92 % (31 December 2007 - 3,00 %); JPY deposits: As of 31 December 2008, there are no time deposits in JPY (31 December 2007 - 0,30 %).

* Consists of Type B liquid investment funds as of 31 December 2008 and 2007.

The sum of cash, cheques received, other liquid assets, repo, and investment funds is stated as "Other" in the Credit Risk Table in Note 32(i).

6. Financial Assets

Short term financial assets consist of the following (TL) :

	31 December 2008	31 December 2007
Financial Assets Held for Trading		
- Investment Funds *	45.807.414	38.598.415
Financial Assets Held to Maturity**		
- Public sector notes and bonds (Note 32(iii))	83.675.563	56.232.122
Provision for value decrease in marketable securities (-) (Note 27)	(3.559.837)	-
Value increase in marketable securities (Note 26)	-	7.208.999
	125.923.140	102.039.536

* As of 31 December 2008 and 2007, financial assets held for trading consist of Type A investments funds.

** As of 31 December 2008, the interest rate on financial assets held to maturity is 3,90 % (31 December 2007 - 4,75 % - 5,69 %).

Long term financial assets consist of the following (TL) :

Affiliates	31 December 2008		31 December 2007	
	Rate %	Participation Amount	Rate %	Participation Amount
Isı Sanayi Araştırma ve Geliştirme A.Ş.	5,00	7.348	3,93	7.348
San-Bir San. Hiz. İşl. ve Tic. A.Ş.	1,21	2.643	1,21	2.643
Other	*	252.159	-	304.137
Subsidiaries ;				
Tüm Tesisat ve İnşaat A.Ş. (**)	49,58	355.714	49,58	355.714
Temzet Elektrik Üretim İletim A.Ş. (**)	50,00	5.561.576	50,00	5.561.576
Alarko SA (**)	42,33	50.129	42,33	50.129
Alsim Alarko KZ (**)	100,00	7.033	100,00	7.033
Betagas SRL (**)	50,00	54.716	50,00	54.716
Alarko Deyaar Gayrimenkul Geliştirme A.Ş. (***)	-	-	49,34	25.000
Doğuş Alarko YDA (****)	37,33	18.750	-	-
		6.310.068		6.368.296

[*] Less than 1 %.

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

[***] Included in the consolidation by joint control method as of 31 March 2008.

[****] The joint venture of the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. established at 26 September 2008 established with Doğuş İnşaat ve Ticaret A.Ş. and YDA İnşaat Sanayi ve Ticaret A.Ş. for construction work of the Boryspil Airport of the Ukrainian Transport and Communications Ministry. The shareholding structure of the joint venture is as follows: Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.: 37,5 % Doğuş İnşaat ve Ticaret A.Ş.: 37,5 % YDA İnşaat Sanayi ve Ticaret A.Ş.: 25 %. The Company has no operations as of 31 December 2008, hence it is excluded from the consolidation.

7. Financial Liabilities

Financial liabilities consist of the following (TL) :

	31 December 2008	31 December 2007
Short term bank loans (*)(***)	98.236.937	55.231.829
Principal amount and interest payments of long term loans (*)(***)	8.551.823	8.743.867
Lease liabilities with maturities less than 1 year (Note 32(iii))(***)	503	605.921
Short term financial debts	106.789.263	64.581.617
Short Term Other Financial Liabilities (**)	139.797	135.920
Long term bank loans (*)(***)	16.338.608	16.493.483
Lease liabilities with maturities exceeding 1 year (Note 32(ii))(***)	1.895	1.182
Long term financial debts	16.340.503	16.494.665
Long Term Other Financial Liabilities (**)	982.808	1.054.587
	124.252.371	82.266.789

As of 31 December 2008 and 2007, the maturities and interest rates of short term bank loans are as follows:

31 December 2008					
Maturity	Interest Rate	Foreign Currency	Amount in original foreign currency	Exchange Rate	TL Equivalent
02.01.2009-11.02.2009	20,20% - 25,15%	TL	19.367.621	-	19.367.621
05.01.2009-09.09.2009	3,20% - 8,88%	USD	41.575.710	1,5123	62.874.946
20.01.2009-06.04.2009	6,19% - 9,45%	EURO	11.287.913	2,1408	24.165.164
28.09.2009	4,90% - 5,40%	JPY	22.772.443	0,016732	381.029
					106.788.760
31 December 2007					
Maturity	Interest Rate	Foreign Currency	Amount in original foreign currency	Exchange Rate	TL Equivalent
03.01.2008	18%	TL	5.175.945	-	5.175.945
18.01.2008-20.11.2008	5,06% - 6,93%	USD	39.740.978	1,1647	46.286.317
18.04.2008-05.05.2008	4,85% - 5,05%	EURO	5.265.476	1,7102	9.005.016
22.05.2008-31.10.2008	1,46% - 2,22%	JPY	341.319.084	0,010279	3.508.418
					63.975.696

(*) The sum of balances related to short and long term loans is stated as "Bank Loan" in the Liquidity Table (Note 32(ii)).

(**) The sum of balances related to short and long term other financial liabilities is stated as "Other Financial Liabilities" in the Liquidity Table (Note 32(ii)).

(***) The short and long term loans and the short and long term leasing liabilities are stated in the Interest Rate Risk Table as "Financial Liabilities" under the financial assets with fixed and variable interest (Note 32(iii)).

As of 31 December 2008 and 2007, the maturities and interest rates of long term bank loans are as follows:

31 December 2008					
Maturity	Interest Rate	Foreign Currency	Amount in original foreign currency	Exchange Rate	TL Equivalent
01.10.2010-30.06.2021	3,20% - 6,40%	USD	10.796.440	1,5123	16.327.456
23.03.2010	5,40%	JPY	666.513	0,016732	11.152
					16.338.608
31 December 2007					
Maturity	Interest Rate	Foreign Currency	Amount in original foreign currency	Exchange Rate	TL Equivalent
14.01.2009-14.12.2012	4,46% - 8,3%	USD	13.956.901	1,1647	16.255.602
28.09.2009-23.03.2010	4,9% - 5,4%	JPY	23.142.404	0,010279	237.881
					16.493.483

As of 31 December 2008 and 2007, the distribution of short and long term bank loans with respect to their maturities are as follows (TL):

	31 December 2008 (TL)	31 December 2007 (TL)
Less than 1 year	106.788.760	63.975.696
1 - 2 years	7.337.054	5.928.822
2 - 3 years	4.401.307	5.764.843
3 - 4 years	2.213.155	3.168.742
4 years and longer	2.387.092	1.631.076
Total (Note 32(ii))	123.127.368	80.469.179

Liabilities arising from short and long term lease transactions are as follows (TL):

	31 December 2008	31 December 2007
Total leasing liabilities	2.503	667.624
Interests payable (-)	(105)	(60.521)
	<u>2.398</u>	<u>607.103</u>
Leasing liabilities with maturities less than 1 year	503	605.921
Leasing liabilities with maturities exceeding 1 year	1.895	1.182
	<u>2.398</u>	<u>607.103</u>

8. Trade Receivables and Payables

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

	31 December 2008	31 December 2007
Customers	203.674.944	201.756.517
Notes receivable	34.646.351	36.912.927
Rediscount on receivables (-)		
Notes receivable	(560.840)	(473.651)
Post dated cheques	(618.665)	(560.562)
Customers	(1.149.311)	(542.380)
Other short term receivables	14.494.262	8.140.468
Short term leasing receivables	10.853	29.811
Receivables from ongoing construction contracts (Note 11)	90.256.172	134.194.304
Doubtful trade receivables	3.294.147	2.673.149
Provision for doubtful trade receivables (-) (Note 32(ii))	(3.294.147)	(2.673.149)
Total (Note 32(i))	340.753.766	379.457.434
Trade receivables from related parties	31.962.203	35.519.396
Rediscount on receivables from related parties (-)	(19.852)	(14.812)
Doubtful trade receivables from related parties	17.082.230	-
Provision for doubtful trade receivables from related parties (-) (Note 32(ii))	(17.082.230)	-
Trade receivables from related parties (Notes 31,32(i))	31.942.351	35.504.584
Grand Total	<u>372.696.117</u>	<u>414.962.018</u>

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

	31 December 2008	31 December 2007
Customers	10.692	8.511
Notes receivable	54.253	135.462
Rediscount on receivables (-)		
Notes receivable	(9.369)	(11.889)
Long term leasing receivables	63.750	63.888
Total (Note 32(i))	119.326	195.972

Provision for doubtful trade receivables as per the respective periods is as follows (TL) :

	31 December 2008	31 December 2007
Opening balance	2.673.149	2.416.921
Effect of rate change	-	52.841
Current period provision expense (Note 23)	17.972.103	359.516
Doubtful trade receivables with evidence of insolvency	(123.259)	-
Provisions no longer required (Note 25)	(145.616)	(156.129)
Closing balance (Note 32(i))	<u>20.376.377</u>	<u>2.673.149</u>

Leasing receivables consist of the following (TL) :

	31 December 2008	31 December 2007
Gross leasing receivables	108.288	125.739
Unearned interest income	(33.685)	(32.040)
Total (Note 32(iii))	<u>74.603</u>	<u>93.699</u>

	31 December 2008	31 December 2007
Short Term Leasing Receivables	10.853	29.811
Long Term Leasing Receivables	63.750	63.888
Total (Note 32(iii))	<u>74.603</u>	<u>93.699</u>

As of 31 December 2008, the aging table for leasing receivables is as follows (TL) :

	Leasing Receivables	
	Gross	Net
31 December 2009	18.833	10.853
31 December 2010	56.498	37.671
31 December 2010 onwards	32.957	26.079
Total	<u>108.288</u>	<u>74.603</u>

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

	31 December 2008	31 December 2007
Suppliers	123.098.403	112.777.649
Rediscount on payables (-) Suppliers	(942.199)	(1.118.268)
Contract income related to ongoing construction contracts (Note 11)	106.440.847	80.054.539
Other trade payables	41.538.986	40.296.505
Total	<u>270.136.037</u>	<u>232.010.425</u>
Due to related parties Rediscount on payables to related parties (-)	13.035.844 (7.609)	10.237.703 (26.075)
Trade payables to related parties (Note 31)	13.028.235	10.211.628
Grand Total (Note 32(ii))	<u>283.164.272</u>	<u>242.222.053</u>

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

	31 December 2008	31 December 2007
Suppliers	-	628.963
Rediscount on payables (-) Suppliers	-	(43.259)
Total (Note 32(ii))	<u>-</u>	<u>585.704</u>

9. Other Receivables and Payables

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

	31 December 2008	31 December 2007
Due from personnel	436	436
Other miscellaneous receivables	5.233.783	1.088.091
Deposits and guarantees given	68.234.121	43.654.970
Other doubtful receivables	6.259	6.259
Provision for other doubtful receivables (-) (Note 32(i))	(6.259)	(6.259)
Total (Note 32(i))	<u>73.468.340</u>	<u>44.743.497</u>
Due from shareholders	258	2.843.585
Due from affiliates	348.601	387.043
Due from subsidiaries	643.898	543.663
Other receivables from related parties (Notes 31,32(i))	992.757	3.774.291
Grand Total	<u>74.461.097</u>	<u>48.517.788</u>

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

	31 December 2008	31 December 2007
Other miscellaneous receivables	147.899	50.250
Deposits and guarantees given	2.516.006	591.594
Total (Note 32(i))	<u>2.663.905</u>	<u>641.844</u>

Other payables consist of the following (TL) :

	31 December 2008	31 December 2007
Due to T.C. State Railroad Administration	41.079.161	8.296.521
Due to shareholders (Note 31)	190.416	1.232.503
Deposits and guarantees received	34.186.716	37.779.304
Due to personnel	19.108	22.711
Other miscellaneous debts	8.063.590	1.160.317
Taxes, duties and other withholdings payable	5.250.923	8.618.739
Social security premiums payable	1.293.932	1.954.705
Other liabilities	-	245.244
Total (Note 32(ii))	<u>90.083.846</u>	<u>59.310.044</u>

10. Inventories

Inventories consist of the following (TL) :

	31 December 2008	31 December 2007
Raw materials and supplies	60.756.381	65.609.490
Semi-finished goods	1.803.065	1.627.515
Finished goods	6.666.814	6.181.318
Merchandise *	66.223.054	76.559.456
Other inventories	2.893.130	212
Inventory provision (-) *	(6.551.298)	(933.917)
	<u>131.791.146</u>	<u>149.044.074</u>

* As of 31 December 2008 a portion of TL 60.368.095 out of the merchandise balance of TL 66.223.054, and a portion of TL 5.377.143 of the inventory provision of TL 6.551.298 consist of real estates held for trading (31 December 2007 - TL 71.483.041).

Inventory provision for the respective periods is as follows (TL) :

	31 December 2008	31 December 2007
Opening balance	933.917	911.381
Effect of rate change	-	16.525
Current period expense (Note 23)	5.617.381	280.272
Provisions no longer required (Note 25)	-	(274.261)
Closing balance	<u>6.551.298</u>	<u>933.917</u>

As of 31 December 2008 and 2007, details of real estates held for trading consist of the following (TL) :

Real Estate Project	31 December 2008			31 December 2007		
	Adjusted Book Value	Expertise Value	Expertise Date	Adjusted Book Value	Expertise Value	Expertise Date
Land Share(1 Parcel) and Project Cost Unsold Projects	24.235.697	20.750.000	03.12.2008	27.297.557	30.350.000	12.12.2007
Projects whose sales contracts are realized	19.846.568	-	-	24.758.037	-	-
Impairment	(5.377.143)	-	-	-	-	-
Total	38.705.122	20.750.000		52.055.594	30.350.000	
Land in Büyükçekmece Cost (5 Parcels)	4.321.594	7.690.000	03.12.2008	4.321.594	7.690.000	12.12.2007
Land in Maslak Cost	15.105.853	31.290.000	02.12.2008	15.105.853	29.390.000	12.12.2007
Land in Orhanlı and Kocataş Cost	2.235.526	-		-	-	
Total	<u>60.368.095</u>	<u>59.730.000</u>		<u>71.483.041</u>	<u>67.430.000</u>	

Real Estate Project: The construction license of 63 villas and 1 social facility constructed on an area of 239.466 m² on section 106, parcel 18 in Büyükçekmece Eskice District included in the investment properties portfolio is received on 21 October 2005 and the sales transactions have started. As of 31 December 2008, sales contracts are made for 39 villas.

Land in Büyükçekmece: There are 5 parcels of land with a total area of 819.272 m².

Land in Maslak: It is planned to construct a mall on an area of 18.962 m² in Maslak, İstanbul.

Land in Orhanlı and Land in Kocataş: As of 26 February 2008, real estate owned by the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. has been recognized upon partial division as capital in kind in the joint venture company Alarko Deyaar Gayrimenkul Geliştirme A.Ş. at the net registered value as a result of which there is a land of 103.820,54 m² located in Orhanlı Village of Tuzla District in İstanbul, and a land of 369.411 m² located in Kocataş Village of Maden District in Sarıyer.

The total insurance on inventories as of 31 December 2008 and 2007 amount to TL 235.000 and TL 300.000, respectively. Furthermore, the All Risk on Construction and Employer's Liability Insurance totals for the Real Estate Project amount to TL 58.937.452 and TL 32.678.400.

11. Balances Due From Ongoing Construction Contract and Contract Income

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

	31 December 2008	31 December 2007
Costs related to the ongoing construction contracts	1.985.984.809	1.507.720.308
Forecast earnings	205.117.131	218.742.272
Less: Total contract income billed as of the period end	(2.207.286.615)	(1.672.322.815)
	(16.184.675)	54.139.765

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

	31 December 2008	31 December 2007
Due from Ongoing Construction Contracts (net) (Note 8)	90.256.172	134.194.304
Ongoing Construction Contract Income (Note 8)	(106.440.847)	(80.054.539)
	(16.184.675)	54.139.765

The sum of short and long term advances received by the subsidiaries and jointly controlled entities of the Group in relation to the ongoing construction contracts as of 31 December 2008 amounts to TL 69.670.232 (31 December 2007 - TL 56.605.319).

12. Investments Valued by Equity Method

	31 December 2008		31 December 2007	
	Rate %	Participation Amount	Rate %	Participation Amount
Al-Riva Proje Ar. Değ. Konut İnş. ve Tic. A.Ş.*	12,13	4.494.427	12,13	4.695.468
Al-Riva Arazi Ar. Değ. Konut İnş. ve Tic. A.Ş.**	2,63	7.361	2,63	95.661
Al-Riva Arazi Değ. Konut İnş. Turistik Tes. Golf İşl. ve Tic. A.Ş.***	2,28	1.127.644	2,28	1.153.919
Total		5.629.432		5.945.048

* As of 31 December 2008, total assets amount to TL 48.303.476, total liabilities amount to TL 6.871.247, total equity amounts to TL 41.432.229, and the net loss for the period is TL 502.603. As of 31 December 2007, total assets amount to TL 47.857.455, total liabilities amount to TL 5.922.623, total equity amounts to TL 41.934.832, and the net loss for the period is TL 244.007.

** As of 31 December 2008, total assets amount to TL 22.389.371, total liabilities amount to TL 1.101.496, total equity amounts to TL 21.287.875, and the net loss for the period is TL 220.751. As of 31 December 2007, total assets amount to TL 22.372.863, total liabilities amount to TL 864.237, total equity amounts to TL 21.508.626, and the net loss for the period is TL 166.898.

*** As of 31 December 2008, total assets amount to TL 71.275.427, total liabilities amount to TL 208.478, total equity amounts to TL 71.066.949, and the net loss for the period is TL 65.686. As of 31 December 2007, total assets amount to TL 71.267.725, total liabilities amount to TL 135.090, total equity amounts to TL 71.132.635, and the net loss for the period is TL 62.189.

13. Investment Properties

	31 December 2008	31 December 2007
Opening balance	2.909.894	2.909.894
Additions	-	-
Accumulated depreciation (Note 24)	(971.884)	(871.446)
Before value increase, net	1.938.010	2.038.448
Value increase / (decrease)	-	-
After value increase, net	1.938.010	2.038.448

As of 31 December 2008 and 2007, insurance totals on investment properties amounts to TL 48.303.959 and TL 37.625.037, respectively.

As of 31 December 2008, comparison between the restated cost values of investment properties and their fair values is as follows (TL)::

31 December 2008

	Expertise Report Date	Fair Value	Cost Value, Net
Name of Property			
Istanbul Şişhane İş Merkezi	04.12.2008	1.350.000	1.223
Istanbul Karaköy İş Merkezi	04.12.2008	1.125.000	733.815
Ankara Çankaya İş Merkezi	03.12.2008	2.330.000	1.202.972
		4.805.000	1.938.010

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

31 December 2007

	Expertise Report Date	Fair Value	Cost Value, Net
Name of Property			
Istanbul Şişhane İş Merkezi	06.12.2007	1.210.000	1.263
Istanbul Karaköy İş Merkezi	06.12.2007	1.040.000	804.201
Ankara Çankaya İş Merkezi	11.12.2007	2.330.000	1.232.984
		4.580.000	2.038.448

14. Tangible Assets

Tangible assets consist of the following (TL) :

	Opening 1 January 2008	Effect of Rate Change	Additions	Capitalized Borrowing Costs and Foreign Exchange Difference	Transfers and Disposals	Elimination Entries	31 December 2008 Total After Elimination
Land	16.903.070	-	-	-	(22.168.710)	17.599.956	12.334.316
Land improvements	28.948.364	-	38.570	-	-	-	28.986.934
Buildings	155.935.875	295.940	1.536.411	2.370.594	(2.715.115)	-	157.423.705
Plant, machinery and equipment	151.795.061	3.286.581	4.745.262	3.538.336	(7.916.683)	330.854	155.779.411
Motor vehicles	14.396.256	14.067	1.295.820	3.062.077	(3.662.903)	-	15.105.317
Furniture and fixtures	52.179.404	365.628	6.668.347	761.990	(4.930.364)	(5.307)	55.039.698
Other tangible assets	8.302.136	-	509.490	-	(90.574)	-	8.721.052
Investments in progress	3.182.601	-	7.031.029	719.908	(6.004.815)	(1.084)	4.927.639
Total	431.642.767	3.962.216	21.824.929	10.452.905	(47.489.164)	17.924.419	438.318.072

	Opening 1 January 2008	Effect of Rate Change	Depreciation Expense for the Period	Foreign Exchange Difference	Sales Depreciation	31 December 2008	Elimination Entries	31 December 2008 Total After Elimination
Accumulated Depreciation								
Land improvements	27.827.114	-	103.412	-	-	27.930.526	-	27.930.526
Buildings	73.592.002	53.434	2.070.708	392.534	(619.986)	75.488.692	1.221.666	76.710.358
Plant, machinery and equipment	78.406.526	948.726	8.399.187	1.097.609	(4.316.844)	84.535.204	-	84.535.204
Motor vehicles	4.520.109	5.390	3.450.451	610.861	(1.373.454)	7.213.357	-	7.213.357
Furniture and fixtures	37.563.311	131.680	4.255.965	157.013	(3.185.991)	38.921.978	19.533	38.941.511
Other tangible assets	6.348.279	-	419.001	-	(27.077)	6.740.203	-	6.740.203
Total Accumulated Depreciation	228.257.341	1.139.230	18.698.724	2.258.017	(9.523.352)	240.829.960	1.241.199	242.071.159
Tangible Assets, Net	203.385.426							196.246.913

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

	31 December 2008	31 December 2007
Plant, machinery and equipment	4.772.901	2.300.731
Accumulated depreciation (-)	(2.527.678)	(753.167)
Effect of merger	-	50.591
	<u>2.245.223</u>	<u>1.598.155</u>

As of 31 December 2007;

	Opening 1 January 2007	Effect of Merger	Capitalized Borrowing Costs and Foreign					Elimination Entries	31 December 2007 Total After Elimination
			Additions	Exchange Difference	Transfers and Disposals	Additions to Consolidation	Exclusions from Consolidation		
Land	6.914.160	58.067	28.072.351	-	240.965	73.665	-	(18.456.138)	16.903.070
Land improvements	28.903.146	126.558	29.210	-	(203.890)	93.340	-	-	28.948.364
Buildings	156.814.727	2.474.530	1.489.069	(1.455.458)	(4.294.618)	1.119.929	(212.304)	-	155.935.875
Plant, machinery and equipment	151.792.146	19.283.298	9.556.548	(1.011.123)	(27.338.945)	1.377.858	(1.864.721)	-	151.795.061
Motor vehicles	7.714.970	98.149	9.446.672	(432.558)	(2.168.262)	-	(262.715)	-	14.396.256
Furniture and fixtures	46.319.512	375.713	8.613.565	(144.675)	(3.288.895)	518.776	(214.592)	-	52.179.404
Other tangible assets	7.633.737	355.282	261.948	-	51.095	-	-	74	8.302.136
Investments in progress	2.292.424	671.373	5.657.022	(250.160)	(5.188.058)	-	-	-	3.182.601
Total	<u>408.384.822</u>	<u>23.442.970</u>	<u>63.126.385</u>	<u>(3.293.974)</u>	<u>(42.190.608) *</u>	<u>3.183.568</u>	<u>(2.554.332)</u>	<u>(18.456.064)</u>	<u>431.642.767</u>

* As of 31 December 2007, as per the Comment 12 related to the accounting of "Service Concession Arrangements" within the scope of Turkish Financial Reporting Standards, a total of TL 25.690.503 from the cost of the tangible assets of the jointly controlled entity, namely Altek Alarko Elektrik Santralleri Tesis, İşletme ve Ticaret A.Ş. and a total of TL 18.470.908 from its accumulated depreciation have been transferred to the cost and amortisation of intangible assets (Note 15).

	Opening 1 January 2007	Effect of Merger	Depreciation Expense for the Period	Foreign Exchange Difference	Transfers	Sales Depreciation	Additions to Consolidation	Exclusions from Consolidation	31 December 2007	Elimination Entries	31 December 2007 Total After Elimination
Land improvements	27.804.765	50.256	120.179	-	(169.061)	-	20.975	-	27.827.114	-	27.827.114
Buildings	73.302.001	1.268.038	2.435.439	141.081	(4.853.355)	(212.344)	336.154	(46.678)	72.370.336	1.221.666	73.592.002
Plant, machinery, and equipment	83.699.615	4.113.677	8.491.395	(246.775)	(13.446.947)	(3.959.483)	574.265	(819.221)	78.406.526	-	78.406.526
Motor vehicles	3.020.086	44.594	2.363.463	(27.252)	-	(809.120)	-	(71.662)	4.520.109	-	4.520.109
Furniture and fixtures	35.151.768	242.813	3.559.603	(52.010)	(1.545)	(1.777.974)	455.475	(45.273)	37.532.857	30.454	37.563.311
Other tangible assets	5.890.271	144.181	379.795	-	-	(65.968)	-	-	6.348.279	-	6.348.279
Total Accumulated Depreciation	<u>228.868.506</u>	<u>5.863.559</u>	<u>17.349.874</u>	<u>(184.956)</u>	<u>(18.470.908) *</u>	<u>(6.824.889)</u>	<u>1.386.869</u>	<u>(982.834)</u>	<u>227.005.221</u>	<u>1.252.120</u>	<u>228.257.341</u>
Tangible Assets, Net	<u>179.516.316</u>										<u>203.385.426</u>

* As of 31 December 2007, as per the Comment 12 related to the accounting of "Service Concession Arrangements" within the scope of Turkish Financial Reporting Standards, a total of TL 25.690.503 from the cost of the tangible assets of the jointly controlled entity, namely Altek Alarko Elektrik Santralleri Tesis, İşletme ve Ticaret A.Ş. and a total of TL 18.470.908 from its accumulated depreciation have been transferred to the cost and amortisation of intangible assets (Note 15).

15. Intangible Assets

Intangible assets consist of the following (TL) :

Cost	Rights	Special Costs	Other Intangible Assets	Total
As of 1 January 2007	3.804.760	12.334.341	148.974	16.288.075
Effect of merger	34.363	28.455	11	62.829
Additions	389.246	5.482.145	-	5.871.391
Transfers (Note 14)	(43.882)	25.690.503	-	25.646.621
Disposals	(1.191)	(51.307)	(309)	(52.807)
Exchange difference	(3.346)	-	-	(3.346)
Additions to consolidation	4.377	65.030	-	69.407
Exclusions from consolidation	(19.593)	-	-	(19.593)
As of 31 December 2007	<u>4.164.734</u>	<u>43.549.167</u>	<u>148.676</u>	<u>47.862.577</u>
Effect of rate change	12.459	-	-	12.459
Additions	108.454	166.579	-	275.033
Transfers	64.515	5.356.273	-	5.420.788
Disposals	(7.240)	(158.128)	-	(165.368)
Exchange difference	8.816	-	-	8.816
As of 31 December 2008	<u>4.351.738</u>	<u>48.913.891</u>	<u>148.676</u>	<u>53.414.305</u>
Accumulated Amortisation	Rights	Costs	Other Special Assets	Intangible Total
As of 1 January 2007	3.071.496	8.605.832	20.059	11.697.387
Effect of merger	23.374	21.861	8	45.243
Charge for the current period	456.158	1.514.001	29.771	1.999.930
Transfers (Note 14)	-	18.470.908	-	18.470.908
Disposals	(840)	(8.174)	(254)	(9.268)
Exchange difference	(1.351)	-	-	(1.351)
Additions to consolidation	2.206	542	-	2.748
Exclusions from consolidation	(8.346)	-	-	(8.346)
Elimination entries	-	95.386	-	95.386
Total after 31 December 2007 elimination entries	<u>3.542.697</u>	<u>28.700.356</u>	<u>49.584</u>	<u>32.292.637</u>
Effect of rate change	11.056	-	-	11.056
Charge for the current period	325.667	3.067.756*	30.141	3.423.564
Disposals	-	(154.737)	-	(154.737)
Exchange difference	6.170	-	-	6.170
Elimination entries	-	90.431	-	90.431
Total after 31 December 2008 elimination entries	<u>3.885.590</u>	<u>31.703.806</u>	<u>79.725</u>	<u>35.669.121</u>
Net Value				
As of 31 December 2007				<u>15.569.940</u>
As of 31 December 2008				<u>17.745.184</u>

* As of 31 December 2008, a total of TL 998.480 from the current period special cost amortisation amounting to TL 3.067.756 represents amortisation made as per the Comment 12 of the Turkish Financial Reporting Standards related to the accounting of "Service Concession Arrangements".

16. Goodwill

As of 31 December 2008 and 2007, goodwill consists of the following (TL):

Date of Transaction	Gross Positive Goodwill
21 June 1994	161.302
7 October 1998	218.549
	<u>379.851</u>

17. Government Grants and Donations

Alarko Carrier Sanayi ve Ticaret A.Ş. which is one of the jointly controlled entities has obtained TL 179.034 of research and development investments incentive from TEYDEB - The Technology and Innovation Support Programmes Directorate of TUBITAK - for the year ended 31 December 2008, in relation to the Burner Development and Roof-top Air Conditioner Development Projects (31 December 2007 - None) (Note 25).

18. Provisions, Conditional Assets and Liabilities

Short term debt provisions consist of the following (TL) :

	31 December 2008	31 December 2007
Tax provision related to prior periods *	1.049.310	27.295
Rent expenses	662.963	571.147
Communication expense payable	7.759	7.290
Electricity expense payable	874.026	321.512
Premium provisions	3.696	3.020
Contractual expenses	120.246	91.282
Water expense payable	16.187	15.657
Fuel expense payable	6.253	8.087
Other expenses payable	-	324
Undocumented payables related to goods and services	1.604.121	2.325.635
Provision for litigation	5.663.282	4.241.824
	10.007.843	7.613.073

* Tax provision made in 2007 and 2006 as per the local legislation of Kazakhstan for the subsidiaries operating in this country.

As of 31 December 2008 and 2007, the changes in provision for litigation during the period consist of the following (TL):

	31 December 2008	31 December 2007
Opening balance	4.241.824	2.985.550
Current period provision expense (Note 23)	929.745	1.443.858
Current period interest expense and foreign exchange differences	491.713	(187.584)
Provision for litigation at the end of the period	5.663.282	4.241.824

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

	31 December 2008	31 December 2007
Provisions for losses	1.368.551	3.789.834
Current period tax liabilities consist of the following (TL) :		
	31 December 2008	31 December 2007
Current period tax provision (Note 29(a))	22.251.526	10.736.171
Prepaid taxes and funds	(1.731.321)	(1.709.965)
	20.520.205	9.026.206

Conditional assets and liabilities consist of the following (TL) :

a) Mortgages on Assets:

As of 31 December 2008 and 2007, two parcels of the land in Eskice District in Büyükçekmece Village stated in the inventories and fixed assets accounts of the subsidiary Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. regarded as Greenfield site is expropriated on behalf of ISKI due to the reason that this piece of land is under unconditional preservation as per the provisions of the communiqué related to protection of land bearing tap water and drinking water resources against contamination; there is a right of easement in relation to the stores in Etiler Alkent Sitesi in Beşiktaş District dated 14 October 1987 nr. 6430 to be utilized on behalf of the real estate of the Company on section 1411, parcel 1 and against that on section 1408, parcel 1 for benefiting from the central heating; and there is a right of easement for a period of 49 years at a fee of TL 7,72 to construct 1,5 m wide channels in some parts of the heating installations. Furthermore, there is a personal right of easement for the owners of the property on section 1410 parcel 1 to benefit from the unused parking lot as stated in the project against the same parcel by voucher dated 26 February 1992 nr 784.

b) The mortgages on assets as of 31 December 2008 amount to TL 3.848.360 (31 December 2007 - TL 2.364.170).

c) As of 31 December 2008, contingent liabilities amount to TL 1.102.185.707 (31 December 2007 - TL 668.573.562).

d) As of 31 December 2008, guarantee received for short term trade receivables amounts to TL 60.050.199 (31 December 2007 - TL 38.265.089). The guarantees received other than those received for short term trade receivables amount to TL 377.887.399 (31 December 2007 - TL 226.317.198).

e) As of 31 December 2008, the overdue receivables and the related provisions stated in the Group's accounting records amount to TL 20.382.636 (31 December 2007 - TL 2.679.408).

- f) As of 31 December 2003, tariff adjustment invoices amounting to a total of TL 2.300.000 related to 2001 and 2002 years has been prepared by Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ) for the joint venture company Altek Alarko Elektrik Santralları Tesis İşletme ve Ticaret A.Ş.. Although the said invoices have been recognized as sales deductions in 2003, the Company has made an appeal through the Ministry of Energy and Natural Resources related to the calculation basis of these invoices and claimed amendment. Upon failing to receive any response from the Ministry, the Company has filed for a case against the Ministry with the claim to annul the invoices in 2004 and the legal proceedings have been ongoing as of the reporting date.
- g) Revised tariffs have been forwarded by the Ministry of Energy and Natural Resources to the joint venture company Altek Alarko Elektrik Santralları Tesis İşletme ve Ticaret A.Ş.. for Hasanlar and Berdan Hydroelectric Power Plants related to 2003, 2004 and 2005 adjusted as of 2005 as at 19 June 2007 and 25 June 2007, respectively. Furthermore, adding the tariff schedule to the said letter of the Ministry, TETAŞ has referred to the revision of the tariffs for the years 2003-2007 and sent secondary invoices relating to additional fees. However, as at 4 April 2008, the Company's electrical power sales tariffs related to the period 01.01.2006-31.12.2006 have been revised again by the Ministry. Later on, the sales tariffs of Hasanlar HEPP and Berdan HEPP related to 2007 and 2008 have again been revised by the writing of Ministry dated 7 January 2009. The total amount of the said revised secondary invoices that have been sent to the Company by TETAŞ and from the Company back to TETAŞ is TL 1.674.626,59 + VAT for HEPP and TL 1.600.307,63 for Berdan HEPP. (Total amount including VAT for both HEPP is TL 3.864.422,37). The Company has returned the said secondary invoices through the notary and file for a number of appeals at different dates against the revised tariffs. However, as per the calculations made taking into consideration the latest revised tariffs forwarded by the Ministry in relation to Hasanlar HEPP and Berdan HEPP veering the period 2003-2008, TETAŞ still has a total of TL 2.200.298 receivable from the Company (related to Hasanlar HEPP and Berdan HEPP). Furthermore, on 22 September 2008, TETAŞ has communicated to the Company a revised tariff related to the period 01.01.2003-31.08.2008 for Tohma HEPP as per the writing of the Ministry dated 15.08.2008 and sent a secondary invoice amounting to TL 806.026,61+VAT. The Company has returned in the invoice to TETAŞ as an attachment to its writing dated 24.09.2008 informing about the court case that will be commenced against the Ministry. The Company has made a calculation taking into consideration the latest revised tariff for Tohma HEPP as of 31 December 2008 (attached to the writing of the Ministry dated 15.08.2008) as a result of which it has been determined that the Company has a total of TL 285.369 receivable from TETAŞ related to Tohma HEPP (In the said calculation, only the VAT related to the Energy Fund Invoices of Tohma HEPP is included). However, as of 31 December 2008, the total receivables of TL 6.593.243 due from TETAŞ in relation to the energy sales of Berdan, Hasanlar and Tohma HEPP including VAT have not yet been paid as of the reporting date. As the Company could not succeed to get any results upon its applications to collect its receivables, it has filed for a case for suspension of execution as of 26 December 2008.
- h) The joint venture company Altek Alarko Elektrik Santralları Tesis İşletme ve Ticaret A.Ş. has filed for a number of cases against the Directorate of Energy Works of the Ministry of Energy and Natural Resources for annulment of request for accrual and payment by the Company of additional fees on monthly system utilization, operation and transmission related to Hasanlar Hidroelektrik Santrali and for suspension of execution. In this respect, the Company returns the monthly Distribution Service Fee invoices prepared and issued by Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) back to SEDAŞ through the Notary. As of 31 December 2008, the said invoices which have been returned by the Company without being recorded and without making any provisions amount to a total of TL 674.173 + VAT.
- i) In the letter sent by the Competition Authority to the joint venture company Alarko Carrier Sanayi ve Ticaret A.Ş. (the Company), it is stated that a judicial inquiry is set up for the purpose of determining whether the agreements entered into between the Company and its authorized dealers and services include competitive restrictions. As a result of the investigation made upon the mentioned letter, it has been communicated to the Company on 8 March 2007 that an administrative penalty of TL 225.273 that corresponds 0,1% of the net sales of 2005 year has been inflicted on the Company. Provision has been booked for the total amount of administrative penalty in the accompanying financial statements. As of 11 June 2007 the Company has filed for suspension of execution followed by an application for rejection of resolution to the State Council, however neither action is finalized as of the reporting date.
- j) The other shareholder of the affiliates Al-Riva Projesi Arazi Değ. Konut İnş. ve Tic. A.Ş., Al-Riva Arazi Değ. Konut İnş. ve Tic. A.Ş., Al-Riva Arazi Değ. Konut İnş. Tur.Tes.Golf İşl. ve Tic. A.Ş. have filed for a case to liquidate the said companies and the case is ongoing as of the reporting date.

19. Employee Benefits

Liabilities related to employee benefits consist of provisions for termination indemnity as follows (TL):

	31 December 2008	31 December 2007
Opening balance	9.777.331	8.919.720
Effect of rate change	236.837	74.803
Current period provision expense (Note 24)	2.622.173	2.748.001
Provisions no longer required (Note 25)	(2.254.343)	(1.965.193)
Provision for termination indemnity at the end of the period	10.381.998	9.777.331

20. Other Assets and Liabilities

Other current assets consist of the following (TL) :

	31 December 2008	31 December 2007
Order advances given	9.874.597	9.841.121
Advances given to contractors	7.286.411	5.686.604
Expenses related to future months	4.084.270	2.460.901
Income accruals	114.615	654.418
Deferred VAT	11.476.058	12.889.302
Other VAT	837.936	747.779
Prepaid taxes and funds	10.616.929	5.186.680
Other special consumption tax	57.274	33.478
Job advances	138.318	11.925
Personnel advances	40	1.536
Other current assets	296.832	39.762
	44.783.280	37.553.506

Other long term assets consist of the following (TL) :

	31 December 2008	31 December 2007
Order advances given	4.728.687	2.303.434
Expenses related to future years	1.293.005	1.379.984
Prepaid taxes and funds	51.985.098	41.756.061
Other miscellaneous long term assets	190	190
	<u>58.006.980</u>	<u>45.439.669</u>

Other short term liabilities consist of the following (TL) :

	31 December 2008	31 December 2007
Expense accruals	518.372	965.224
Income related to future months	1.813.748	1.733.227
Other special consumption tax	57.274	33.478
Calculated VAT	229.075	190.171
Other VAT	839.405	747.996
Order advances received	97.803.424	85.980.201
	<u>101.261.298</u>	<u>89.650.297</u>

Other long term liabilities consist of the following (TL) :

	31 December 2008	31 December 2007
Income related to future months	1.332.502	270.894
Order advances received	6.658.747	20.744.151
	<u>7.991.249</u>	<u>21.015.045</u>

21. Equity

(a) Paid-in Capital:

As of 31 December 2008 and 2007, the Parent Company's share capital consists of the following (TL):

Name	Shareholding	Nominal Value
Alaton Family	36,37 %	78.505.746
Garih Family	36,37 %	78.505.746
Other *	27,26 %	58.864.738
	<u>100,00 %</u>	<u>215.876.230</u>

* Represents shareholdings of less than 10 %.

The Parent Company's registered share capital limit amounts to TL 500.000.000. The paid-in capital is TL 215.876.230 consisting of 215.876.230 shares of TL 1 nominal value each.

(b) Share Capital / Cross Shareholding Adjustment:

The capital adjustment due to the subsidiaries' interest in the Parent Company share capital is as follows (TL) :

	31 December 2008	31 December 2007
The Parent Company share capital	215.876.230	215.876.230
The Parent Company share acquired by the subsidiary in nominal value (-)	(587.562)	(587.562)
Total Share Capital	<u>215.288.668</u>	<u>215.288.668</u>

The Parent Company shares amounting to TL 587.562 (31 December 2007 - TL 587.562) acquired by Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. in 2003 are recognized in the consolidated balance sheets as of 31 December 2008 and 2007 as deducted from the share capital account. (Value adjusted according to the purchasing power of the Turkish Lira as at 31 December 2004 - TL 1.208.359)

(c) Restricted Profit Reserves :

As of and 31 December 2008 and 2007, the restricted profit reserves consist of legal reserves.

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

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

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

(d) Retained Earnings / Accumulated Losses

Retained earnings / (accumulated losses) for the respective periods are as follows (TL) :

	31 December 2008	31 December 2007
Retained earnings	418.750.641	326.759.476
2007 profit transfer	37.592.138	-
2006 profit transfer	-	48.251.943
Capital increase	-	(11.917.165)
Effect of consolidation by equity	-	11.826
Value increase in financial assets	-	1.524.363
Transfer to reserves	(16.227)	(562.066)
Effect of companies included in the consolidation	(82.545)	-
Effect of companies excluded from the consolidation	-	2.461.733
Effect of mergers	-	54.536.697
Effect of increase in shareholding of subsidiaries	(855.688)	(806.869)
Effect of rate change in subsidiaries	3.277.004	-
Effect of transferred projects	(527.097)	-
Dividend payments	(2.266.700)	(1.509.297)
Retained earnings	<u>455.871.526</u>	<u>418.750.641</u>

Distribution of retained earnings / (accumulated losses) are as follows (TL) :

	31 December 2008	31 December 2007
Retained earnings / (accumulated losses)	236.598.005	199.477.120
Inflation adjustment differences in equity	135.650.924	135.650.924
Legal reserves	2.889.353	2.889.353
Extraordinary reserves	80.733.244	80.733.244
	<u>455.871.526</u>	<u>418.750.641</u>

As per the Communiqué Nr. XI/29, "Paid-in Capital, Issue Premiums and Restricted Reserves" are recognized over the totals stated in the legal books, and the differences arising upon valuations made in accordance with TAS/TFRS are correlated with the retained earnings/accumulated losses. As per the same Communiqué, retained earnings/accumulated losses other than the net profit for the period, are stated in the "Retained Earnings/Accumulated Losses" account together with the extraordinary reserves regarded in essence as retained earnings/accumulated losses.

Differences in inflation adjustment in equity arising from restatement of share premium, legal and extraordinary reserves consist of the following (TL) :

	31 December 2008	31 December 2007
Inflation adjustment related to reserves	135.650.924	135.650.924
	<u>135.650.924</u>	<u>135.650.924</u>

Inflation adjustment difference will be used in rights issue and offsetting losses. Furthermore, inflation adjustment difference originating from reserves bearing no entry to disable profit distribution may be used in profit distribution.

(e) Minority Share

Minority share consists of the following (TL) :

	31 December 2008	31 December 2007
Share capital	29.769.838	35.080.912
Financial assets value increase fund	942	650
Legal reserves	427.097	350.145
Translation differences	(1.114)	1.763
Retained earnings/(accumulated losses)	48.146.169	43.457.382
Profit for the period	12.542.396	1.685.180
	<u>90.885.328</u>	<u>80.576.032</u>

22. Sales and Cost of Sales

Sales income consists of the following (TL) :

	31 December 2008	31 December 2007
Domestic sales	613.397.869	601.429.379
Exports	219.572.825	149.778.669
Other sales	4.671.149	3.191.372
Sales returns (-)	(1.269.659)	(1.569.716)
Sales discounts (-)	(4.508.253)	(4.882.143)
	<u>831.863.931</u>	<u>747.947.561</u>

Cost of sales consists of the following (TL) :

	31 December 2008	31 December 2007
Cost of goods sold	38.312.474	40.746.971
Cost of trade goods sold	67.757.687	95.922.563
Cost of services sold	687.395.831	509.327.019
Cost of semi-finished goods sold	422.067	512.477
Cost of other sales	8.031.170	6.855.441
	<u>801.919.229</u>	<u>653.364.471</u>

23. Research and Development Expenses, Marketing, Sales and Distribution Expenses, General Administration Expenses

Research and development expenses; marketing, sales and distribution expenses; and general administration expenses consist of the following (TL) :

	31 December 2008	31 December 2007
Research and development expenses	989.505	884.773
Marketing, sales and distribution expenses	21.586.531	18.289.756
General administration expenses	71.890.486	46.145.514
	<u>94.466.522</u>	<u>65.320.043</u>

Research and development expenses consist of the following (TL):

	31 December 2008	31 December 2007
Personnel expenses (Note 24)	693.417	619.392
Outsourced benefits and services	170.638	143.568
Depreciation and amortisation (Note 24)	45.536	40.580
Miscellaneous expenses	79.575	80.966
Taxes, duties and fees	339	267
	<u>989.505</u>	<u>884.773</u>

Marketing, sales and distribution expenses consist of the following (TL):

	31 December 2008	31 December 2007
Personnel expenses (Note 24)	6.323.240	5.274.991
Depreciation and amortisation (Note 24)	184.914	181.860
Outsourced benefits and services	5.530.329	3.771.803
Taxes, duties, and fees	112.728	93.453
Exhibition, advertisement, presentation expenses	4.436.568	4.100.779
Travel expenses	686.550	460.686
Miscellaneous expenses	4.312.202	4.406.184
	<u>21.586.531</u>	<u>18.289.756</u>

General administration expenses consist of the following (TL):

	31 December 2008	31 December 2007
Personnel expenses (Note 24)	12.523.899	12.697.273
Provision for termination indemnity (Note 24)	2.061.436	2.239.927
Rent expenses	1.583.534	1.454.697
Depreciation and amortisation (Note 24)	3.049.737	2.596.418
Outsourced benefits and services	3.678.528	2.242.763
Communication expenses	224.775	237.532
Taxes, duties and fees	2.520.786	1.307.062
Bank expenses	159.700	178.229
Inventory provision (Note 10)	5.617.381	280.272
Doubtful trade receivables expense (Note 8)	17.972.103	359.516
Portion of costs	16.064.782	16.982.901
Provision for court expenses (Note 18)	929.745	1.443.858
Miscellaneous expenses	5.504.080	4.125.066
	<u>71.890.486</u>	<u>46.145.514</u>

24. Expenses by Nature

Depreciation and amortisation expenses consist of the following (TL) :

	31 December 2008	31 December 2007
Overhead	1.779.680	1.951.418
Service rendering expense	16.942.788	14.475.771
Other production expenses	1.551.701	1.551.701

Research and development expenses (Note 23)	45.536	40.580
Marketing expenses (Note 23)	184.914	181.860
General administration expenses (Note 23)	3.049.737	2.596.418

<u>23.554.356</u>	<u>20.797.748</u>
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31 December 2008	31 December 2007
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Investment properties (Note 13)	100.438	100.438
Depreciation (Note 14)	19.939.923	18.601.994
Amortisation (Note 15)	3.513.995	2.095.316

<u>23.554.356</u>	<u>20.797.748</u>
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Employee benefits consist of the following (TL) :

31 December 2008	31 December 2007
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Direct labor expenses	3.212.578	3.345.771
Overhead	3.277.808	3.097.270
Service rendering expenses	86.830.496	69.727.740
Research and development expenses (Note 23)	693.417	619.392
Marketing expenses (Note 23)	6.323.240	5.274.991
General administration expenses (Note 23)	14.585.335	14.937.200

<u>114.922.874</u>	<u>97.002.364</u>
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31 December 2008	31 December 2007
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Wages and salaries	100.697.442	84.290.833
Personnel transportation expense	2.610.598	2.376.479
Provision for termination indemnity (Note 19)	2.622.173	2.748.001
Termination indemnities paid	2.306.594	1.722.160
Personnel meal expense	3.576.156	3.694.892
Benefits in cash and kind	946.625	925.082
Personnel health expense	286.750	39.792
Other personnel expenses	1.876.536	1.205.125

<u>114.922.874</u>	<u>97.002.364</u>
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25. Other Operating Income and Expenses

Other operating income consists of the following (TL):

31 December 2008	31 December 2007
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Provisions for doubtful receivables no longer required (Note 8)	145.616	156.129
Provisions for termination indemnity no longer required (Note 19)	2.254.343	1.965.193
Inventory provisions no longer required (Note 10)	-	274.261
Rent income	2.921.326	2.071.250
Commission income	99.704	12.920
Profit on sale of tangible assets	26.413.889	824.876
Expert team income	20.666.743	-
Other casual income	982.772	765.342
R&D incentive income (Note 17)	179.034	-
Other income and profits	11.058.000	17.884.883

<u>64.721.427</u>	<u>23.954.854</u>
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Other operating expenses consist of the following (TL) :

31 December 2008	31 December 2007
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Commercial expenses	537.772	748.715
Expenses within the scope of guarantee	1.085.380	706.277
Contract expenses	6.223.645	2.933.757
Loss on sale of tangible assets	3.404.995	2.976.256
Effect of project transfers	788.072	444.122
Commission expenses	100.576	27.917
Other expenses and losses	6.016.934	2.534.952

<u>18.157.374</u>	<u>10.371.996</u>
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26. Financial Income

Financial income consist of the following (TL) :

	31 December 2008	31 December 2007
Rediscount interest income	2.671.923	2.601.230
Maturity difference income	5.336.925	5.113.322
Dividend income	35.533	591.532
Interest income	28.032.197	25.685.394
Value increase in marketable securities (Note 6)	-	7.208.999
Income on sale of marketable securities	888.469	1.220.780
Foreign exchange gains	184.258.820	61.850.269
	221.223.867	104.271.526

27. Financial Expenses

Financial expenses consist of the following (TL) :

	31 December 2008	31 December 2007
Rediscount interest expenses	3.659.391	2.293.532
Maturity difference expense	1.828.493	1.437.571
Borrowing expenses	20.959.847	4.595.996
Value decrease in marketable securities (Note 6)	3.559.837	-
Loss on sale of marketable securities	693.716	638.061
Foreign exchange losses	93.276.492	82.776.720
	123.977.776	91.741.880

28. Long Term Assets Held for Trading

Long term assets held for trading consist of the following (TL) :

	31 December 2008	31 December 2007
Long term assets held for trading	85.949	98.906

Consists of long term assets (buildings) that Alarko Carrier Sanayi ve Ticaret A.Ş. has received against its uncollectible receivables from jointly controlled entities.

29. Tax Assets and Liabilities

a) Corporation Tax;

The corporation tax rate for 2008 and 2007 is 20 % in Turkey. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

Tax income and expenses recognized in the statement of income is summarized below (TL):

	31 December 2008	31 December 2007
Current period Corporation Tax (Note 18)	22.251.526	10.736.171
Deferred tax (income)/expense (Note 29(b))	(10.640.815)	5.172.825
Total tax expense	11.610.711	15.908.996

The tax rate as of 31 December 2008 and 2007 is 20 %; however, for companies using investment allowance, the rate is accepted as 30 %. As per the prevailing tax legislation in Turkey, the deferred tax rate over the valuation differences of construction progress payments is determined as 20 %. Furthermore, the tax rates used in the corporation tax and deferred tax calculations related to the jointly controlled entities in Russia and Spain are 24 % and 30 %, respectively; and those for the subsidiaries in Algeria and Kazakhstan are 30 % and 37 %, respectively.

As of 31 December 2008 and 2007, the reconciliation between the tax expense computed by applying the legal tax rate on the profit before tax and the total tax provision stated in the consolidated statement of income is as follows (TL):

	31 December 2008	31 December 2007
Profit before tax	78.972.708	55.186.314
Local tax rate	20 %	20 %
Tax expense computed over the tax rate	15.794.542	11.037.263
Income from affiliates consolidated by equity	63.123	37.847
Entities whose income is exempt from Corporation Tax	(3.839.972)	2.960.843
Tax exempt income related to construction works abroad	(1.655.956)	(783.248)
Effect of change in tax rate and others	1.248.974	2.656.291
Total tax expense	11.610.711	15.908.996

b) Deferred Tax Assets and Liabilities;

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

Temporary Income / (Expense) Differences	31 December 2008	31 December 2007
Net difference between recorded value of inventories and tax base	171.026	(7.765)
Valuation difference in deferred construction costs	899.660.550	458.338.134
Valuation difference in deferred construction contract income	(897.194.282)	(514.562.407)
Financial expenses not subject to depreciation	37.716	37.716
Inventory provision	1.174.155	933.917
Provision for other doubtful receivables	248.439	36.566
Provision for royalty right	401.067	228.676
Provision for commencement of litigation	3.980.966	1.372.207
Provision for guarantee	1.460.973	965.198
Adjustment of rediscount on customers and notes receivable account	464.231	(394.070)
Adjustment of rediscount on suppliers and notes payable account	(574.842)	(53.031)
Valuation difference in financial instruments	(51.464)	155.590
Termination indemnity	10.207.539	6.174.936
Valuation difference in non-monetary accounts	9.019.125	(232.725)
Net difference between the book values of tangible / intangible assets and tax bases	(25.136.460)	(19.445.360)
Effect of partial division	(16.345.331)	-
Investment allowance	-	1.908.836
Total Temporary Income / (Expense) Differences	(12.476.592)	(64.543.582)
Deferred Tax Assets / (Liabilities)	(2.495.318)	(13.136.133)
Deferred tax income / (expense) (TL):		
	31 December 2008	31 December 2007
Current period deferred tax asset / (liability)	(2.495.318)	(13.136.133)
Reversal of prior period deferred tax (liability) / asset	13.136.133	(8.654.823)
Effect of merger	-	16.618.131
Deferred Tax Income / (Expense) (Note 29(a))	<u>10.640.815</u>	<u>(5.172.825)</u>

30. Earnings / (Loss) Per Share

Earnings / (loss) per share is calculated as follows;

	31 December 2008	31 December 2007
Profit / loss for the period (TL)	54.819.601	37.592.138
Weighted average number of ordinary shares at the beginning of the period *	215.876.230	176.880.000
Number of share arising from capital increase after Anmak Holding Merger on 13 July 2007*	-	27.079.065
Number of share arising from bonus issue made from real estate sale realized on 13 December 2007 *	-	11.917.165
Cross shareholding adjustment*	(587.562)	(587.562)
Weighted average number of revised ordinary shares *	215.288.668	201.749.136
Parent Company:		
Earning / (loss) per share (TL)	0,255	0,213
Revised earnings / (loss) per share	0,255	0,186

* Per share of TL 1 nominal value.

31. Related Party Disclosures

Trade receivables from related parties consist of the following (TL) :

	31 December 2008	31 December 2007
Alarko Carrier San. ve Tic. A.Ş.	205.999	15.398
Tüm Tesisat ve İnşaat A.Ş.	-	149
Alfarm Alarko Leröy Su Ürün. San. ve Tic. A.Ş.	80.505	34.981
Altek Alarko Elek. San. Tes. İşl. ve Tic. A.Ş.	1.261.886	5.511
Alsım A.Ş. - Rana Inter. Ltd. Adi Ortaklığı	419.495	556.796
Alsım A.Ş. Wacon Hillwater - Terrasan Adi Ort.	100.827	1.538.218
Alsım A.Ş. Wacon Hillwater Adi Ort.	995.354	1.094.736
Alsım A.Ş. - Akfen A.Ş. Cars. H.A. İnş. Adi Ort.	22.964	1.119.217
Alsım A.Ş. - Akfen A.Ş. Tüpraş İzmit Adi Ort.	1.460.398	4.672.396
Alarko-Makyol Adi Ortaklığı	12.889	-
Al - Riva Proje. Ar. Değ. Konut İnş. Tic. A.Ş.	6.831.535	5.773.734
Al - Riva Arazi Değ. Konut İnş. ve Tic. A.Ş.	1.101.496	863.862
Al - Riva Ar. Değ. Kon. İnş. Tur. Tes. Golf A.Ş.	208.479	134.715
Streicher - H. Timmermann - Günsayıl - Alsım Adi Ort.	91.790	17.065.034

OHL - Alsim Alarko GYO Ort. Gir. Proje - Ortak Girişimi	12.733	-
Alarko Deyaar Gayrimenkul Geliştirme A.Ş.	-	12.897
Garanti Koza A.Ş. - Alsim Alarko A.Ş. Adi Ort.	-	667.116
Makyol İnş. San. Turz. ve Tic. A.Ş.	9.456.146	-
Carrier Hellas Conditioning	772.386	397.225
Carrier SPA	30.606	71.811
Carrier Nederland BV Holland Airconditioning	29.034	17.580
Carrier SA Montluel	1.632	7.579
Carrier Belgium	519	-
Carrier Airconditioning UK	-	19.972
Carrier Asia Ltd	127	106.497
Carrier Nederland BV Holland Heating	-	219.745
Carrier Holland Heating UK Ltd.	-	29.851
Carrier Africa FZE	51.323	127.186
Carrier Polska	14.248	179
Carrier Middle East Ltd.	36.103	11.344
Carrier Espena	418.654	897.490
Carrier Slovakia	349	118
Carrier GmbH	651	-
Carrier AB	116	-
Toshiba Carrier UK Ltd.	60.873	-
Totaline ECR Iberica	272	539
EMIT SPA	57.517	57.520
Deyaar Development PJSC	7.063.416	-
Construcciones Y Auxiliar De Ferroc S.A.	202.764	-
UTE AOG-OHL IS	959.117	-
Rediscount on receivables from related parties (-)	(19.852)	(14.812)
Doubtful trade receivables from related parties*	17.082.230	-
Provision for doubtful trade receivables from related parties (-)	(17.082.230)	-

Total (Note 8) **31.942.351** **35.504.584**

* Provision for doubtful trade receivables is made for the receivable of TL 17.082.230 of the shareholders of "Streicher-Haustad & Timmermann Günsayıl-Alsim A.Ş.", a joint venture included in the consolidation as a jointly controlled entity.

Trade payables to related parties consist of the following (TL):

	31 December 2008	31 Decemeber 2007
Alarko Carrier San. ve Tic. A.Ş.	66.757	374.380
Altek Alarko Elek. San. Teş. İşl. ve Tic. A.Ş.	147	355
Alfarm Alarko Leröy Su Ürün. San. ve Tic. A.Ş.	-	501
Streicher - H. Timmermann - Günsayıl - Alsim Adi Ort.	10.510	8.217
Alsim Alarko - Emit - SpA İzmit Art. Dsj İş Ort.	82.376	119.249
OHL - Alsim Alarko GYO Ort. Gir. Proje - Ortak Girişim	864	864
Alarko - Makyol Adi Ortaklığı	9.584.836	-
Carrier HVACR Investments BV	322.534	146.432
Carrier SA	403.115	362.812
Carrier SPA	-	82.071
Toshiba Carrier Ltd.	253.278	115.487
Toshiba Carrier Thailand	1.054	305.041
Carrier Europe Middle East	24.254	-
Tadiran Ltd.	-	14.819
Carrier Corporation	186.407	468.267
Automated Logic Corporation	1.132	37.723
Carrier Nederland BV Holland Heating	78.533	92.584
Carrier ARCD PTE Ltd.	65	77.304
E.R.C.D. SA	3	-
Garanti Koza İnşaat Sanayi ve Tic. A.Ş.	122.371	713.201
Obrascon Huarte Lain SA (OHL)	248.834	2.506.275
Akfen İnşaat Turizm ve Ticaret A.Ş.	1.395.487	4.490.261
Leröy Seafood Group	252.032	321.860
UTE AOG	1.255	-
Rediscount on payables to related parties (-)	(7.609)	(26.075)

Total (Note 8) **13.028.235** **10.211.628**

Non-trade receivables from related parties consist of the following (TL) :

	31 December 2008	31 December 2007
Max Streicher GmbH Co	-	2.830.117
Obrascon Huarte Lain SA-(OHL)	-	13.468
OHL-Alsim Alarko GYO Ortak Girişim Projesi	174.318	387.043
Alfarm Alarko Leröy Su Ürünleri San. Tic. A.Ş.	644.156	543.663
Doğuş Alarko YDA İnşaat	174.283	-

Total (Note 9) **992.757** **3.774.291**

Non-trade payables to related parties consist of the following (TL) :

	31 December 2008	31 December 2007
Dividends to shareholders	7.853	30.965
Obrascon Huarte Lain SA-(OHL)	-	150.493
Max Streicher GmbH Co	-	877.240
Hallvard Leroy	182.563	173.805

Total (Note 9) **190.416** **1.232.503**

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

	31 December 2008	31 December 2007
Al - Riva Proje Ar. Değ. Konut İns. Tic. A.Ş.	117.413	415.131
Al - Riva Arazi Değ. Konut İns.ve Tic.A.Ş.	2.333	1.972
Al - Riva Ar. Değ. Kon. İns. Tur. Tes. Golf A.Ş.	6.684	5.663
Alsim A.Ş. - Akfen A.Ş. Çarşamba Havaalanı Adi Ort.	1.175	220.901
Alsim A.Ş. - Wacon Hillwater Terrasan Adi Ort.	15.253	360.978
Alsim Alarko A.Ş - Rana Int. Ltd Adi Ort.	-	80.638
Alarko Deyaar Gayrimenkul Geliştirme A.Ş.	219.792	10.630
Alarko - Makyol Adi Ortaklığı	2.261.695	-
Tüm Tesizat ve İnşaat A.Ş.	1.871	1.811
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.	122.981	54.007
Altek Alarko Elektrik Sant. Tes. İsl. ve Tic. A.Ş.	1.574.691	166.137
Alarko Carrier Sanayi ve Ticaret A.Ş.	1.048.842	1.407.885
Alsim Alarko - Emit - SpA İzmit Ar. Dsj İş Ort.	3.019	1.495
Alsim A.Ş. - Akfen A.Ş. Tüpras İzmit Adi Ort.	25.471	760.756
Streicher - H.Timmermann - Günsayıl - Alsim Adi Ort.	93.636	939.516
Garanti Koza - Alsim Joint Venture	-	567.411
	5.494.856	4.994.931

Income from related parties consist of income from sale of trade goods, services, fixed assets as well as rent income and financial income.

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

	31 December 2008	31 December 2007
Alarko Carrier Sanayi ve Ticaret A.Ş.	705.212	809.140
Altek Alarko Elektrik Sant. Tes. İsl. ve Tic. A.Ş.	540	17.693
Streicher - H.Timmermann - Günsayıl - Alsim Adi Ort.	81.330	120.090
Alsim A.Ş. - Akfen A.Ş. Tüpras İzmit Adi Ort.	114.697	114.136
Alfarm Alarko Leröy Su Ürün. San. ve Tic. A.Ş.	1.171	1.843
Alsim Alarko - Emit - SpA İzmit Ar. Dsj İş Ort.	20.205	25.032
Alarko - Makyol Adi Ortaklığı	349.319	-
	1.272.474	1.087.934

Expenses arising from related parties include purchases of trade goods, services, fixed assets as well as the rents paid.

As of 31 December 2008, remuneration provided to top executives such as the CEO and members of the Board of Directors amount to TL 7.334.857 (31 December 2007 - TL 9.637.371).

As of 31 December 2008, guarantees, mortgages and sureties received from Group Companies amount to TL 214.495.214 (31 December 2007 - TL 54.166.721). As of 31 December 2008, guarantees, mortgages and sureties given to the Group Companies amount to TL 294.230.508 (31 December 2007 - TL 191.108.681).

32. Nature and Extent of Risk Arising from Financial Instruments

i. Credit Risk

Credit risk by types of financial instruments is as follows (TL) :

31 December 2008	Receivables				Bank Deposits	Derivative Instruments	Others
	Trade Receivables		Other Receivables				
	Reladet Party	Other Party	Reladet Party	Other Party			
Maximum credit risk incurred as of the reporting date (A+B+C+D+E)** (Notes 5, 8, 9)	33.537.431	345.513.915	992.757	76.132.245	429.921.505	-	6.693.054
- Part of the maximum risk taken under guarantee by collaterals	-	25.108.111	-	2.991.083	-	-	462.382
A. Net book value of financial assets that are neither overdue nor impaired (Note 8)	31.812.397	315.138.141	349.228	73.141.729	429.921.505	-	6.693.054
B. Book value of financial assets whose conditions are rediscussed, which otherwise would be considered as overdue or impaired.	-	-	-	-	-	-	-
C. Net book value of overdue assets that are not impaired (Note 8)	129.954	24.625.047	643.529	2.891.959	-	-	-
- Portion taken under guarantee through collaterals	-	1.653.838	-	2.891.883	-	-	-
D. Net book value of impaired assets	-	1.109.904	-	98.557	-	-	-
-Overdue (gross book value)	-	3.262.280	-	104.816	-	-	-
- Impairment (-) (Note 8)	-	(2.335.424)	-	(6.259)	-	-	-
-Part of net value taken under guarantee by collaterals	-	926.856	-	98.557	-	-	-
-Unexpired (gross book value)	17.082.230	1.141.771	-	-	-	-	-
- Impairment (-) (Note 8)	(17.082.230)	(958.723)	-	-	-	-	-
- Part of net value taken under guarantee by collaterals	-	183.048	-	-	-	-	-
E.Elements including unrecognized credit risks ***	1.595.080	4.640.823	-	-	-	-	-

31 December 2007	Receivables				Bank Deposits	Derivative Instruments	Others
	Trade Receivables		Other Receivables				
	Related Party	Others Party	Related Party	Others Party			
Maximum credit risk incurred as of the reporting date (A+B+C+D+E)** (Notes 5, 8, 9)	36.916.523	382.749.313	3.774.291	45.385.341	251.505.460	-	8.672.772
- Part of the maximum risk taken under guarantee by collaterals	-	19.384.882	-	2.314.421	-	-	183.436
A. Net book value of financial assets that are neither overdue nor impaired (Note 8)	35.324.089	365.594.502	3.230.721	43.071.518	251.505.460	-	8.672.772
B. Book value of financial assets whose conditions are rediscussed, which otherwise would be considered as overdue or impaired.	-	-	435	-	-	-	-
C. Net book value of overdue assets that are not impaired (Note 8)	180.495	13.300.896	543.135	2.227.263	-	-	-
- Portion taken under guarantee through collaterals	-	1.726.214	-	2.227.188	-	-	-
D. Net book value of impaired assets	-	758.008	-	86.560	-	-	-
-Overdue (gross book value)	-	2.943.470	-	92.819	-	-	-
-Impairment (-) (Note 8)	-	(2.185.462)	-	(6.259)	-	-	-
-Part of net value taken under guarantee by collaterals	-	758.008	-	86.560	-	-	-
-Unexpired (gross book value)	-	487.687	-	-	-	-	-
-Impairment (-) (Note 8)	-	(487.687)	-	-	-	-	-
- Part of net value taken under guarantee by collaterals	-	-	-	-	-	-	-
E.Elements including unrecognized credit risks ***	1.411.939	3.095.907	-	-	-	-	-

* Consists of the sum of cash, cheques received, other liquid assets and financial assets held for trading.

** In determining the amount of credit risk to be incurred, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

*** The related totals consist of guarantees and sureties given, and the collaterals given for letter of credit agreements in imports.

Distribution of net book value of assets overdue but not impaired as per the respective periods is as follows (TL):

31 December 2008	Receivables			
	Trade Receivables		Other Receivables	
	Related Party	Others Party	Related Party	Others Party
1-30 days overdue	97.423	5.944.182	-	-
1-3 months overdue (*)	32.531	1.950.194	643.529	-
3-12 months overdue (*)	-	3.476.104	-	-
1-5 years overdue (*)	-	1.143.610	-	76
More than 5 years overdue (**)	-	12.110.957	-	2.891.883
Total	129.954	24.625.047	643.529	2.891.959
Portion taken under guarantee through collaterals	-	1.653.838	-	2.891.883

31 December 2007	Receivables			
	Trade Receivables		Other Receivables	
	Related Party	Others Party	Related Party	Others Party
1-30 days overdue	172.589	2.940.636	-	-
1-3 months overdue (*)	877	670.193	543.135	-
3-12 months overdue (*)	6.802	257.431	-	-
1-5 years overdue (*)	227	349.615	-	75
More than 5 years overdue (**)	-	9.083.021	-	2.227.188
Total	180.495	13.300.896	543.135	2.227.263
Portion taken under guarantee through collaterals	-	1.726.214	-	2.227.188

The Alarko Group's credit risk basically originates from its trade receivables. The trade receivables are recognized in the balance sheet, net, after making provisions for doubtful receivables at the required rate, taking into consideration the past experience of the Company and the current economical outlook. The Group has made provisions for doubtful receivables until the reporting date.

* The majority of the overdue receivables which are 1-3 months overdue, 3-12 months overdue and 1-5 years overdue arises from the failure in repayment of TETAŞ of the receivable invoiced to TETAŞ due to the case filed between TETAŞ and a jointly controlled entity, namely, Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.Ş. (Note 18(g)).

** The entire amount of receivables that are 5 years overdue arises from the credit entry given within the scope of TAS (IAS) 11 (cost equals revenue) in relation to the accounting of construction contracts in the subsidiary Alsim-Moscow Pediatric Hospital. There is a total of TL 6.658.746 stated as advance progress payment in the liability section of the balance sheet in relation to the same job accomplished. The progress payments to cover the recorded receivable are approved by the control engineer and submitted to the employer on time; however the employer has delayed the approval. As the project has been stopped, the progress payments have not been approved to date. Discussions are being held with the employer from time to time; however, the operations are slowing down as it is uncertain that the work will be continuing.

ii. Liquidity Risk

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

The Group creates funds through converting its short term financial instruments, i.e. trade receivables, into cash. As of 31 December 2008 and 2007, the liquid assets (current assets - inventories) of the Group exceed its short term payables by TL 442.597.618 and TL 390.810.776, respectively.

31 December 2008

Maturities as per the Contract	Book Value	Total Cash Outflows as per the Contract	Up to 3 months	3-12 months	1-5 years	5 or more years	Elimination and Adjustment Entries
Non-derivative financial liabilities							
Bank loans (Note 7)	123.127.368	128.801.858	46.896.389	62.784.598	15.918.768	3.202.103	-
Short term leasing liabilities (Note 7)	503	523	-	523	-	-	-
Long term leasing liabilities (Note 7)	1.895	1.980	-	-	1.980	-	-
Trade payables (Note 8)	175.806.533	175.806.533	232.302.045	31.261.015	-	-	(87.756.527)
Expected Maturities	Book Value	Expected Cash Outflows	Up to 3 months	3-12 months	1-5 years	5 or more years	Elimination and Adjustment Entries
Non-derivative financial liabilities							
Other financial liabilities (Note 7)	1.122.605	1.122.605	34.949	104.848	491.404	491.404	-
Trade payables (Note 8)	107.357.739	107.357.739	117.000.045	43.946.956	-	-	(53.589.262)
Other liabilities (Note 9)	90.083.846	90.083.846	149.962.268	10.909.992	-	-	(70.788.414)

31 December 2007

Maturities as per the Contract	Book Value	Total Cash Outflows as per the Contract	Up to 3 months	3-12 months	1-5 years	5 or more years	Elimination and Adjustment Entries
Non-derivative financial liabilities							
Bank loans (Note 7)	80.469.179	85.067.141	8.254.461	56.987.595	17.465.050	2.037.951	322.084
Short term leasing liabilities (Note 7)	605.921	666.390	-	666.390	-	-	-
Long term leasing liabilities (Note 7)	1.182	1.234	-	-	1.234	-	-
Trade payables (Note 8)	173.093.901	173.093.901	199.978.497	36.683.097	-	-	(63.567.693)
Expected Maturities	Book Value	Expected Cash Outflows	Up to 3 months	3-12 months	1-5 years	5 or more years	Elimination and Adjustment Entries
Non-derivative financial liabilities							
Other financial liabilities (Note 7)	1.190.507	1.190.507	33.980	101.940	479.358	575.229	-
Trade payables (Note 8)	69.713.856	69.713.856	75.575.758	19.154.388	585.704	-	(25.601.994)
Other liabilities (Note 9)	59.310.044	59.310.044	111.665.053	7.874.560	-	-	(60.229.569)

iii. Interest Risk

Interest risk arises from the potential effects of the fluctuations in interest rates on the financial statements. The loan agreements made by the Group are denominated in USD, Euro, and Japanese Yen, with fixed and variable interest rates, and the average maturity varies between 1 month and 12 years. As the payments are denominated in foreign currency, it is assumed that the interest rate will not be subject to material changes during the maturity period, therefore the interest rate risk is considered to be immaterial.

31 December 2008
31 December 2007

Financial instruments with fixed interest rate

Financial Assets

Time deposits (Note 5)

426.804.309

245.623.451

Leasing receivables (Note 8)

74.603

93.699

Assets whose fair value are reflected to profit/loss (Note 6)

83.675.563

56.232.122

Financial Liabilities (Note 7) *

98.357.468

50.560.182

31 December 2008
31 December 2007

Financial instruments with variable interest rate

Financial Liabilities (Note 7) *

24.772.298

30.516.100

* Financial liabilities recognized under the financial instruments with fixed and variable interest rates consist of the sum of short and long term bank loans and financial leasing liabilities.

As of 31 December 2008, an increase or decrease of 5 % in the interest rates on loans with variable interest with all other variables remaining constant would lead to a decrease/increase in profit/(loss) before tax by TL 54.665 (31 December 2007 - TL 105.267) due to change in interest expenses and by TL 32.892 (31 December 2007 - TL 34.351) in the total assets due to capitalized financial cost.

iv. Foreign Currency Risk

Balances of foreign currency transactions of the Alarko Group originating from operations, investment and financial activities as of the reporting date are stated below. In relation to the foreign currency receivables and payables, the Group may be exposed to foreign currency risk upon changes in foreign currency exchange rates. The foreign currency risk is controlled through continuous analysis and follow-up of the foreign exchange position.

As of 31 December 2008, the foreign currency risk analysis of the Alarko Group is set out below (TL);

Foreign Currency Sensitivity Analysis Chart				
31 December 2008				
	Profit / Loss		Equity	
	Value increase in foreign currency	Loss in value of foreign currency	Value increase in foreign currency	Loss in value of foreign currency
When USD changes by 10 % against TL				
1- Net assets / liabilities in USD	16.936.671	(16.936.671)	-	-
2- Portion prevented from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	16.936.671	(16.936.671)	-	-
When Euro changes by 10 % against TL :				
4- Net assets / liabilities in Euro	10.037.227	(10.037.227)	-	-
5- Portion prevented from Euro risk (-)	-	-	-	-
6- Euro Net Effect (4+5)	10.037.227	(10.037.227)	-	-
When JPY changes by 10 % against TL :				
7- Net assets / liabilities in JPY	94.323	(94.323)	-	-
8- Portion prevented from JPY risk (-)	-	-	-	-
9- JPY Net Effect (7+8)	94.323	(94.323)	-	-
When KZT changes by 10 % against TL :				
10- Net assets / liabilities in KZT	575.232	(575.232)	-	-
11- Portion prevented from KZT risk (-)	-	-	-	-
12- KZT Net Effect (10+11)	575.232	(575.232)	-	-
When other foreign currencies change by approx. 10 % against TL:				
13- Net assets / liabilities in other foreign currencies	8.229	(8.229)	-	-
14- Portion prevented from the risk of other foreign currencies (-)	-	-	-	-
15- Net Effect of Other Foreign Currencies (13+14)	8.229	(8.229)	-	-
TOTAL (3+6+9+12+15)	27.651.682	(27.651.682)	-	-

In the event that the currency fo USD loans used in financing investments were to increase / decrease by 10 % as of 31 December 2008 with all other variables remaining constant, the total assets would have been higher / lower by TL 118.555 (31 December 2007 - TL 78.137) due to capitalized financial cost.

As of 31 December 2007 the foreign currency risk analysis of the Alarko Group is set out below (TL);

Foreign Currency Sensitivity Analysis Chart				
31 December 2007				
	Profit / Loss		Equity	
	Value increase in foreign currency	Loss in value of foreign currency	Value increase in foreign currency	Loss in value of foreign currency
When USD changes by 10 % against TL				
1- Net assets / liabilities in USD	10.192.343	(10.192.343)	-	-
2- Portion prevented from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	10.192.343	(10.192.343)	-	-
When Euro changes by 10 % against TL :				
4- Net assets / liabilities in Euro	9.515.957	(9.515.957)	-	-
5- Portion prevented from Euro risk (-)	-	-	-	-
6- Euro Net Effect (4+5)	9.515.957	(9.515.957)	-	-
When JPY changes by 10 % against TL :				
7- Net assets / liabilities in JPY	(1.549.494)	1.549.494	-	-
8- Portion prevented from JPY risk (-)	-	-	-	-
9- JPY Net Effect (7+8)	(1.549.494)	1.549.494	-	-
When KZT changes by 10 % against TL				
10- Net assets / liabilities in KZT	(494.241)	494.241	-	-
11- Portion prevented from KZT risk (-)	-	-	-	-
12- KZT Net Effect (10+11)	(494.241)	494.241	-	-
When other foreign currencies change by approx. 10 % against TL:				
13- Net assets / liabilities in other foreign currencies	5.411	(5.411)	-	-
14- Portion prevented from the risk of other foreign currencies (-)	-	-	-	-
15- Net Effect of Other Foreign Currencies (13+14)	5.411	(5.411)	-	-
TOTAL (3+6+9+12+15)	17.669.976	(17.669.976)	-	-

As of 31 December 2008, the Company's assets and liabilities denominated in foreign currency consist of the following (TL):

**FOREIGN CURRENCY POSITION TABLE
31 December 2008**

	TL Equivalent (Functional Currency)	USD	Euro	JPY	GBP	KZT	DNR	RBL	NOK	Other
1. Trade Receivables	186.510.026	20.508.876	37.178.675	3.020.446.154	460.536	1.935.678.654	-	2.247.841	-	-
2a. Monetary Financial Assets (including Cash and Bank deposits)	463.161.763	187.387.817	80.999.690	-	2.992	479.594.128	63.653	6.947.413	-	-
2b. Non-monetary Financial Assets	65.366.976	4.412.582	19.496.154	591.269.443	-	550.722.979	-	234.266	717.677	-
3. Other	6.385.516	691.915	430.876	-	-	308.968.744	7.745.513	7.528.137	-	-
4. Current Assets (1+2+3)	721.424.280	213.001.190	138.105.395	3.611.715.597	463.528	3.274.964.505	7.809.166	16.957.657	717.677	-
5. Trade Receivables	10.692	700	4.500	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	1.946.058	800	908.468	-	-	-	-	-	-	-
7. Other	6.430.157	4.092.993	112.259	-	-	-	-	-	-	-
8. Long Term Assets (5+6+7)	8.386.907	4.094.493	1.025.227	-	-	-	-	-	-	-
9. Total Assets (4+8)	729.811.187	217.095.683	139.130.622	3.611.715.597	463.528	3.274.964.505	7.809.166	16.957.657	717.677	-
10. Trade Payables	190.924.639	31.260.010	29.114.356	3.143.183.617	29.611	2.263.766.502	2.805.686	158.087	1.166.599	-
11. Financial Liabilities	87.421.139	41.575.710	11.287.913	22.772.443	-	-	-	-	-	-
12.a Monetary Other Liabilities	52.733.515	5.199.642	18.736.670	-	-	321.287.240	11.071.113	9.837.218	-	-
12.b Non-monetary Other Liabilities	96.866.364	10.313.198	33.106.280	388.720.468	1.208	230.539.523	-	19.470.774	-	-
13. Short Term Liabilities (10+11+12)	427.945.657	88.348.560	92.245.219	3.554.676.528	30.819	2.815.593.265	13.876.799	29.466.079	1.166.599	-
14. Trade Payables	982.807	649.876	-	-	-	-	-	-	-	-
15. Financial Liabilities	16.338.608	10.796.440	-	666.515	-	-	-	-	-	-
16.a Monetary Other Liabilities	1.368.551	904.947	-	-	-	-	-	-	-	-
16.b Non-monetary Other Liabilities	6.658.746	4.403.059	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	25.348.712	16.754.322	-	666.515	-	-	-	-	-	-
18. Total Liabilities (13+17)	453.294.369	105.102.882	92.245.219	3.555.343.043	30.819	2.815.593.265	13.876.799	29.466.079	1.166.599	-
19. Net Foreign Currency Asset / (Liability) Position (9-18)	276.516.818	111.992.801	46.885.403	56.372.554	432.709	459.371.240	(6.067.633)	(12.508.422)	(448.922)	-
20. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a- 14-15-16a)	299.913.222	117.510.768	59.043.926	(146.176.421)	433.917	(169.780.960)	(13.813.146)	(800.051)	(1.166.599)	-
21. Exports *	225.319.003	15.554.962	8.706.425	7.244.040.277	1.615.032	7.088.383.523	-	50.340.770	-	-
22. Imports *	212.992.815	25.435.184	25.670.974	146.847.771	70.957	11.845.841.110	-	-	-	492.144

* Based on average exchange rate and consists of totals prior to elimination.

As of 31 December 2007, the Company's assets and liabilities denominated in foreign currency consist of the following (TL):

**FOREIGN CURRENCY POSITION TABLE
31 December 2007**

	TL Equivalent (Functional Currency)	USD	Euro	JPY	GBP	KZT	DNR	RBL	NOK	Diğer
1. Trade Receivables	148.895.370	48.706.005	28.662.081	1.375.378.208	207.608	2.901.884.873	19.650.742	2.037.727	-	-
2a. Monetary Financial Assets (including Cash and Bank deposits)	273.656.716	149.302.596	55.542.300	324.815.493	116	128.312.156	63.653	3.473.852	132.261	-
2b. Non-monetary Financial Assets	50.497.557	7.022.165	19.756.740	188.924.266	-	679.837.644	-	147.004	-	-
3. Other	4.638.114	249.469	1.290.076	-	-	168.597.751	7.745.513	7.922.630	-	-
4. Current Assets (1+2+3)	477.687.757	205.280.235	105.251.197	1.889.117.967	207.724	3.878.632.424	27.459.908	13.581.213	132.261	-
5. Trade Receivables	8.511	700	4.500	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	5.008	4.300	-	-	-	-	-	-	-	-
7. Other	88.233	-	51.592	-	-	-	-	-	-	-
8. Long Term Assets (5+6+7)	101.752	5.000	56.092	-	-	-	-	-	-	-
9. Total Assets (4+8)	477.789.509	205.285.235	105.307.289	1.889.117.967	207.724	3.878.632.424	27.459.908	13.581.213	132.261	-
10. Trade Payables	113.564.044	32.719.450	20.531.401	1.348.376.959	5.153	2.728.244.945	2.805.686	118.897	15.213	-
11. Financial Liabilities	58.799.753	39.740.978	5.265.476	341.319.084	-	-	-	-	-	-
12.a Monetary Other Liabilities	26.298.413	4.369.038	10.135.922	-	-	331.497.126	11.071.113	10.026.219	-	-
12.b Non-monetary Other Liabilities	60.636.872	5.420.891	13.628.347	1.683.715.618	2.947	1.329.383.593	-	17.525.956	-	-
13. Short Term Liabilities (10+11+12)	259.299.082	82.250.357	49.561.146	3.373.411.661	8.100	4.389.125.664	13.876.799	27.671.072	15.213	-
14. Trade Payables	585.704	502.880	-	-	-	-	-	-	-	-
15. Financial Liabilities	16.493.483	13.956.901	-	23.142.404	-	-	-	-	-	-
16.a Monetary Other Liabilities	3.789.834	3.253.914	-	-	-	-	-	-	-	-

16.b Non-monetary Other Liabilities	20.921.630	17.810.725	103.777	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	41.790.651	35.524.420	103.777	23.142.404	-	-	-	-	-	-
18. Total Liabilities (13+17)	301.089.733	117.774.777	49.664.923	3.396.554.065	8.100	4.389.125.664	13.876.799	27.671.072	15.213	-
19. Net Foreign Currency Asset / (Liability) Position (9-18)	176.699.776	87.510.458	55.642.366	1.507.436.098	199.624	(510.493.240)	13.583.109	(14.089.859)	117.048	-
20. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	203.029.366	103.466.140	48.276.082	(12.644.746)	202.571	(29.545.042)	5.837.596	(4.633.537)	117.048	-
21. Exports *	168.035.933	12.299.666	7.918.085	3.225.571.832	1.037.108	8.229.038.654	-	46.299.469	-	91.364
22. Imports *	223.758.991	26.845.414	38.974.717	375.588.365	287.375	8.855.216.897	-	-	2.995.549	599.398

Based on average exchange rate and consists of totals prior to elimination.

33. Financial Instruments

Alarko Group assumes that the book value of the financial instruments approximate to their fair values. Fair value is the amount for which a financial instrument could be exchanged between two willing parties in an arm's length transaction. It is primarily considered the same as the quoted value of the financial instrument, however in case there is no quoted value, the purchase or sale value of an instrument is accepted to be the fair value of the financial instrument. The Alarko Group's significant accounting policies related to its financial instruments are disclosed in Note 2 "Presentation of Financial Statements" (a) "Financial Instruments".

34. Subsequent Events

- The termination indemnity upper limit which stood at TL 2.173,19 as of 31 December 2008 has been increased to TL 2.260,05 with effect from 1 January 2009 and TL 2.365,16 with effect from 1 July 2009 [31 December 2007 - TL 2.030,19].
- Alarko Holding A.Ş. has signed an agreement to participate in the Tender for Privatization of National Lottery organized by the Republic of Turkey Prime Ministry Privatization Administration together with Doğu Holding A.Ş., Fina Holding A.Ş., and OPAP S.A. as at 20.01.2009.
- The resolution of the Board of Directors of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. dated 6 March 2009 nr. 225 is made such that a total of TL 5.160.694 which corresponds to 20,27 % of the distributable profit of TL 25.455.199 remaining after making the first legal reserves of TL 354.172 of the net profit for the period amounting to TL 25.809.371 stated in the 2008 financials of the Company will be distributed to shareholders as bonus shares in accordance with the Capital Markets Legislation, the Articles of Association of the Company, and the provisions of other related legislation, and the balance of TL 20.294.505 will be added to the extraordinary reserves.
- The resolution of the Board of Directors of Alarko Carrier Sanayi ve Ticaret A.Ş. dated 6 March 2009 nr. 609 is made such that a total of TL 4.644.000 (gross) which corresponds to 20,32 % of the total of TL 22.854.655 calculated upon additions of grants of TL 18.205 on the net distributable profit of TL 22.836.450 remaining after making tax provision of TL 4.940.144 from the net profit for the period amounting to TL 27.776.594 stated in the 2008 financials of the Company will be distributed to shareholders as bonus shares in accordance with the Capital Markets Legislation, the Articles of Association of the Company, and the provisions of other related legislation; dividend distribution will start as of 29 May 2009; first legal reserves will not be made as the first legal reserves made in prior years have reached the administered amount; second legal reserves will be made at a total of TL 410.400 over the dividends to be distributed; the required tax withholding will be paid on dividends subject to tax, and the balancing total of TL 17.782.050 will be added to the extraordinary reserves.

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

- Insurance totals of assets for the respective periods are as follows (TL):

31 December 2008	2.444.325.329
31 December 2007	1.378.425.312

- The partial division transaction related to some of the real estates owned by the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. established as capital in kind over the net recorded values in the jointly controlled entity, namely, Alarko Deyaar Gayrimenkul Geliştirme A.Ş. (the Company) has become valid upon approval of Trade Registry on 26 February 2008, and as per the Partial Division Agreement prepared on the basis of the Report of the Expert appointed by the court, a capital injection of TL 77.369.087 has been realized to the jointly controlled entity Alarko Deyaar Gayrimenkul Geliştirme A.Ş. TL 22.168.713 of the capital injection is provided through establishing as capital in kind in the Company the real estate subject to partial division recognized among assets in the balance sheet of the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş., and the balancing total of TL 55.200.374 is the cash commitment made by Deyaar Development PJSC which has an interest of 50 % in the Company.
- The consortium constituted by the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. with Ansaldobreda S.p.A has committed to undertake the construction work of Samsun Light Rail System Project to the Samsun Metropolitan Municipality by the agreement signed at 19.06.2008.
- The joint venture established by the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. with Doğu İnşaat ve Ticaret A.Ş. and YDA İnşaat Sanayi ve Ticaret A.Ş. has committed to undertake the construction work of Boryspil Airport Development Project to the administration of Boryspil Airport of the Ukrainian Transport and Communications Ministry by the agreement signed on 26 September 2008. The participation rates of Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş., Doğu İnşaat ve Ticaret A.Ş., and YDA İnşaat Sanayi ve Ticaret A.Ş. in the joint venture corresponds to 37,5 %, 37,5 %, and 25 %, respectively.
- The consortium constituted by the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. with Ansaldo Segnalamento Ferroviario S.p.A. has committed to undertake the "electromechanical work of Batıkent - OSB (Sincan Industrial Zone) metro line, building the signalling systems of the 2 metro lines between Tandoğan - Keçiören ve Kızılay - Çayyolu, and renovation of electromechanical work of the Kızılay - Batıkent metro" to Ankara Metropolitan Municipality EGO Directorate by the agreement signed on 28.11.2008.
- The subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. has won the tender put out for 100 % shares of Meram Elektrik Dağıtım A.Ş. through block sales method on 25.09.2008 by making a total bid of USD 440.000.000.

PROFIT DISTRIBUTION RECOMMENDATION

Pursuant to the Capital Market Legislation, Company's Articles of Association and other applicable laws, after deduction of TL 12.542.396,- as minority interests and TL 2.023.204,- as first order legal reserves from TL 67.361.997,- representing the net profit for the year 2008 as in the consolidated financial statements presented to the approval of our General Assembly, the net distributable profit for the period is TL 52,796,397.-. We propose the net distributable profit of 52.797.937,- consisting of TL 52.796.397,- plus donations amounting to TL 1.540,- to be distributed as follows:

- Distributing TL 2.969.982,- (Gross) corresponding to 5,625 % of the net distributable profit to shareholders as dividend in cash,
- Adding TL 7.590.770,- corresponding to 14,377 % of the net distributable profit to the capital and distributing it to shareholders as bonus shares
- Adding the remaining part to the extraordinary reserves,
- Deducting the applicable tax on the dividend that is subject to taxes,
- Starting distribution of dividends in cash on 29 May 2009.

Board of Directors

STATUTORY AUDITORS' REPORT

TO THE ANNUAL GENERAL MEETING OF ALARKO HOLDİNG A.Ş.

THE COMPANY'S

* **NAME** : ALARKO HOLDİNG A.Ş.
* **HEADQUARTERS** : Muallim Naci Cad. No: 69 34347 Ortaköy - İstanbul
* **CAPITAL** : Registered : TRL 500.000.000
Issued : TRL 215.876.230

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

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

1. AHMET ZEYYAT HATİPOĞLU (Term of office: 22.05.2008 - 11.05.2009 He is not a company shareholder or employee.)
2. AYKUT BAYCAN (Term of office: 22.05.2008 - 11.05.2009 He is not a company shareholder or employee.)

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

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

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

The company's legal books of accounts and documents were examined twice for compliance with the provisions of the Turkish Commercial Code, of laws and regulations, of the company's articles of incorporation and of the general assembly and board of director regulations. The first examination occurred on July 28-29, 2008 for the first six months of the year, and the second on January 29-30, 2009 for the second six months. The results of both inspections appeared to be satisfactory.

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

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

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

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

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

No complaints or irregularities were referred to the statutory auditors from 22.05.2008, the date they assumed their duties, to the present. We have examined the accounts and transactions of the firm Alarko Holding A.Ş. for the period January 1, 2008 to December 31, 2008 in light of the requirements of the Turkish Commercial Code, the company's articles of incorporation and other laws and regulations as well as of generally accepted accounting principles and standards.

It is our opinion that the attached balance sheet issued as of December 31, 2008, the contents of which we approve, realistically and accurately reflects the financial standing of the company on that date; that the income statement for the period January 1, 2008 to December 31, 2008 similarly reflects the results of its activities for the same period and that the proposal for profit distribution is in compliance with laws and the company's articles of incorporation.

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

THE BOARD OF AUDITORS

Prof Dr. Ahmet Zeyyat HATİPOĞLU

Aykut BAYCAN

CONCLUSION

Esteemed Shareholders,

In our Annual Report we have related our activities and our views regarding the year 2008 in detail. Developing our Group in a stable and consistent manner is still our major goal.

In this difficult atmosphere where competition is increasing, demand and financing options are decreasing, we are sure that we will reach and even exceed our budgeted objectives with your support and that of all our colleagues.

We would like to point out once more that we will make and apply the most effective decisions in line with the expectations of our company and our shareholders while realizing our activities of 2009 and extend our respects and thanks to your Esteemed Committee.

Wishing you a healthy and successful year,

Board of Directors

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