

ANNUAL REPORT 2010 ▶



ALARKO HOLDING A.Ş.



Dr. Üzeyir Garih
1929-2001

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



ALARKO HOLDİNG A.Ş.



ANNUAL REPORT 2010

May 17, 2011
General Assembly Meeting
2010 Fiscal Year

Registered Capital
TL 500.000.000

Issued Capital
TL 223.467.000

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MESSAGE FROM THE CHAIRMAN



Esteemed Shareholders,

2010 typifies a year of restructuring in global economies. New standards, balances and perspectives have emerged. While competition is ever increasing, our awareness is directing us towards change.

The world is changing and the momentum of change is accelerating considerably. We must first question our preconceptions to understand this change. We must break the chains and embargoes of our mind. Our ideas, perceptions and solutions have to keep pace with the rapidly changing conditions.

We, as the Alarko Group of Companies, have realized the changing conditions and organized a "Search Conference" in March 2011. Following a collective evaluation process, we designed our new Vision and Mission.

Our vision:

To become a stronger, well respected, pioneering global company that grows through the diversity it embraces and differentiation it creates.

Our mission:

To carry Alarko to the future by adopting the highest universally accepted values and exceeding expectations

with distinctive business models.

With these values in mind, I am happy to inform you of the projects realized and finalized in 2010.

We structured the operation of the Meram Electricity Distribution Company that covers Konya and the surrounding provinces and completed the first year successfully.

Our 82 MW investment as an annex to our operating gas fired power plant in Kırklareli was completed and commissioned. The power plant's capacity has attained 164 MW.

The Adana Metro and Samsun Rail System projects, two of our Contracting and Construction activities, have been completed and are in operation. The direct Taksim Darüşşafaka connection of the Istanbul Metro built in accordance with European standards is being used effectively. The Seyranteppe and Haciosman connections are operating successfully.

Our group has put its objective of developing on a global basis to the fore. 2010 has been a year in which Alarko has raised the bar in its growth. Our turnover increased by 33 % in 2010. I firmly believe that our existing companies will exceed their 2011 targets. Our primary aim is to further accelerate the growth we have attained so far particularly in the areas of national and international contracting, energy production and tourism sectors in 2011 and the following years.

The managerial staff of Alarko Holding with a history of 57 years is confident about the future and would like to share with your esteemed committee the joy of seeing that the strong infrastructure developed incessantly is successful.

With love and respect,

İshak Alaton
Chairman



BOARD OF DIRECTORS





- 1- İshak ALATON** - Chairman - (18.05.2010 - 17.05.2011)
2- İzzet GARİH - Vice Chairman - (18.05.2010 - 17.05.2011)
3- Vedat Aksel ALATON - Vice Chairman - (18.05.2010 - 17.05.2011)
4- Ayhan YAVRUCU - Director, Chief Executive Officer - (18.05.2010 - 17.05.2011)
5- Güner KOÇEL - Director - (18.05.2010 - 17.05.2011)
6- Dalia GARİH - Director - (18.05.2010 - 17.05.2011)
7- Leyla ALATON - Director - (18.05.2010 - 17.05.2011)
8- Ahmet Vural AKIŞIK - Director - (18.05.2010 - 17.05.2011)

BOARD OF AUDITORS

Prof. Dr. Ahmet Zeyyat HATİPOĞLU

Auditor

(18.05.2010 - 17.05.2011)

Aykut BAYCAN

Auditor

(18.05.2010 - 17.05.2011)

INDEPENDENT AUDITING COMPANY

Denet Bağımsız Denetim

Yeminli Mali

Müşavirlik A.Ş.

(Member, BDO

International Network)



THE ALARKO GROUP OF COMPANIES



**THE
CONTRACTING
GROUP**

ALSİM ALARKO SANAYİ TESİSLERİ VE TİCARET A.Ş.	99,82 %
ADANA SUBWAY DIVISION İSTANBUL SUBWAY (TAKSİM - YENİKAPI ELECTRO - MECHANIC SYSTEMS) CONSTRUCTION ALSİM ALARKO - OHL - GYO J.V. TCDD ANKARA - ESKİŞEHİR HIGH SPEED TRAIN PROJECT ASTANA WATER PROJECT CYPRUS WATER PROJECT ENGINEERING SERVICES ALSİM-MAKYOL JOINT VENTURE, İSTANBUL METRO 4. LEVENT - AYAZAĞA SECTION, CONSTRUCTION OF ELECTRO-MECHANICAL SYSTEMS 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 ELECTRO - MECHANICAL WORKS AND SIGNALIZATION SYSTEMS CONSTRUCTION WORKS	

**THE ENERGY
GROUP**

ALTEK ALARKO ELEKTRİK SANTRALLARI TES. İŞL. VE TİC. A.Ş.	99,81 %
HASANLAR HYDROELECTRIC POWER STATION BERDAN HYDROELECTRIC POWER STATION TOHMA HYDROELECTRIC POWER STATION KIRKLARELİ NATURAL GAS COMBINED CYCLE POWER PLANT	
MERAM ELEKTRİK DAĞITIM A.Ş.	49,91 %
ALCEN ENERJİ DAĞITIM VE PERAKENDE SATIŞ HİZM. A.Ş.	49,91 %
ALARKO ENERJİ ÜRETİM A.Ş.	100,00 %

**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.	99,93 %
ALMÜT ALARKO SİNAİ GEREÇLER İMALAT VE MÜMESSİLLİK A.Ş.	94,31 %
TÜM TESİSAT VE İNŞAAT A.Ş.	49,58 %
ALAMSAS ALARKO AĞIR MAKİNA SAN. A.Ş.	99,97 %
SARET SANAYİ TAAHHÜTLERİ VE TİC. A.Ş.	100,00 %

**THE TOURISM
GROUP**

ATTAŞ ALARKO TURİSTİK TESİSLER A.Ş.	99,82 %
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 OTEL SANDA SPA (HBC, HCC-ETİLER, HCC-İSTİNYE, HCC-TRIO, HSH)	

**THE LAND
DEVELOPMENT
GROUP**

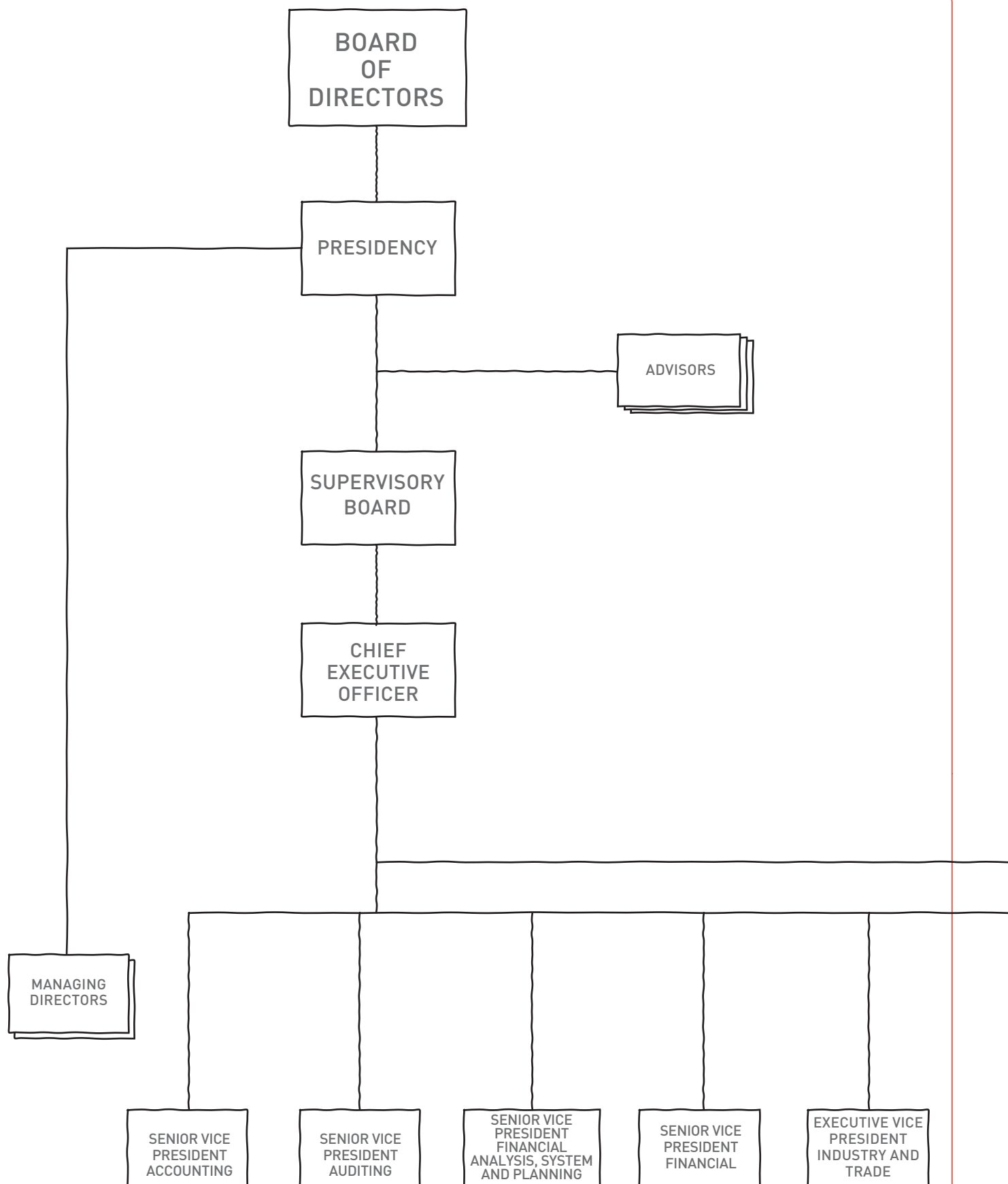
ALARKO GAYRİMENKUL YATIRIM ORT. A.Ş.	51,03 %
ALDEM ALARKO KONUT İNŞAAT VE TİCARET A.Ş.	99,81 %
AL-RİVA PROJESİ ARAZİ DEĞER., KONUT İNŞ. VE TİC. A.Ş.	40,00 %
AL-RİVA ARAZİ DEĞER., KONUT İNŞ. VE TİC. A.Ş.	40,00 %
AL-RİVA ARAZİ DEĞER., KONUT İNŞ., TURİSTİK TES., GOLF İŞL. VE TİC. A.Ş.	40,00 %
ALARKO DEYAAR GAYRİMENKUL GELİŞTİRME A.Ş.	49,91 %
MOSALARKO J.V.	50,00 %

**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



* Organizational level is limited to the "Vice President" level in this chart.





EXECUTIVE COMMITTEES

SUBSIDIARIES AND PARTICIPATIONS

DEPUTY CHIEF EXECUTIVE OFFICER CONTRACTING

EXECUTIVE VICE PRESIDENT ENERGY

EXECUTIVE VICE PRESIDENT TOURISM

EXECUTIVE VICE PRESIDENT LAND DEVELOPMENT

EXECUTIVE VICE PRESIDENT LAND DEVELOPMENT CONSTRUCTION

EXECUTIVE VICE PRESIDENTS CONTRACTING



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

MEHMET AHKEMOĞLU

AUDITING

MUSTAFA FİLİZ

ACCOUNTING

ÜMİT NURİ YILDIZ

FINANCIAL ANALYSIS, SISTEM & PLANNING

■ EXECUTIVE VICE PRESIDENTS

H. ÖNDER ŞAHİN

INDUSTRY & TRADE

A. ÖNDER KAZAZOĞLU

ENERGY DISTRIBUTION

ADNAN YAĞMUR

ENERGY GENERATION

EDİP İLKBAHAR

TOURISM

HARUN H. MORENO

LAND DEVELOPMENT - BUSINESS DEVELOPMENT / REAL ESTATE INVESTMENT CO.

AYKUT BAYCAN

GENERAL MANAGER

BEKİR BORA

CONTRACTING - ACCOUNTING

ONAT BİTİK

CONTRACTING - PROJECT FINANCE & LOCAL BUSINESS DEVELOPMENT

CONTRACTING - CONSTRUCTION

■ DEPUTY SENIOR VICE PRESIDENTS

ÖMER ÇELİK

FINANCING

TURGUT ÇELİK

INFORMATION TECHNOLOGY

■ DEPUTY EXECUTIVE VICE PRESIDENTS

B. BÜLENT AKKAN

CONTRACTING - CONSTRUCTION

BÜLENT ÇALIŞKAN

CONTRACTING - BUSINESS DEVELOPMENT - FOREIGN COUNTRIES

F. NEŞE UÇAR

CONTRACTING - LOGISTICS

HALUK MARTAĞAN

CONTRACTING - PLANNING, ANALYSIS & TECHNICAL SUPPORT

KORHAN UĞUR ÖZBAYSAL

CONTRACTING - BUSINESS DEVELOPMENT - FOREIGN COUNTRIES

MUSTAFA V. GAFUROĞLU

CONTRACTING - BUSINESS DEVELOPMENT - FOREIGN COUNTRIES

NAİM TÜRKOĞLU

CONTRACTING - CONSTRUCTION

EROL UÇMAZBAŞ

ENERGY DISTRIBUTION

İSMET GENÇER

INDUSTRY & TRADE

HALUK FERİZOĞLU

INDUSTRY & TRADE - DEALER SALES

HIRANT KALATAŞ

INDUSTRY & TRADE - MARKETING AND SUPPORT

KEMAL BIÇAKÇI

INDUSTRY & TRADE - AFTER MARKETS

MURAT ÇOPUR

INDUSTRY & TRADE - FACTORIES

KADİR EKE

LAND DEVELOPMENT - MARKETING, SALES



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

ABBAS ŞAHİN
 KADİR BAŞOĞUL
 M. ALİ GİRGİNCE
 M. GÖKHAN GÜVEN
 MEHMET EKİCİ
 MEHMET HALİL TUNA
 S. VELİ MESTA
 ŞAFAK KOLAY
 TURAN SÜHA AÇARBIÇER
 BÜLENT ÖZTÜRK
 CÜNEYT ALTINOK
 İSMAİL EROĞLU
 MURAT MAZI
 SERDAR SAĞLAM
 ÜMİT BORAN
 ARİF NEZİH YILMAZ
 BÜLENT TOKAN

 İSMAİL H. YILDIRIM
 LEVENT ÖZMARAL
 MUHAMMET METLEK
 AHMET YÜKSEL VAROL

 BÜLENT İŞİK
 RECEP ORDU

CONTRACTING - PROJECT CONTRACT MANAGER - ASTANA WATER SUPPLY PROJECT
 CONTRACTING - PROJECT CONTRACT MANAGER - KIRKLARELİ 2 PROJECT
 CONTRACTING - PROJECT CONTRACT MANAGER - TAKSİM - YENİKAPI METRO PROJECT
 CONTRACTING - PROJECT CONTRACT MANAGER - LEVENT - HACIOSMAN METRO PROJECT
 CONTRACTING - PROJECT CONTRACT MANAGER - ANKARA METRO PROJECT
 CONTRACTING - PROJECT CONTRACT MANAGER - CYPRUS WATER SUPPLY PROJECT
 CONTRACTING - PROJECT CONTRACT MANAGER - ANTALYA LRTS PROJECT
 CONTRACTING - PROJECT CONTRACT MANAGER - KIEV BORYSPIIL AIRPORT PROJECT
 CONTRACTING - PROJECT CONTRACT MANAGER - SAMSUN LRTS PROJECT
 CONTRACTING - DEPUTY PROJECT MANAGER - KIEV BORYSPIIL AIRPORT PROJECT
 CONTRACTING - DEPUTY PROJECT MANAGER
 CONTRACTING - DEPUTY PROJECT MANAGER - TAKSİM - YENİKAPI METRO PROJECT
 CONTRACTING - DEPUTY PROJECT MANAGER - ASTANA WATER SUPPLY PROJECT
 CONTRACTING - DEPUTY PROJECT MANAGER
 CONTRACTING - DEPUTY PROJECT MANAGER - LEVENT - HACIOSMAN METRO PROJECT
 ENERGY GENERATION - KIRKLARELİ POWER PLANT MANAGER
 ENERGY GENERATION - ASSISTANT GENERAL MANAGER - FINANCING AND ADMINISTRATION
 ENERGY GENERATION - H.E.P.P. OPERATIONS MANAGER
 ENERGY GENERATION - PROJECT MANAGER
 ENERGY GENERATION - ELECTRICAL PROJECT MANAGER
 LAND DEVELOPMENT - ASSISTANT GENERAL MANAGER - FINANCING AND ADMINISTRATION
 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 2010 and the Statement of Financial Position and Statement of Comprehensive Income 2010.
 - b) Reading of the Statutory Auditors' Report.
 - c) Reading of the Independent Auditors' Report.
 - d) Approval of the 2010 Statement of Financial Position and Statement of Comprehensive Income.
 - 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 2010.
- 5- Giving information about donations made by the Company.
- 6- Presenting information on the guarantees, pledges and mortgages lodged by the company in favor of third parties.
- 7- Deliberations and decision on the proposal of the Board of Directors concerning the distribution of the profits.
- 8- 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.
- 9- 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.
- 10- Deliberations and decision on granting Board members the authority set forth in Articles 334 and 335 of the Turkish Commercial Code.
- 11- 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.
- 12- Reading previous and amended texts of article 5 of the Articles of Association of the company and deliberations and decision regarding the approval of the amended text as attached to the letters of the Capital Market Board and Republic of Turkey, Ministry of Industry and Trade, General Directorate of Domestic Trade about the aforesaid amendment.

Board of Directors



BOARD OF DIRECTORS' ANNUAL REPORT

Esteemed Shareholders,

In many respects, 2010 can be described as a year of recovery in which some of the losses of 2009 were recuperated. Such years are inevitable after serious and long crises. However, the resources used in this recovery and the soundness of the economic indicators are of major importance because the languor of such years of recovery can induce a spiral of inflation, debt and unemployment in these economies.

Every country will naturally try to minimize the effects of crises by developing solutions that are compatible with its level of development, socioeconomic structure, variety of resources and credibility. However, the decisions taken particularly by the developed countries that lead global economy affect the other countries' economies either in a negative or positive way depending on the position they take. Therefore, under the influence of the tactical decisions of the Central banks, the growth rate in many countries exceeded expectations in 2010. Particularly India and China attained serious growth rates. Turkey was also positively affected by these developments and the growth rate attained was approximately 8,9%. Inflation remained at a single digit level due to monetary policies.

The high level of growth had a limited effect on the 13% unemployment rate of 2009 which dropped to 12% in 2010. However, employment possibilities continue to be a problem for young people and this potential reflects to the economy only partially. The fact that the real sector cannot get enough of a share in this growth due to the low exchange rate prevents unemployment rates from dropping further.

The fact that growth is dependent on loan capital and the production of goods and services that generate less added value is one of the basic concerns of our economy. Hence, the fragility of our economy persists. One of the reasons for the serious increase in our foreign debts in the last 5 years is the fact that this problem has not been solved yet.

The foreign trade and current account deficit in the country's economy continued this year as well. The prevision stated in our annual report of 2009 materialized and both foreign trade and the current account deficits increased in 2010. The current accounts deficit increased by 247% reaching US\$ 48,6 billion. This is mostly due to the foreign trade deficit that has attained US\$ 56,4 billion. The export coverage ratio over exports fell back to 61,4%. Moreover, the fact that imports consisted mainly of intermediate goods for exports and energy also seriously limited the positive effect that exports could have on the country's economy.

The global cyclical effect has brought out the event of providing financing of the current accounts deficit smoothly. However, the fact that the ratio of the current accounts deficit to the GDP is 6,4% prevents the country's credit rating from attaining the investable level.

The high growth rate and the forthcoming elections will raise inflation rates in 2011 and we predict that the Central Bank will raise reserve accounts to circumvent this and control domestic demand. Implementation of production and employment policies that will reassure the market and financing growth with reliable resources will be of utmost importance in 2011.

Our group is following all these indicators closely and developing its growth and investment strategies accordingly. In 2010, our group showed a good performance and attained its objectives. In 2011, we are aiming at developing in the energy sector in particular and at focusing on major contracting projects. We will follow the projects within the scope of the Privatization program in 2011.

Our Group will continue its growth policy based on reliable resources taking into consideration possible risks on a macro level.

With respects and kind regards.



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 01.01.2010 and 31.12.2010.
- b) The terms in office of members of the Board and Statutory Auditors for the year 2010 are given on pages 6 and 7. The financial statements of the operational results obtained by Alarko Holding A.Ş. in 2010 were audited independently by Denet Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş. (Member, BDO International Network).
- c) Our partnership's registered capital ceiling in 2010 was TL 500.000.000.
- d) Our issued capital is TL 223.467.000,- and our consolidated profit before tax in 2010 was TL 59.209.391.
- e) Our Annual General Assembly held on 18.05.2010 was attended by 27 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, 17,68% of the shares Dalia Garih. Vedat Aksel Alaton and Leyla Alaton own 3,82% of the share. A dividend of 39,8%, 213,2% and 65,96% over cash paid capital and of 0,91%, 4,89% and 1,46% over total equity was paid during the periods of 2007, 2008 and 2009 respectively. The proposal for the distribution of the profits for 2010 submitted by our Board of Directors to the approval of the General Assembly is on page 55 of this report. The value of our shares being traded at the Istanbul Stock Exchange at the time this report was prepared was TL 3,79.
- f) The total amount of donations made by our partnership to various foundations and associations in 2010 was TL 1.820.
- g) Information on the guarantees, pledges and mortgages lodged by our company in favor of third parties as of 31.12.2010 is given in footnote 18 of the financial statements.
- h) The following table includes the subsidiaries of our company with their areas of operation, their capitals and the percentage of shares owned as of 31.12.2010.



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	104.572.000	99,80
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	10.650.794	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	4.870.000	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
Yaşar Dış Ticaret A.Ş.	Export and import	20.000.000	0,0005
Arı Teknokent Proje Geliştirme Planlama A.Ş.	Technologic Development	6.360.500	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
Tasfiye Halinde DAF Araştırma Geliştirme A.Ş.	Research and development projects related to games of chance, bets etc.	60.000	33,33
Alcen Enerji Dağıtım ve Perakende Satış Hizmetleri A.Ş.	Build, operate or transfer energy distribution plants	214.560.000	0,0006
Meram Elektrik Dağıtım A.Ş.	Electrical energy distribution	508.578.425	0,0000

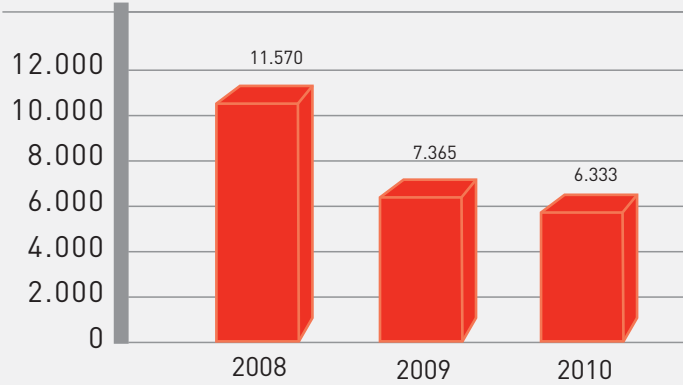


EARNINGS FROM SUBSIDIARIES AND EQUITY PARTICIPATIONS

- 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)		
	2008	2009	2010
Alarko Carrier Sanayi ve Ticaret A.Ş.	2.042.608	3.813.726	-
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	5.971.559	-	4.482.670
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.	124.293	834.539	-
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.	1.286.761	1.110.526	1.078.131
Alamsaş Alarko Ağır Makina Sanayii A.Ş.	1.651.555	1.303.611	360.895
Saret Sanayi Taahhütleri ve Ticaret A.Ş.	258.156	82.723	64.422
Tüm Tesisat ve İnşaat A.Ş.	2.911	2.830	20.637
Attaş Alarko Turistik Tesisler A.Ş.	2.126	-	-
Mosalarko J.V.	229.940	140.292	312.732
Arı Teknokent Proje Geliştirme Planlama A.Ş.	-	76.892	13.787
TOTAL	11.569.909	7.365.139	6.333.274

TL THOUSAND EARNINGS FROM SUBSIDIARIES



- b) The 2009 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	(TL)			
	Profit For The Period 2009	Distributable Profit (A)	Distributed Profit (B)	(B/A) %
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	8.088.094	7.683.690	4.500.000	59
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.	2.420.598	1.817.816	1.798.979	99
Alamsaş Alarko Ağır Makina Sanayii A.Ş.	556.650	436.525	399.114	91
Saret Sanayi Taahhütleri ve Ticaret A.Ş.	70.489	70.489	64.422	91
Tüm Tesisat ve İnşaat A.Ş.	61.081	46.436	42.856	92

SUBSIDIARIES OF ALARKO GROUP

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

The companies of the Alarko Group operate in 6 major fields of activity listed below:

CONTRACTING GROUP

ENERGY GROUP

INDUSTRY AND TRADE GROUP

TOURISM GROUP

LAND DEVELOPMENT GROUP

SEAFOOD PRODUCTS GROUP





CONTRACTING GROUP



THE CONTRACTING GROUP

The Contracting Group
 The Energy Group
 The Industry and Trade Group
 The Tourism Group
 The Land Development Group
 The Seafood Products Group

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

The new market quest of our group that is active in a wide geography continued in 2010 and in addition to the areas in which we are already active, we have concentrated on the development of large scale projects in Oman, Yemen, Algeria, Tunisia, Libya, Pakistan, India and Mongolia markets. We expect a serious business potential in these areas.

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. We have continued to develop our work methods so as to obtain serious competitive advantage.

The "Goal Based Management" principle is fundamental at the Alarko Contracting Group. In addition to goals, our performance measurement system is used to measure the general and managerial competence of all our employees at all times.. Thus, each employee is ensured development in the areas of result oriented operation, effective use of resources, representation, compliance to company policies and regulations, responsibility understanding, visionary leadership, delegation and personnel training, strategic thinking-political approach, and management and motivation.

In 2010, continuous and periodical work-site supervision was maintained in our sites both with internal supervision and internationally approved supervision companies 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, application of our Environment Management System has enabled us to lower the possible environmental damage of our operations to acceptable levels. Our company has the ISO 9001:2000, ISO 14001, and OHSAS 18001 certifications and is maintaining its efforts to improve its management systems.

The operation areas of the Contracting Group can be summarized under the following headings:

- **Refinery, Chemical and Petrochemical Plants**

- Refineries
- Petrochemical Plants
- Chemical Processing Plants
- Tank Farms

- **Industrial Plants**

- Factory Construction and Equipment Assembly
- Ore Processing and Dressing Plants
- Metallurgy and Electrometallurgy Plants
- Iron and Steel Plants
- Cement and Lime Plants

- **Energy Plants**

- Hydroelectric Power Plants
- Thermal Power Plants
- Combined Cycle Power Plants
- Heat Recovery Systems

- **Pipe Lines**

- Oil Pipelines
- Natural Gas Pipelines
- Water Pipelines
- Urban Natural Gas Distribution Networks
- Compressor Stations
- Pump Stations

- **Water and Waste Water Transportation Pipelines and Treatment Plants**

- Waste Water Treatment Plants
- Potable and Usage Water Treatment Plants
- Industrial Water Treatment Plants
- Waste Water Sea Discharge Lines
- Water Supply and Irrigation Systems

- **Transportation Projects**

- Airports
- Railroads
- Underground Systems
- Light Rail Systems
- Signalization Systems
- Highways, Motorways
- Tunnels, Bridges

- **Housing Projects and Service Buildings**

- Satellite Towns
- Mass Housing
- Luxury Dwellings
- Business Centers
- Commercial Centers
- Hospitals
- Hotels
- Military Facilities

The status of projects in progress in 2010, those completed within the year and those recently undertaken are summarized below:



THE CONTRACTING GROUP



Astana Water Supply Project

The Astana Water Supply Project comprises the rehabilitation and the construction of the annexes and the 125 km long distribution lines network to increase the existing capacity of the drinking and wastewater installations of Astana. About 89 km of the distribution lines are being laid using the horizontal directional drilling (HDD) method. This method of construction is being used in Kazakhstan for the first time by Alarko. The project 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 83.000 cold and hot water meters to be connected to homes and offices as well as 1.007 connecting lines from potable water lines to homes. Provisional acceptance of the project was conducted at the end of December 2010 and delivered to the employee.

Istanbul Municipality Levent - Haciosman Metro Project

A physical progress rate of 96% was attained as of the end of September 2010 in our project within the scope of the Istanbul Metro, Phase III, 4th Levent-Haciosman line.

The project consists of extending the Taksim 4th Levent metro line already in operation to Haciosman and deploying the maintenance and repair area of the metro cars to the Seyrantepe Triage Area. The 4th Levent Sanayi Station, İTÜ Ayazağa Station, Atatürk Auto Sanayi and Darüşşafaka stations are open to operation and the Haciosman station is planned to open in early 2011.

The fact that the Türk-Telekom Arena Stadium for 52 thousand spectators is close to the metro station and that league matches will be held there in January 2011 makes this station even more important. Three 100 m long bored tunnels were built under the TEM motorway to enable the Stadium-Metro connection. The last station of the project is the Haciosman Station. The structural works at this station is completed and the finishing and electromechanical works are continuing. The

7-storey Haciosman Station with a closed area of 33.000 m² is the largest station within the scope of our project and comprises a 4-storey car park with a capacity of 408 vehicles. As the whole station is located underground, when construction is completed, the top of the station will be used as a parking area for minibuses and İETT buses. Thanks to these characteristics, the congested Maslak-Levent traffic will be greatly alleviated with the completion of the station.

Samsun Light Rail Transport System Project

The construction of the 15.146 m long double track line between Körfez and Cumhuriyet with 21 stations, traction power substations, depot area and depot area connection lines of the Samsun Light Rail Transportation System was completed as of the end of October 2010 and commercial operation has started.

The Project includes;

- Construction of the 15,7 km line and track laying between Körfez and Cumhuriyet,
- Construction of 21 stations, and the finishing and electromechanical works,
- Construction of 10 traction power substations,
- Construction of 3 viaducts, 2 cut and cover tunnels, depot area and depot area connection lines and entrance and exit buildings,
- Track works,
- Power procurement and distribution system,
- Signalization system,
- Elevators,
- Procurement and commissioning of trains.

Our operation and maintenance support service of the project will continue until the end of 2011.

Istanbul Municipality Taksim - Yenikapı Metro Project

The Taksim-Şişhane section of the Taksim-Yenikapı metro project that covers the electromechanical and finishing works of this metro line has been in commercial operation since 2009. The project includes the fabrication of the 5.200 m long double track tunnel that will work in total harmony with the Taksim - 4th Levent metro line and the Şişhane, Unkapanı, Şehzadebaşı and Yenikapı stations. In addition to the finishing works in the stations, the project includes the execution of systems such as power supply and distribution, signalization, 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.





This system to be integrated with the IDO sea bus system at Yenikapı is planned to go into operation in 2013.

Kırklareli Natural Gas Combined Cycle Power Plant Project

The Project 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 along the Kofçaz road in Kırklareli.

The main buildings within the scope of the 1st phase of the project; the administration, steam turbine, water treatment, natural gas pressure reducing and measuring buildings and the gas turbine and related systems were put in operation as of the end of 2009 and power production has started. The combined cycle power plant, the project's 2nd phase, has been in operation since December 2010.

Kiev Boryspil Airport Project

A physical completion of 40 % was attained in the construction of the terminal building annex, parking ramp, viaduct and road construction to serve the increasing number of passengers of the existing airport located 29 km southeast of Kiev, Ukraine by the end of 2010.

The project consists of a 100.000 m² terminal building, 200.000 m² parking ramp, 22.500 m² taxiway connections, 1,4 km viaduct, 4 km access roads, and 11 passenger bridges. The project undertaken by the Doğuş-Alarko-YDA Joint Venture is planned to go in operation at the end of December 2012.

Ankara Metro Project

The project includes;

- Renovation of the electromechanical works on the existing Kızılay-Batıkent line,
- The electromechanical works of the Batıkent-OSB metro line,
- The signalization system of the Kızılay-Çayyolu 2 line,
- The signalization system of the Tandoğan-Keçiören line,
- The renovation or modification of the depot, workshop and control center in Macunköy according to the requirements of the system,
- Renovation of the signalization, announcement, wireless etc. systems of the existing 108 vehicles according to the new system.

- Procurement, assembly and commissioning of the on vehicle signalization equipment for the 324 vehicles to be procured later.

Adana Metro Project

The Adana Light Rail Transport System (LRTS) that will connect the north and south sections of the city is 14 km long with 13 stations. The project that alleviates the traffic load in the most populated quarters of the city also partly decreases noise and air pollution and provides Adana residents environment friendly, safe and comfortable transportation. Adana residents are highly appreciative of the metro that started free operation on May 14, 2010. With the opening of the metro, residents of Adana have reclaimed the time spent travelling from the most populated north and south sections to the city centre and enjoy a high technology system of international quality and standards.

Antalya Light Rail System 1st Stage Construction Works Project

Provisional acceptance of the 11 km long line with 16 stops connecting the north section of the city to the center was obtained in December 2009. The 12 months of operation maintenance obligation was fulfilled in 2010.

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, transporting it to the Turkish Republic of Northern Cyprus through a 80 km long HDPE-100 (High Density Polyethylene) 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 to supply the potable and fresh water needs of the Turkish Republic of Northern Cyprus. 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 revision and change requests of the employer have been carried through.

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 were finalized in 2009. The revision and changes requested by the employer were put in the project plans at the end of 2010 and our contract obligations were completed.



 **ALARKO**
FUTURE'S CLUB



ENERGY GROUP



THE ENERGY GROUP



ENERGY GENERATION ACTIVITIES

Bearing in mind the increasing energy demand in parallel with the growth in the Turkish economy, Altek Alarko Elektrik Santralleri Tesis, İşletme ve Ticaret A.Ş. (Altek Alarko Power Plants Construction, Operation and Trading Inc.) and Alarko Enerji Üretim A.Ş (Alarko Energy Generation Inc.), as Alarko's companies active in the energy sector, have accelerated their new investments. The activities of the Alarko Group in 2010 related to new power plant projects are summarized below.

The Power Generation Activities in 2010

The Power generation at the **Düzce-Hasanlar, Tarsus-Berdan and Malatya-Tohma Hydroelectrical Power Plants (HEPP)**, as the first examples of the Build-Operate-Transfer model in Turkey, have continued their operations in 2010. The power generation have been increased by 31% over the previous year due to abundant rain fall resulting in a very productive year for our company. In 2010, the power generation reached approximately 55 million kWh at our Berdan HEPP, 48 million kWh at the Tohma HEPP, and 31 million kWh at the Hasanlar HEPP.

In 2010, the power generation at our **Kırklareli Natural Gas Fired Combined Cycle Power Plant** with an installed capacity of 82 MWe was approximately 484 million kWh.

In 2010, a net total of 618 million kWh of power generation was realized in our four plants in operation.

The new combined cycle natural gas fired power plant with an installed capacity of 82 MWe and an annual generation capacity of 600 GWh that was built as an extension to our existing **Kırklareli Natural Gas Fired Combined Cycle Power Plant**, has gone into commercial operation on simple-cycle basis with an installed capacity of 600 MWe in July 2010 and on combined-cycle basis in December 2010 with 82 MWe. With this installed capacity increase, we are expecting a net annual generation of 1,2 billion kWh in 2011 from both of our **Kırklareli Natural Gas Fired Combined Cycle Power Plants**. Our net total generation and commercial sales target including our other HEPP power plants is 1,3 billion kWh.

Our New Power Plant Projects

Our efforts regarding hydroelectric and thermal power plant projects are summarized below.

Karakuz Dam and Hydroelectric Power Plant:

The Water Usage Rights Contract with DSİ (State Waterworks) for the Karakuz Dam and Hydroelectrical Power Plant Project that was licensed by Energy Market Regulatory Authority (EMRA) in 2006 and to be built along the Körkün River within the boundaries of the Adana province was signed in 2006. An additional protocol was signed with DSİ on 20.08.2010 to conform to the amended regulations. Following the approval of our updated feasibility report by DSİ and EİE (Electrical Power Resources Survey and Development Administration), the EPDK (EMRA-Energy Market Regulatory Authority) has accepted our application to amend the license with an installed capacity of 76 MWe and an annual generation of 305 GWh in 2010. We are awaiting the amended license from EMRA.

Following the receipt of the approval of the ÇED Report (EIA - Environmental Impact Assessment) by the Ministry of Environment and Forestry as well as the approval of the final design projects by DSİ, MENR and TEİAŞ, and completion of expropriation works, we are aiming at starting the construction after providing financing in the first half of 2011. The dam and HEPP project is expected to be completed in 3 years.

Beşkonak Hydroelectric Power Plant:

A feasibility report in accordance with the free market model was prepared for the Beşkonak Hydroelectric Power Plant with an installed capacity of 72 MWe and an annual generation capacity of 380 GWh/year and an application was made to DSİ. We are waiting for the tender to be announced by DSİ.

On the other hand, when the German E.ON AG that has control of SNET as owner of 50% of the shares of Altek A.Ş., has decided to move out of Turkey, Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. has purchased all the shares of this company in Altek A.Ş. Hence, the Alarko Group of Companies now owns 100% of the shares of Altek Alarko A.Ş.

Çanakkale Karabiga Thermal Power Plant:

Our efforts for an imported hard coal fired thermal power plant with an installed capacity of 1.210 MWe and an annual generation capacity of 7.312 GWh to be built on our land of 670 ha by the coast in Karabiga, Çanakkale are continuing. We are planning to proceed with the investment in 2011 depending on financing conditions and approval of EIA as well as licensing by EMRA.





THE ENERGY GROUP

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 The Seafood Products Group

ENERGY DISTRIBUTION ACTIVITIES

After winning the tender announced by the Privatization Administration for the block sale of 100% of the shares of Meram Elektrik Dağıtım A.Ş. (MEDAŞ), the company was taken over by Alcen Energy Distribution and Retail Sales Services Co. founded on an equal shares basis with Cengiz Holding A.Ş. on 30.10.2009.

MEDAŞ gives distribution services over an area of 76.932 km² which is equal to 10% of the total area of Turkey and includes the provinces of Konya, Karaman, Aksaray, Nevşehir, Niğde and Kırşehir. There are 6 provinces, 65 counties, 331 towns, 1379 villages and 512 village dependent plateaus within the responsibility area of MEDAŞ.

In the transformation and development process following 30.10.2009, new, knowledgeable and well equipped young people were employed to work alongside the company's experienced personnel. This resulted in a major change in human resources and brought about dynamism to the company. As of the end of 2010, the company had a total of 2.499 employees. 740 were the company's own employees and 1859 employees were working on a service procurement basis.

In addition to this development in the human resources area, one of the major concerns of our company in 2010 has been the training of our personnel. The training given and particularly training concerning occupational safety, aims at increasing the knowledge and competence of employees. A total of 65.000

man-hour of training was given in 2010. We are aiming to increase and continue this training in 2011.

Maintenance of the power facilities and energy distribution lines within a predetermined schedule was begun following the take over to offer our customers continuous and quality energy. Thanks to maintenance work conducted in 2010, there has been a considerable decrease in the number of power failures over the past years. A total of TL 55,1 million was spent in 2010 in investments in technology as well as the renovation of power facilities and energy distribution lines and the investments made to meet the energy privilege requests. The planned investment total for 2011 is approximately TL 114 million.

In addition to the change in the customer information system which forms the company's backbone, we have launched a call center. Thus, we are now able to meet the needs and requests of our 1,6 million customers in the area in much less time. We will continue the efforts made in 2010 to improve quality and efficiency. Our main objective is to make our company an exemplary distribution company in Europe.

On the other hand, we have established a company whose major area of activity is wholesale and retail energy trading to enable the 3,4 million inhabitants of the area to get cheaper energy. This new company entitled Meram Elektrik Enerjisi Toptan Satış A.Ş. will start its activities in 2011 after obtaining its wholesale sales license.





INDUSTRY AND TRADE GROUP



THE INDUSTRY AND TRADE GROUP

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Our company manufactures, markets and gives after-sales services for heating, ventilating, air conditioning products and pumps that are its main areas of activity. In 2010, we continued improving and developing the air handling units, roof-tops and fan coils manufactured using the technology and brand name of our partner Carrier, one of the leading companies in the world in this sector, and selling these products in the domestic and international markets.

Sales of the roof-tops we are exporting to the European market declined as a result of the shrinkage in this market due to the economic crisis. Although there was also a serious shrinkage in the air handling units' market, our sales in this area increased as AHI-Carrier developed its market area and share. Efforts to increase sales of air handling units in the European market will be given extra emphasis in 2011.

Our imported Alarko brand fan-coils have increased our market share as a result of their high quality and competitive price. This increase will be maintained in 2011.

In the shrinking air handling units market, we are working up towards the production of a new series that will answer the requirements and demand centering around the middle segment in particular. In addition, we are aiming at offering the market our reconditioned roof-top units produced mainly for exports equipped with R410A refrigerant as concurrent with market trends and with an increased number of types in 2011. We are also planning to launch the heat recovery accessory that enables efficient use of energy and which has become compulsory in Europe with laws and regulations.

The "Chilled Beam", a brand new product for Turkey, is gradually making a place for itself in the market. We have already started efforts to acquire a considerable share in the market of this product whose future is promising in the whole world and our efforts will continue increasingly in 2011. Thanks to the outstanding characteristics of the new 30XW chiller recently launched by Carrier we are aiming at increasing our share in this market.

A distributorship agreement has been signed with German Wolf company, one of the leading firms in Europe, for the procurement of renewable energy products that are the sine

qua non of products such as solar collectors and condensing boilers with a capacity of 100 kw and more whose demand is continuously increasing and to become more effective in heating systems. In the first phase, as of March 2010, we started the sales of CGB and MGK series condensing boilers in the 75-300 kw capacity interval that enable a central system up to 2.352 kw with a cascade system. This was followed by the sales of solar collectors and solar combis with boiler and condenser in October 2010. In 2011, we are aiming at becoming one of the most active companies in the condensing boiler market with the Wolf and Alarko brand image, competitive pricing and outstanding quality.

The sales of Seradens condensing combis whose production began in 2009 exceeded our targets in 2010 and increased our market share in the combi market considerably. We are expecting our market share to increase even more in the future. The Trendy combi which falls in the economic segment of the conventional combi market and which we manufacture will be digitalized in 2011 or a new digital model will be manufacture to replace the Trendy.

Development in the flat and vertical type panel radiators for exports has been completed and despite the economic stagnation in the European markets, our main export markets, our exports have continued to increase. Now we are working on central entry with ventilation trimming types for the German market. A serious sales increase is targeted in the domestic market with a new strategic move consisting of annual associations made with sellers.

In 2010, we have developed new gas and liquid fuel burners in accordance with the revision made in the Energy Performance Regulations in buildings. In addition to single and double stage models, we have begun manufacturing and sales of ALG 120M, ALG 210M modulation gas burners. Pursuant to our efforts in the same area we will start manufacturing ALG 60/M, 77/M and 90/M modulating gas burners, ALG 16 DM single stage gas burners with shut off damper, ALG 16/2 double stage gas burners, and ALF 42/2 double stage medium and heavy oil burners in January 2011. Development work of ALM type light oil burners and other ALF type medium and heavy oil burners in accordance with the new Building Energy Performance regulations will begin in 2011.



THE INDUSTRY AND TRADE GROUP

Alarko is continuing sales of boilers, radiator valves, expansion tanks and towel radiators with the Alarko brand procured from domestic producers and of Techem brand heat meters and heat cost allocation equipment. We have also continued giving service in heat cost allocation equipment reading in 2010. Floor type condensing boilers with cast aluminium core sections also procured from domestic manufacturers have also been offered to the market.

Projects related to energy efficiency in water pressurizing systems were given priority in 2010. We have reached the mass production phase in automatic speed changing models within the scope of the HECC (High Energy Category Circulators) project in circulation pumps. We will also ensure the adaptation of these models that will be offered for sale at the end of December and our new system circulation pumps with thermostatic valves. We are planning to conclude the work started in 2010 regarding circulation pumps with frequency inverters until the end of 2011 and display our models with automatic speed and inverter for export purposes at the International ISH Frankfurt Fair. Moreover, we have contacted the Ministry of Public Works for the corporate sales of these models.

In accordance with the demand for an intermediary series in 7" pumps, we developed the 7085 model and offered it to the market. Models with high Hm (350 mss and over) were designed and offered to the market in the 8090 series to answer the demand of Southeast Anatolia. Work towards performance and efficiency improvement of the 6"- 8" pumps and motors is being maintained. Comprehensive marketing activities related to water pressurizing systems were conducted in 2010 and the brand image was supported by general media advertisements, posters, poster distribution and fair participations. Marketing activities will be maintained in 2011.

We continue to be the "technology leader" in the individual and light commercial air conditioning market with environment friendly, high energy efficiency and best price/quality ratio products. We will continue to give our users maximum advantage and to offer the market products with the highest efficiency rates in the inverter segment that we have paid particular importance to in the last two years. We have been importing only Toshiba brand air conditioners with inverter since 2008 and started doing the same for Carrier products in 2010. Sales of air conditioners with inverter have been a rising

trend in the split air conditioner market that has shrunk due to the economic crisis and we believe that this trend will continue in the future. We will consolidate and maintain our position as a company with the largest product range with more than 60 types of products in 18 different series in the inverter segment market and the light commercial models where we already enjoy a major share.

We have a choice of 3 different systems in the Toshiba variable refrigerant flow (VRF) systems and our existing Toshiba VRF systems that have the highest efficiency rates in part load in the market have been even further improved with the higher efficiency and capacity new models offered to the market in the last quarter of 2010. We will continue to satisfy all the project requirements of our business partners and all technology, energy saving and initial investment cost conscious users with new and more efficient models and maintain our technology leadership in VRF systems.

We have entered the heat pump (air to water) market which is not fully created yet with Toshiba Estia products in the first quarter of 2010. Higher capacity systems and monoblock products in which the exterior and interior units are combined will be added to our product range in the second half of 2011. Our aim with these products having the world's highest efficiency rates is to contribute to users and our country's economy.

Efforts for a project to combine the sales and after sales work processes under a single joint software was started with the SAP company in 2010 and completed at the end of the year. The software will be used as of the beginning of 2011. The object of the project is to increase coverage and efficiency in sales, measure performance and eliminate activities that do not generate added value.

The outsource central depot and logistic application implemented in 2008 for dealer products was extended to all units in 2010 and its effectiveness will be observed in 2011.

In addition to the ISO 9000, ISO 14000, OHSAS 18000 and SA 8000 (Social Accountability) certificates obtained earlier, our company has obtained the EN 16001 Energy Management Standard certificate this year and after going through various inspections has proven that the level reached has become a company culture.



PRODUCTION ACTIVITIES

Main Production Plant

Our 10 year old main production plant situated in the Gebze Industrial Zone and extending over an area of 60.000 m² is a modern facility consisting of a closed 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
- Roof-top Air Conditioning Units
- Cooling 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 cooperate regularly with universities and TÜBİTAK (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

Our plant producing panel radiators using Alarko technology is situated in the Dudullu Organized Industrial Zone in Istanbul. The plant was modernized and its production capacity was doubled by an expansion completed in 2006. The plant extending over a closed area of 12.000 square meters 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 strong distribution and service network in Turkey. We have sales offices in İstanbul, Ankara, İzmir, Adana and Antalya, as well as a total of 284 dealers and 291 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. Our company maintains its customer focused approach, considers the trends of the market and in addition to products manufactured at our plants we include imported products to our product range. Thus, we can offer our dealers product variety and complete solutions to our customers. Our activities are also backed up by successful promotional and informative activities.

Supplementary products procured from companies we cooperate with and added to our product range as well as those manufactured at our own plants are:

- Automatic Control Equipment
- Duct Equipment
- Filters
- Axial Fans
- Cold Rooms
- Air-Conditioners for Operating Theaters
- Aspirators
- Fire Dampers
- Garage Ventilation Fans
- Chilled Beams
- Radiator Valves and Thermostatic Valves
- Heat Cost Allocation Equipment.

On the other hand building automation systems converting complex buildings such as large business centres, hotels, hospitals into "intelligent buildings" for smooth operation create a serious difference in relation to competition. Operating theatre 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 the area of 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 to the whole sector since 2002. With headquarters in İstanbul, Totaline has markets in İstanbul, Ankara and İzmir and sales points in İstanbul 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. A new field we have started working on is energy efficiency applications. Our company is one of the first in our sector that has obtained the authorization to supervise and give training in this area.

The training of our own personnel and dealers and service staff is being conducted in our modern training centres and on the internet with the cooperation of Alarko-Carrier Academy. Training includes technical subjects as well as subjects related to personal development.

As in previous years, in 2010 too, our company has executed numerous highly prestigious projects in the areas of heating, air-conditioning, hygienic air-conditioning and building automation.





TOURISM GROUP



THE TOURISM GROUP



The **Alarko Tourism Group**, one of the first companies that represents Turkey in the "Leisure" sector, a fast growing sector in the world defined as "spending leisure time in the most productive and quality manner", is continuing its development in the corporate framework.

The **Tourism Group** is maintaining its success in the area of "feeling good" 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 and is always aiming at being "beyond competition".

The **Alarko Tourism Group** also successfully markets the concepts it develops and is a leader in the sector with the added value it creates, its excellent service quality, new products and activities exceeding the expectations of those who are looking for quality and new trends.

HILLSIDE BEACH CLUB - Fethiye

Located along its own bay, **Hillside Beach Club**, a first class holiday village that hosted more than 20.000 Turkish and foreign guests in 2010, continues to offer its guests the holiday of their dreams with its friendly personnel, unique natural setting and service quality exceeding expectations. In 2010, the Club maintained its well-earned leader position in Turkish tourism with its high occupancy rate and service quality.

The **Hillside Beach Club** adheres to the principle of continuous renovation with surprise innovations every year and thus, the percentage of guests returning to the club year after year increases annually. The Club bases its price policy on the principle of having its guests "get their money's worth" rather than on high demand and hence has attained, one more time, exceptional occupancy rates in the 2010 season.

In 2010, **Hillside Beach Club** was once again awarded "**Best Resort Hotel**" in Quality in Tourism by Skal International, an organization combining all the different branches of travel and tourism with 500 clubs and 22.000 members in 90 countries.

HILLSIDE SU HOTEL - Antalya

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 is **Hillside Su**, a deluxe hotel in Konyaaltı, Antalya, that stands out as the first concept hotel selected by the world famous Design Hotels Group to cooperate with in our country. **Hillside Su** has introduced a new hotel concept to Turkey and the world with its original design, the dynamic holiday style it offers its guests, and its simple, unprecedented and surprising innovations.

Since its opening, **Hillside Su**, a holiday hotel open year long, has hosted meetings of various international companies in its fully equipped meeting halls. **Hillside Su** that has been quoted



THE TOURISM GROUP

in approximately 100 international publications and been the cover of many of them continues to assume an important role in the promotion of Turkey thanks to the interest of the world press, the distinguished groups and celebrities it has hosted.

HILLSIDE CITY CLUB - Etiler

With 20 years of "know-how" and its "sports awareness" motto **Hillside City Club**, a real life-center where the club feeling dominates, has pioneered the fitness concept as a sector in Turkey. The club, particularly preferred by the professional business world, is considered a first in the area of customer preferred recreation centers. In addition to applying new sports trends in the world to Turkey simultaneously, **Hillside City Club - Etiler** 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, the Club continued to cooperate with numerous national and international companies in 2010. Having successfully maintained its record number of members, the Club continued to be sought after forming a strong synergy with Wings Cinecity Cinemas, Mezzaluna Restaurant, Starbucks Coffee, D&R, SANDA SPA, Mos Hair Saloon, Sun Vital Solarium, The House Café that it houses.

HILLSIDE CITY CLUB - Trio

Hillside City Club - Trio, a giant "recreation center" opened in 2003 and operated by the Alarko Tourism Group, one of the largest facilities in its group in Europe with approximately 5.500 members, shortly succeeded in becoming an alternative to Bağdat Avenue on the Asian side of the city and to investors in the Kozyatağı area. With sports halls, indoor-outdoor swimming pools, indoor basketball, squash, racquetball and tennis courts, as well as the Wings Cinecity Cinemas with 7 cinema theaters, Mezzaluna Restaurant, Sosa Café, Starbucks Coffee, Puja Café, D&R, Mos Hairdresser, Sun Vital Solarium, and SANDA SPA extending over an area of 23.500 m², **Hillside City Club Trio** makes serious contributions to group synergy.

HILLSIDE CITY CLUB - İstinye

Hillside City Club - İstinye, the most recent operation of the **Tourism Group**, offers a colorful life center extending over a total area of 6.000 m² in İstinyePark Shopping Center. 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 activities where they can enjoy quality leisure time. Bahçecik hairdresser, Şükrü Dudu barber shop, Sun Vital Solarium, Big Plate, Before'n After Café and SANDA SPA are among the operations that complement Hillside's leisure world concept and were selected by Hillside as "the best".



CINECITY CINEMAS

Thanks to the unique service given, the **Cinecity Cinemas** operated by our Group since 1993 host approximately 1.000.000 spectators every year in 3 cinema theaters at Hillside-Etiler, 6 at Zeytinburnu Olivium Outlet Center, 7 at Hillside-Trio and 9 at İzmir Kipa Shopping Center. The **Cinecity Cinemas** create a pleasant synergy with the famous restaurants and cafés in its operation and is the pioneer of quality in the sector with the original services it offers and develops, its continuous innovations, the concepts it creates and its boutique cinema approach. With its loyalty program that has reached 67.000 registered users, the **Cinecity Cinemas** increases guest satisfaction and marks unique campaigns. The aim of the Tourism Group for the **Cinecity Cinemas** that started showing 3D films in 2009 is to continue in the area of cinema operation increasing its number of cinemas in boutique locations and large cities.

SANDA SPA

The **Alarko Tourism Group** introduced the natural SPA culture met with great interest in the world to the Turkish people 9 years ago at **Hillside Beach Club - Fethiye** and 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 last link of the Group's **SANDA SPAs** offering services with Turkish and Far Eastern therapists in a total of 6 branches at the Hillside Hotels and Hillside Sports Centers is operating at **Hillside City Club-İstinye** with 11 rooms. We are working towards developing the **SANDA SPA** label particularly in large cities.

HILLSIDER MAGAZINE

Hillside Magazine, an **Alarko Tourism Group** publication, celebrated its 15th anniversary in 2010 and profitably continues its "exemplary" role in the world of publication with its rich content and advertisements of national and international companies.

LAND DEVELOPMENT GROUP



THE LAND DEVELOPMENT GROUP

The Contracting Group
The Energy Group
The Industry and Trade Group
The Tourism Group
The Land Development Group
The Seafood Products Group



Our Land Development Group designs and builds projects with full infrastructure, recreation areas and operated in accordance with modern management applications. With more than 50 years of experience and know-how, the Group has made a difference in all its projects offering a new life style and is marking the most prestigious land development activities.

Alkent İstanbul 2000

A total of 800 families are enjoying a privileged life style at Alkent İstanbul 2000 Recreation Town which is one of the most prestigious settlements of İstanbul with its modern and unique concept.

Dwelling at the “**Lake Mansions**”, the most prestigious phase of the Alkent İstanbul 2000 project has begun. Sale of the few remaining houses is continuing.

Other Projects

Our efforts towards designing a composite project consisting of a hotel, residences and shopping mall in the most demanded location in İstanbul are ongoing. Moreover, our company is continuing to work on the feasibility and design of satellite towns with the objective of satisfying the housing requirements for earthquake resistant and quality residences in various areas of İstanbul.

On the other hand, our equal share Company with the Deyaar Development PJSC, a company established in Dubai, one of the Arab Emirates and a leader in land development, is maintaining its efforts to develop project on its own land. The new projects will be put into effect when the conjuncture is convenient.

ALARKO REAL ESTATE INVESTMENT PARTNERSHIP CO.

Compared to the economy in general, the construction sector was more seriously affected by the global economic crises and shrank by 8,1% and 16,1% in 2008 and 2009 respectively. The real estate stocks soared due to the decrease in housing demand. The existing stocks could not be liquidated despite

the recovery observed in the sector as of the first quarter of 2010. Moreover, the increase in the housing stock in particular continued with new real estate projects started in 2010. The surplus in supply continued in 2010 despite the increase in housing loans and the recovery in demand was not enough to liquidate the stocks. These conditions forced construction companies to be cautious about starting new projects.

Our company has completed the construction of the Lake Mansions, the most prestigious phase of the Alkent İstanbul 2000 project, and residence in this project has begun. This project whose site management was formed in 2010 has become a prestigious living center with its social premises, private security services and landscaping. Sales of the few remaining dwellings of the Lake Mansions project continued in 2010. We are aiming to sell all of our existing stock in this project in 2011. We are maintaining our search for appropriate land for new projects.

The stable rent income we obtain from the quality real estate in our portfolio was maintained and increased in 2010. The prestigious real estate in our portfolio are; Fethiye Hillside Beach Club Holiday Village, the shops in Alkent Etiler Çarşısı, the Alarko Business Center in Necatibey Caddesi, Karaköy, Alarko-Dim Business Center in Tepebaşı, and the office floors at the Alarko Business Center in Çankaya, Ankara. We are planning to increase our portfolio of quality real estate for rent income.





SEAFOOD PRODUCTS GROUP



THE SEAFOOD PRODUCTS GROUP

Alfarm A.Ş. active in the area of seafood products offers mainly salmon as well as sea trout and other kinds of fish processed in its modern plant to the domestic and foreign markets. Our company opened its first salmon processing plant in Dudullu, Istanbul, in 1993 and in 2001 moved to its modern salmon production plant in Suadiye, İzmit. This new plant enabled us to increase our product variety thus increasing our production capacity ten folds.

Thanks to the partnership established with Lerøy Group ASA, one of the world's leading companies in salmon breeding and marketing, we have achieved a serious competitive advantage in the market. Imported Norwegian salmon is being offered to the market through all store chains.

2010 Activities

While our sales of salmon increased steadily in 2010, we focused on the production and sales of seafood products with a high added value. Our investment for portion size slicing and filleting machines within this scope was completed and production of seafood to be sold in fixed weight and by piece started.

Priority was given to project based contract sales realized with companies in which product and service quality are at the forefront to counteract low priced competition in the market.

Contracts with the collecting and distribution centers of international retail and wholesale store chains have been finalized and a central distribution system that will provide a price advantage for our products with logistic operations has been put into effect. On the other hand, we have focused on packing that will extend the shelf-life of our existing products in the retail sales channels. We are continuing R&D work to develop special production boutique products suitable for mass consumption in the HO-RE-CA sales channels.

New Projects and Products

Spicy Salmon Fillet developed in cooperation with IKEA Turkey is quoted in the IKEA 2011 Turkey Catalogue. In addition to the frozen shelled shrimp, Boiled Whole Shrimp in 800 gr packages and Pepper Hot Smoked Salmon in 500 gr packages are now on sale at the Swedish Food Market departments in the IKEA stores,

The Smoked Salmon Sandwiches developed in cooperation with the Dardanel Aquatic Products Group are now being sold at market chains and the consumption is increasing. Our negotiations with the German based Nordsea company that is recently developing in Turkey to produce their products in our plants are continuing.

In addition to the processing machinery and equipment investments we have realized in concert with the increasing business volume, we are aiming at having a say in the Frozen



Seafood Products market with the capacity increase in our storage area whose construction began in 2010 and will become active in 2011. Our procurement contract for imported seafood products with IGLO Turkey has been signed with this objective in mind.

New Objectives and Investments

In concurrence with our machinery and equipment investments, we are planning to focus on the production and sales of our further processed and high added value products to increase their share in our total sales.

The R&D activities for the Turkish market will be conducted in cooperation with our Norwegian partner Hallvard Lerøy A.S. and Austevoll Seafood A.S.A. Importing canned seafood and frozen fish products from the Latin American production plants of our partner Austevoll Seafood A.S.A. will be considered after analyzing the marketing potential in the Turkish and Middle East markets.

In addition to international market chains where we are increasing our annual sales every year, we are also planning to cooperate with regional-local retail chains with a wide customer potential throughout the country.

We have started working on internet marketing to be put into effect in 2011 and are planning to complete this project by the end of the year. When the project is completed, web based sales over our company's corporate web site and retail and wholesale e-trade sites applicable to our products will be started.

Product quality, consumer health and safety, and environment protection principles are considered when making new investments.



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
	2006	2007	2008	2009	2010 (Thousand TL)	
Contracting & Land Development	465.541	527.099	575.134	541.875	413.354	443.954
Energy	50.594	92.898	141.131	351.348	1.144.236*	1.155.707*
Industry & Trade	248.237	287.613	300.268	264.809	284.174*	288.160*
Tourism	43.995	45.114	54.381	58.267	62.028	62.068
TOTAL	808.367	952.724	1.070.914	1.216.299	1.903.792	1.949.889

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

Perspectives for 2011

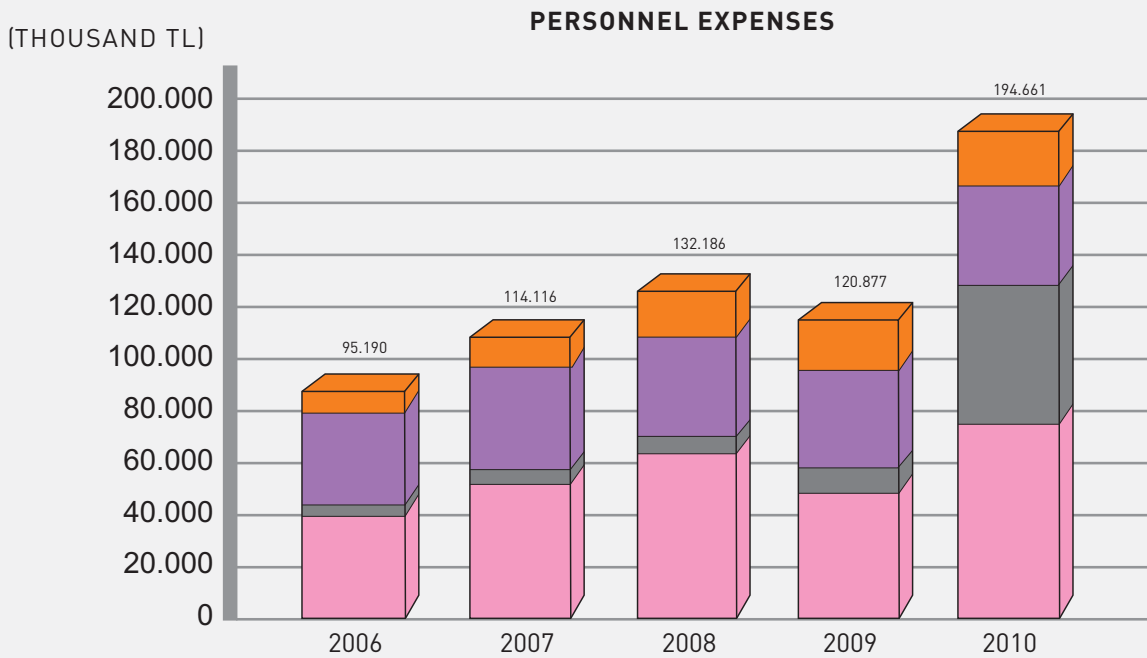
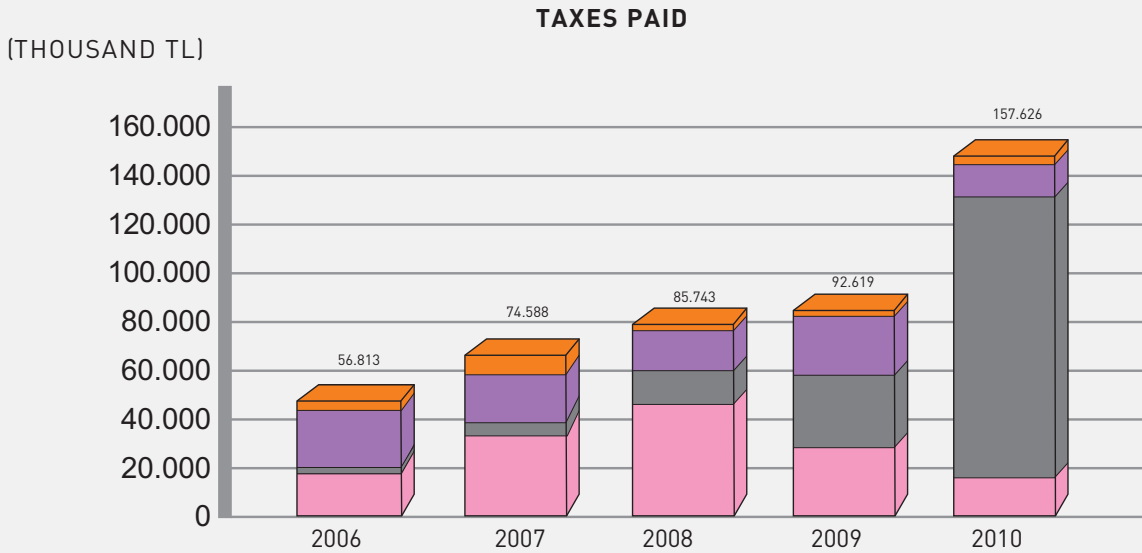
Our company has adopted the principle of working according to a plan and it has made it a tradition to reflect this in its annual reports. Our aim is to contribute to the comparison of the results of 2010 with the volumes which we foresee for 2011 and to their evaluation.

Starting from this point, the turnovers planned for 2011 are as follows according to groups of activities:

Companies and Businesses According to Activities	2011 Revenue Target	
	Consolidated (Thousand TL)	Total (Thousand TL)
Contracting & Land Development	555.669	563.028
Energy	1.395.249	1.427.836
Industry & Trade	325.973	330.351
Tourism	68.266	68.266
TOTAL	2.345.157	2.389.481



TAXES PAID AND PERSONNEL EXPENSES



DEVELOPMENTS IN THE LAST FIVE YEARS

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

	2006	2007	2008	2009	2010
Profit / Loss before Tax (TL)	52.388.820*	53.553.505*	78.972.708*	82.655.349*	59.209.391*
Equity Participation (TL)	14.515.798	12.313.344	11.939.500	11.776.191	6.128.751
Capital (TL)					
• Issued					
- As free shares	171.927.284	210.923.514	210.923.514	218.514.284	218.514.284
- Against cash	4.952.716	4.952.716	4.952.716	4.952.716	4.952.716
Total	176.880.000	215.876.230	215.876.230	223.467.000	223.467.000
• Registered	500.000.000	500.000.000	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	0,274	0,398	2,132	0,659	0,851
- According to total capitalization (including distributed bonus shares)	0,0076	0,0091	0,0489	0,0146	0,0188
• Net dividend rates					
- According to paid-in capital	27,4%	39,8%	213,2%	65,96%	85,14%
- According to total capitalization (including distributed bonus shares)	0,76%	0,91%	4,89%	1,46%	1,88%

* Consolidated amounts



BASIC RATIOS AND OTHER INFORMATION

BASIC RATIOS

The net profit margin of our Company's activities in 2010 is 3,51%. As of 31 December 2010, our company's current ratio was 2,08, liquidity ratio was 1,79, cash ratio was 0,84 and its financial leverage ratio was 0,45.

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

Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. and Alamsaş Alarko Ağır Makina Sanayii A.Ş., the companies subject to consolidation, hold shares in the amounts of TL 608.222,- and TL179.174,- respectively in the capital of the parent company. The proportion of these shares in the nominal capital of the Parent Company is 0,35%.

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 3829 people consisting of 2250 white collar employees, mainly engineers and architects, 1579 technicians and workers were employed by the companies and enterprises within the body of Alarko Holding A.Ş. in 2010.

In addition, an average of 3050 people were employed by the sub-contractors and external workshops. The severance pay load of Alarko Holding A.Ş. as of 31 December 2010 was TL 691.623,68. (excluding participations).

TRAINING

In 2010, the personnel received a total of 60.792 man/hour of training given within the group and a grand total of 87.782 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 01.09.2010 - 31.08.2012 was signed and put in effect between the companies in our group and MESS - Türk Metal.

ALARKO EDUCATION AND CULTURE FOUNDATION

In the 2010 - 2011 school year, the Alarko Education - Culture Foundation, established in 1986, gave scholarships to 27 students in their last year of university or in graduate programs in the engineering, civil engineering, finance, business administration departments of various universities, 36 students studying in technical or vocational high-schools and 23 successful children of our employees in need of financial support. Thus, more than 1300 university students and more than 700 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 2010, 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.



PROFIT DISTRIBUTION RECOMMENDATION

1. Pursuant to the Capital Market Legislation, the Company's Articles of Association and other applicable laws, the net distributable profit for the period is TL 39.236.872,- after setting aside TL 380.167,- for first order legal reserves and TL 2.330.281,- for shares with no control power from TL 41.947.320,- representing the profit for the year 2010 as shown in the consolidated financial statements for the period.

We propose:

- Calculating TL 7.847.738,- as first dividend (gross) corresponding to 20% of TL 39.238.692,- representing donations amounting to TL 1.820,- added to the net distributable profit for the period; distributing TL 4.960.968,- (gross) amount of this dividend to shareholders as dividend in cash, and adding the remaining sum to extraordinary legal reserves,
 - And the remaining sum to be added to the extraordinary legal reserves,
2. Deducting the necessary amount out of the dividend subject to withholding tax,
 3. Starting distribution of dividends on 31 May 2011.

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: TL 500.000.000
Issued : TL 223.467.000
- * **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: 18.05.2010 - 17.05.2011. He is not a company shareholder or employee.)
2. AYKUT BAYCAN (Term of office: 18.05.2010 - 17.05.2011. 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, 2010 for the first six months of the year, and the second on January 27 - 28, 2011 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 18.05.2010, 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, 2010 to December 31, 2010 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 statement of financial position issued as of December 31, 2010, the contents of which we approve, realistically and accurately reflects the financial standing of the company on that date; that the statement of comprehensive income for the period January 1, 2010 to December 31, 2010 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 statement of financial position and statement of comprehensive income and for the acquittal of the Board of Directors.

THE BOARD OF AUDITORS

Prof Dr. Ahmet Zeyyat HATİPOĞLU

Aykut BAYCAN



SEARCH CONFERENCE AND ITS ADVANTAGES*

Dear friends, recently there has been an increasing interest in brain storming referred to as Research Conference particularly among major companies and establishments.

The necessity of making medium and long term plans and programs is gaining increasing importance in institutions with a modern management approach.

While plan is defined as the sequencing of the actions to be taken to attain the targets and objectives set forth, program is defined as the chronological listing of the actions listed in the program.

However, experience has shown that when these plans and programs are prepared by top executives and a group of experts, they are less likely to be successful.

International experience has indicated that the psychological influence of a plan and program designed as the joint concept of all the different echelons of management including mid-management is more likely to be successful.

Hence, a Research Conference can be qualified as a forum aiming to search and find a collective intelligence in a company or institution.

The best method to be used in such conferences is to organize them in an interactive way within a systematic. Reviewing the social, political and particularly economic situation in the past 5 to 10 years of the relevant countries as well as making projections about the future 5 to 10 years is of significance in designing plans and programs.



A method to be used by all participants to determine and evaluate the past and future events has been developed. In order for the decisions taken and the conclusions inferred to be the expression of a mutual opinion, the participants are divided into rotating groups of 4 to 10 and the decisions reached at the end of deliberations in each group are probed in additional meetings with the participation of one representative from each group. Thus, a plan and program shaped by collective intelligence is attained.

The most important point to keep in mind here is for the company or institution's top management to abstain from being directing and if need be remain as observers without participating in the meetings. However, they should be able to exercise the right to do the final sum up if necessary.

If the opinion of top management is not concurrent or in parallel with the collective intelligence or opinions of the institution, top management should revise their views or although not advisable, when required, they should organize another cycle of meetings with the help of the conference administrator in order to persuade his/her subordinates.

The chance of success is much higher when ideas are the product of collective intelligence and thinking.

* The above passage is the last article written by Dr. Üzeyir Garih and was taken from the November 2001 edition of his book "DENEYİMLERİM 6".



REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

1. Statement Of Compliance With Corporate Governance Principles

Our Company takes due care to implement the rules mentioned in Corporate Governance 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 is; Lawyer Aysel Yürür.

For communication:

Phone : (90 212) 310 33 00 - 0212 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 74,70 %. 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 2011 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 2010, announcements in connection with 7 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 Governance 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 Governance 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 GOVERNANCE 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.



REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

- 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 2010 are as follows:

- İshak Alaton
- İzzet Garih
- Vedat Aksel Alaton
- Ayhan Yavrucu
- Dalia Garih
- Leyla Alaton
- Güner Koçel
- Ahmet Vural Akışık
- Mustafa Filiz
- Ümit Nuri Yıldız
- Mehmet Ahkemoğlu
- Ahmet Zeyyat Hatipoğlu
- Aykut Baycan
- Erol Uçmazbaş
- Ömer Çelik
- Aysel Yürür
- Süleyman İnal
- 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.



REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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 1300 university students and more than 700 high-school students. The Foundation's scholarships are not to be refunded. A total of 95 students were granted scholarships in the 2010 - 2011 school year.

PART IV - BOARD OF DIRECTORS

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

Board of Directors

İshak Alaton	Chairman
İzzet Garih	Vice Chairman
Vedat Aksel Alaton	Vice Chairman
Ayhan Yavrucu	Member
Dalia Garih	Member
Leyla Alaton	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 Governance 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

The main vision of the company is to become a stronger, well respected, pioneering global company that grows through the diversity it embraces and differentiation it creates.

The company's main mission is to carry Alarko to the future by adopting the highest universally accepted values and exceeding expectations with distinctive business models.

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 17 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 Garîh 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.



INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
Alarko Holding

Introduction

We have audited the accompanying consolidated financial statements of Alarko Holding A.Ş. (the Parent Company) and its subsidiaries, affiliates, and jointly controlled entities which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive 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.

Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.Ş. (a subsidiary of Alarko Holding A.Ş.) and Alarko Carrier Sanayi ve Ticaret A.Ş. (a jointly controlled entity of Alarko Holding A.Ş.) comprise 23,19% of the total assets in the consolidated statement of financial position as of 31 December 2010 and 34,83% of the total income in the consolidated statement of comprehensive income for the year then ended. The financial statements of the said subsidiary and the jointly controlled entity which comprise the statement of financial position as of 31 December 2010 and the statements of comprehensive income, changes in equity, cash flows for the year then ended were audited by another independent auditor. Further to the above, Alcen Enerji Dağıtım ve Perakende Satış Hiz. A.Ş. (Alcen) is a jointly controlled entity in which the Parent Company has an indirect 49,91% interest and the total consolidated assets of Alcen amounts to TL 752.851.458 as of 31 December 2010 while its net consolidated loss for the period is TL 7.558.555. Meram Elektrik Dağıtım A.Ş. (Medaş) is the subsidiary of Alcen, 100% of which was acquired by Alcen from the Privatization Administration and Türkiye Elektrik Dağıtım A.Ş. as of 30 October 2009. The consolidated statements of financial position of Alcen and Medaş as of 31 December 2010 and their consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows 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 consolidated 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 consolidated financial position of Alarko Holding A.Ş. as of 31 December 2010, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the TAS/TFRS issued by the TASB.



Without qualifying our opinion, we would like to draw attention to the following;

1. As of 31 December 2010, Saret KZ (a subsidiary) in which the Parent Company has 100% interest does not materially affect the consolidated financial statements; hence, it has been stated at cost in the accompanying consolidated financial statements.
2. Alcen Enerji Dağıtım ve Perakende Satış Hizmetleri A.Ş. (a jointly controlled entity) has acquired Meram Elektrik Dağıtım A.Ş. from the Privatization Administration and Türkiye Elektrik Dağıtım A.Ş. in full as of 30 October 2009 for a total of TL 652.212.000 (USD 440 million).

As of 31 December 2009, the said acquisition was provisionally accounted for as the studies made for determining the fair values of identifiable assets and transferred liabilities were then ongoing. The acquisition which was subject to provisional accounting is to be adjusted within 12 months following the establishment date of the merger as per the TFRS 3 "Business Combinations". Upon finalizing the accounting of the acquisition within the said period of time, certain retroactive adjustments were made on the fair values of the acquired identifiable assets and transferred liabilities, and in turn, in the recorded value of the goodwill; and the effects of the said adjustments are reflected to the accompanying financial statements (Note 2(v)).

Without qualifying our opinion, we would like to draw attention to the following (continued);

3. As of 30 November 2010, Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. has acquired 50% of Altek Alarko Elektrik Santralleri Tesis İşletme ve Tic. A.Ş. shares from Societe Nationale d'Electricite et de Thermique (SNET) for a total of TL 86.948.550 (USD 58.500.000).

As of 31 December 2010, the said acquisition was provisionally accounted for as the studies made for determining the fair values of identifiable assets and liabilities being transferred were then ongoing. Acquisitions subject to provisional accounting are required to be adjusted within 12 months following the establishment date of the merger as per the TFRS 3 "Business Combinations". Upon the final accounting of the acquisition, it is likely to have adjustments in the recorded fair values of acquired identifiable assets and the liabilities taken over and in the recorded value of goodwill.

İstanbul,
8 April 2011

Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.
Member, BDO International Network


DENET
Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.

Ömür Günel
Partner in charge

ALARKO HOLDING A.Ş. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2010 AND 2009 (TL)

ASSETS	Notes	31 December 2010	31 December 2009
Current Assets		894.579.879	1.230.603.292
Cash and Cash Equivalents	2,5	359.603.771	360.147.591
Financial Assets	2,6	64.063.925	141.711.819
Trade Receivables	2,8	301.395.124	494.704.590
Other Receivables	2,9	42.625.489	62.712.987
Inventories	2,10	77.979.130	108.502.335
Other Current Assets	2,20	48.912.440	62.738.021
Sub Total		894.579.879	1.230.517.343
Non-Current Assets Held for Sale	2,28	-	85.949
Non - Current Assets		742.800.184	520.812.611
Trade Receivables	2,8	29.576.016	12.686.746
Other Receivables	2,9	8.028.347	7.111.004
Financial Assets	2,6	87.365.682	6.424.157
Investments Valued by Equity Method	2,12	5.143.553	5.352.034
Investment Properties	2,13	1.737.135	1.837.572
Tangible Assets	2,14	358.612.217	218.780.045
Intangible Assets	2,15	224.308.487	232.732.568
Goodwill	2,16	10.231.982	5.413.326
Other Non-Current Assets	2,20	17.796.765	30.475.159
TOTAL ASSETS		1.637.380.063	1.751.415.903

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



LIABILITIES	Notes	31 December 2010	31 December 2009
Short Term Liabilities		429.302.839	562.818.209
Financial Liabilities	2,7	64.735.606	66.622.003
Other Financial Debts	2,7	306.911	139.319
Trade Payables	2,8	222.128.829	324.707.451
Other Payables	2,9	39.465.677	61.843.441
Taxes on Profit for the Period	2,18,29	3.766.035	7.711.816
Debt Provisions	2,18	16.436.951	18.360.328
Other Short Term Liabilities	2,20	82.462.830	83.433.851
Long Term Liabilities		299.990.235	317.963.971
Financial Liabilities	2,7	215.932.411	235.494.391
Other Financial Debts	2,7	2.392.093	1.220.384
Trade Payables	2,8	695.962	-
Other Liabilities	2,9	26.693.362	16.921.912
Provision for Termination Indemnity	2,19	16.668.697	19.099.815
Deferred Tax Liability	2,29	37.076.595	37.789.372
Other Long Term Liabilities	2,20	531.115	7.438.097
EQUITY		908.086.989	870.633.723
Parent Company Equity		814.450.381	779.239.195
Share Capital	21	223.467.000	223.467.000
Cross Shareholding Adjustment (-)	21	(787.396)	(608.222)
Value Increase Funds		79.583	(27.346)
Currency Translation Differences		4.457.986	5.315.949
Restricted Profit Reserves	21	5.470.613	4.333.572
Retained Earnings / (Accumulated Losses)	21	542.145.556	496.904.542
Net Profit / (Loss) for the Period		39.617.039	49.853.700
Non-Controlling Interest	2,21	93.636.608	91.394.528
TOTAL LIABILITIES AND EQUITY		1.637.380.063	1.751.415.903

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



ALARKO HOLDING A.S. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 (TL)

	Notes	31 December 2010	31 December 2009
CONTINUING OPERATIONS			
Sales Revenues	22	1.195.749.899	894.502.458
Cost of Sales (-)	22	<u>(1.022.692.934)</u>	<u>(738.300.147)</u>
GROSS PROFIT / (LOSS)		173.056.965	156.202.311
Research and Development Expenses (-)	23	(1.324.812)	(1.085.739)
Marketing, Sales and Distribution Expenses (-)	23	(77.370.464)	(34.836.817)
General Administration Expenses (-)	23	(110.985.676)	(75.363.846)
Other Operating Income	25	89.152.066	50.853.608
Other Operating Expenses (-)	25	<u>(30.981.285)</u>	<u>(48.489.531)</u>
OPERATING PROFIT / (LOSS)		41.546.794	47.279.986
Shares in Profits / Losses of Investments Valued by Equity	2	(209.143)	(277.706)
Financial Income	26	102.671.648	154.045.018
Financial Expenses (-)	27	<u>(84.799.908)</u>	<u>(118.391.949)</u>
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		59.209.391	82.655.349
- Tax Income / (Expense) for the Period	2,18,29	(22.912.748)	(11.285.250)
- Deferred Tax Income / (Expense)	29	5.650.677	(19.979.893)
Tax Income / (Expense) Related to Continuing Operations		<u>(17.262.071)</u>	<u>(31.265.143)</u>
PROFIT / (LOSS) FOR THE PERIOD RELATED TO CONTINUING OPERATIONS		41.947.320	51.390.206
PROFIT / (LOSS) FOR THE PERIOD		41.947.320	51.390.206
Other Comprehensive Income:			
- Change in Financial Assets Value Increase Fund		106.929	88.375
- Change in Translation Differences		(975.081)	(382.104)
OTHER COMPREHENSIVE INCOME (AFTER TAX)		(868.152)	(293.729)
TOTAL COMPREHENSIVE INCOME		41.079.168	51.096.477
Distribution of Profit / (Loss) for the Period			
- Non-Controlling Interest	21	2.330.281	1.536.506
- Parent Company Shares		39.617.039	49.853.700
Distribution of Total Comprehensive Income			
- Non-Controlling Interest		2.330.957	1.534.792
- Parent Company Shares		38.748.211	49.561.685
EARNINGS / (LOSS) PER SHARE	2,30	0,178	0,224

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



ALARKO HOLDING A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 (TL)

	Notes	31 December 2010	31 December 2009
A. CASH FLOWS ARISING FROM PRINCIPAL ACTIVITIES			
Net profit before tax (+)		59.209.391	82.655.349
Adjustments:			
Depreciation (+)	24	31.430.451	24.166.228
Termination indemnity	19	(2.431.118)	8.717.817
Debt provisions	18	(1.923.377)	6.983.934
Income from marketable securities or long term investments (-)	26	(56.637)	(195.916)
Inventory provision	10,23	-	498.653
Provision for doubtful trade receivables	8,23	40.492.133	4.603.312
Rediscount income / (expense), net	8	(1.016.627)	(956.307)
Interest income (-)	26	(27.117.512)	(22.125.987)
Operating profit before working capital changes (+)		98.586.704	104.347.083
Increase (-) / decrease (+) in trade receivables	8	136.236.631	(137.520.147)
Increase (-) / decrease (+) in other receivables	9	19.134.204	7.086.500
Increase (-) / decrease (+) in inventories	10	30.523.205	22.790.158
Increase (-) / decrease (+) in other current assets	20	13.825.581	(17.954.741)
Increase (+) / decrease (-) in trade payables	8	(102.034.778)	41.054.938
Increase (+) / decrease (-) in other payables	9	(11.710.186)	(11.318.493)
Increase (+) / decrease (-) in other short term liabilities	20	(971.021)	(17.827.447)
Increase (+) / decrease (-) in other long term liabilities	20	(6.906.982)	(553.152)
Increase (-) / decrease (+) in non-current assets held for sale	28	85.949	-
Effect of rate change on deferred taxes	29	3.743.563	(889)
Effect of company excluded from consolidation on deferred taxes	29	-	4.883
Effect of Medaş merger on deferred taxes	29	-	15.310.167
Effect of Altek merger on deferred taxes	29	1.194.337	-
Tax payments (-)	18	(26.858.529)	(24.093.638)
Net cash arising from principal activities		154.848.678	(18.674.778)
B. CASH FLOWS ARISING FROM INVESTING ACTIVITIES			
Financial asset acquisition, net cost value (-)	6	5.438.959	(114.089)
Investments valued by equity method	12	208.481	277.398
Acquisition of financial investments, net cost value (-)	6	(8.732.590)	(15.788.679)
Tangible asset acquisitions, net (+)	14	(159.885.424)	(41.012.772)
Goodwill (-)	16	(4.818.656)	(5.033.475)
Increase in intangible assets, net (-)	15	(2.852.681)	(220.573.534)
Increase (-) / decrease (+) in other non-current assets	20	12.678.394	27.531.821
Interests collected (+)	26	27.117.512	22.125.987
Dividends collected (+)	26	56.637	195.916
Net cash arising from investing activities		(130.789.368)	(232.391.427)
C. CASH FLOWS ARISING FROM FINANCING ACTIVITIES			
Cash inflows related to short and long term financial liabilities (+)	7	(20.109.076)	179.223.726
Effect of jointly controlled entity included in the consolidation	21	-	(29.057)
Effect of company excluded from consolidation	21	-	(252.326)
Effect of increase in Parent Company shares acquired by Subsidiary	21	(598.816)	-
Value increase / decrease in financial assets	21	106.929	88.375
Effect of rate change	21	631.151	(53.803)
Translation difference	21	(975.757)	(380.390)
Dividends paid (-)	21	(3.569.360)	(2.969.982)
Decrease in non-controlling interest (-)	21	(88.201)	(1.027.306)
Net cash arising from financing activities		(24.603.130)	174.599.237
(Decrease) / increase arising from cash and cash equivalents		(543.820)	(76.466.968)
Cash and cash equivalents at the beginning of the period	5	360.147.591	436.614.559
Cash and cash equivalents at the end of the period	5	359.603.771	360.147.591

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 2010 AND 2009 (TL)

	Notes	Share Capital	Cross Shareholding Adjustment	Restricted Profit Reserves	Value Increase Fund	Translation Differences	Retained Earnings/ (Accumulated Losses)	Net Profit for the Period	Parent Company Equity	Non-Controlling Interest	Total
Balance as of 1 January 2009		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
Bonus issue		7.590.770	(20.660)	-	-	-	(7.570.110)	-	-	-	-
Transfer to reserves	21	-	-	2.023.204	-	-	(2.023.204)	-	-	-	-
Dividend payments	21	-	-	-	-	-	(2.969.982)	-	(2.969.982)	-	(2.969.982)
Effect of rate change	21	-	-	-	-	4.719	(58.522)	-	(53.803)	(873.093)	(926.896)
Effect of jointly controlled entity included in the consolidation	21	-	-	-	-	-	(29.057)	-	(29.057)	-	(29.057)
Effect of companies excluded from consolidation	21	-	-	-	-	883.384	(1.135.710)	-	(252.326)	40.694	(211.632)
Value increase / decrease in financial assets	21	-	-	-	88.375	-	-	-	88.375	-	88.375
2008 profit transfer	21	-	-	-	-	-	54.819.601	(54.819.601)	-	-	-
Translation difference	21	-	-	-	-	(380.390)	-	-	(380.390)	(1.714)	(382.104)
Dividends paid to non-controlling shares	21	-	-	-	-	-	-	-	-	(193.193)	(193.193)
Net profit		-	-	-	-	-	-	49.853.700	49.853.700	1.536.506	51.390.206
Balance as of 31 December 2009		223.467.000	(608.222)	4.333.572	(27.346)	5.315.949	496.904.542	49.853.700	779.239.195	91.394.528	870.633.723
Transfer to reserves	21	-	-	1.137.041	-	-	(1.137.041)	-	-	-	-
Dividend payments	21	-	-	-	-	-	(3.569.360)	-	(3.569.360)	-	(3.569.360)
Effect of increase in Parent Company shares acquired by the Subsidiary	21	-	(179.174)	-	-	-	(419.642)	-	(598.816)	-	(598.816)
Effect of rate change	21	-	-	-	-	9.762	621.389	-	631.151	(76.227)	554.924
Effect of subsidiary excluded from consolidation	21	-	-	-	-	108.032	(108.032)	-	-	(4.341)	(4.341)
Value increase/decrease in financial assets	21	-	-	-	106.929	-	-	-	106.929	-	106.929
2009 profit transfer	21	-	-	-	-	-	49.853.700	(49.853.700)	-	-	-
Translation difference	21	-	-	-	-	(975.757)	-	-	(975.757)	676	(975.081)
Dividends paid to non-controlling shares	21	-	-	-	-	-	-	-	-	(8.309)	(8.309)
Net profit		-	-	-	-	-	-	39.617.039	39.617.039	2.330.281	41.947.320
Balance as of 31 December 2010		223.467.000	(787.396)	5.470.613	79.583	4.457.986	542.145.556	39.617.039	814.450.381	93.636.608	908.086.989

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



ALARKO HOLDING A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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 2010	31 December 2009
Subsidiaries * :			
Alsim Alarko San. Tes. ve Tic. A.Ş. (Turkey)	Contracting and construction	99,82	99,64
Aldem Alarko Konut İnşaat ve Tic. A.Ş. (Turkey)	Residence, construction	99,81	99,64
Attaş Alarko Turistik Tesisler A.Ş. (Turkey)	Tourism Facility Management	99,82	99,66
Alarko Fenni Malzeme Satış ve İmalat A.Ş. (Turkey)	Marketing of Industrial Products and After-Sales Services	99,93	99,91
Almüt Alarko Sınai Gereçler İmalat ve Müm. A.Ş. (Turkey)	Production, Marketing and Dealership of Technical Equipment	94,31	94,30
Alamsaş Alarko Ağır Makina Sanayii A.Ş. (Turkey)	Production of Machinery and Equipment for Industrial Investments	99,97	99,96
Alarko Gayrimenkul Yatırım Ort. A.Ş. (Turkey) **	Purchase and Sales of Real Estates and Market Tools Related to Real Estates	51,03	50,97
Alsim-Moskova Çocuk Hastanesi İnşaatı (Russia)	Construction of Oncology Hospital For Children in Moscow-Russia	99,82	99,64
Alsim-TCDD (Turkey)	TCDD Ankara- Eskişehir Railway Rehabilitation Project	99,82	99,64
Alsim-Rosneftgastroy JSC İş Ort. (Turkey)	DSİ Melen Water Supply Project Construction	99,32	99,14
Aktau Atrau Road Construction Project (Kazakhstan)***	Road Construction Project	-	99,64
Astana Water Supply Project (Kazakhstan)	Water Project	99,82	99,64
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. Phase Construction Works (Turkey)	Light Rail System Project	99,82	99,64
Garanti Koza - Alsim Joint Venture (Turkey)	Underground construction	99,82	99,64
Streicher-Haustad & Timmermann	Bakü-Tiflis- Ceyhan Crude Oil		
Günsayıl-Alsim A.Ş. (Turkey)	Pipe Line Project	66,58	66,46
Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş. (Turkey) ****	Power Generation	99,81	-

* Included in the consolidation by full consolidation method.

** Public company listed in the Istanbul Stock Exchange.

*** Project is completed and transferred to Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. (a subsidiary).

**** Included in the consolidation by proportionate consolidation method as of 31 December 2009, and became a subsidiary as of 31 December 2010 upon which it is included in the consolidation by full consolidation method.



Name of the Company	Principle Activity	Shareholding of the Group (%)	
		31 December 2010	31 December 2009
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
ОАО Мосаларко (Russia)	Russia-Real Estate Project, Construction and Utilization	50,00	50,00
Alsim-Akfen İnşaat Tur. ve Tic. A.Ş. İŞl. Ort. (Turkey)	Tüpraş İzmit Refinery Sulphur Reduction Project Construction	49,91	49,82
Obrascon Huarte Alsim SA - Alsim Alarko San.Tes. ve Ticaret A.Ş. (Spain)	TCDD Ankara - Eskişehir Railway rehabilitation project	44,92	44,84
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş. (Turkey)	Production and Marketing of Fisher Products	49,99	49,99
Alarko Deyaar Gayrimenkul Geliştirme A.Ş. (Turkey)	Trade of Real Estate and Market instruments related to Real estate	49,91	49,82
Alarko - Makyol Adi Ortaklığı (Turkey)	Underground Construction	49,91	49,82
Doğuş-Alarko-YDA İnş. Adi Ortaklığı (Ukraine)	Kiev Airport Construction	37,43	37,37
Alcen Enerji Dağıtım ve Perakende Satış Hiz. A.Ş. (Turkey)	Establishing, transferring or operating electrical power distribution facility	49,91	50,82
Meram Elektrik Dağıtım A.Ş. (Turkey)	Electrical power distribution	49,91	50,82

* Included in the consolidation by proportionate consolidation method.

** Public company listed in the Istanbul Stock Exchange.

*** Included in the consolidation by proportionate consolidation method as of 31 December 2009, and became a subsidiary as of 31 December 2010 upon which it is included in the consolidation by full consolidation method.

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 2010 and 2009, the shareholding structure is as follows:

Adi	31 December 2010 Shareholding	31 December 2009 Shareholding
Alaton Family	36,37 %	36,37 %
Garih Family	35,87 %	36,37 %
Other*	27,76 %	27,26 %
	<u>100,00 %</u>	<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 2010, 26,68% 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.

Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. (subsidiary) 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 2010	31 December 2009
Salary earners	2.250	1.512
Wage earners	1.579	1.832
	<u>3.829</u>	<u>3.344</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 and explanatory notes 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. In line with the revisions in TAS1 which is valid for the financial periods starting on or subsequent to 1 January 2009, the balance sheet is presented under the name of the statement of financial position, and the profit/loss sections are presented under a single statement of comprehensive income.

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

The Parent Company's consolidated financial statements prepared as of 31 December 2010 as per the Communiqué XI/29 are approved at 8 April 2011 by the Parent 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, Ukraine, and Kazakhstan are Euro, Ruble, Ukrainian Hryvna, and Tenge, respectively. The items of the statement of financial position are translated into TL at the foreign exchange rate at the reporting date, and income and expenses are translated at the yearly average rate of exchange. Gains or losses arising from translation are recognized in the consolidated statement of comprehensive income as "foreign currency translation differences" account under 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 reporting 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.

Foreign currency items of the statement of financial position are translated to TL at the foreign exchange rate of the reporting date and the foreign currency income and expenses are translated using the average rate of exchange. Gains and losses arising from the translation are stated in the foreign currency translation differences account in "other comprehensive income".

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 2010	31 December 2009
Subsidiaries*		
Alsim Alarko San.Tes. ve Tic. A.Ş.	99,82%	99,64%
Aldem Alarko Konut İnşaat ve Tic. A.Ş.	99,81%	99,64%
Attaş Alarko Turistik Tesisler A.Ş.	99,82%	99,66%
Alarko Fenni Malzeme Satış ve İmalat A.Ş.	99,93%	99,91%
Almüt Alarko Sınai Gereçler İmalat ve Müm. A.Ş.	94,31%	94,30%
Alamsaş Alarko Ağır Makina Sanayii A.Ş.	99,97%	99,96%
Alarko Gayrimenkul Yatırım Ort. A.Ş.	51,03%	50,97%
Alsim-Moscow Oncology Hospital for Children	99,82%	99,64%
Alsim TCDD Turkey	99,82%	99,64%
Alsim-Rosneftegastroy JSC. İş Ort.	99,32%	99,14%
Aktau Atrau Road Construction Project **	-	99,64%
Astana Water Supply Project	99,82%	99,64%
Saret Sanayi Taahhütleri ve Ticaret A.Ş.	100,00%	100,00%
Alarko Enerji Üretim A.Ş.	100,00%	100,00%
Antalya Light Rail System 1. Phase Construction Works	99,82%	99,64%
Garanti Koza - Alsim Joint Venture	99,82%	99,64%
Streicher-Haustad & Timmermann-Günsayıl-Alsim A.Ş.	66,58%	66,46%
Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş.***	99,81%	-
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%
QAO Mosalarko	50,00%	50,00%
Alsim-Akfen İnşaat Tur ve Tic. A.Ş. İş Ort.	49,91%	49,82%
Obrascon Huarte Lain SA - Alsim		
Alarko San. Tes. ve Tic. A.Ş.	44,92%	44,84%
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.	49,99%	49,99%
Alarko Deyaar Gayrimenkul Geliştirme A.Ş.	49,91%	49,82%
Alarko - Makyol Adi Ortaklığı	49,91%	49,82%
Doğuş-Alarko-YDA İnş. Adi Ortaklığı	37,43%	37,37%
Alcen Enerji Dağıtım ve Perakende Satış Hiz. A.Ş.	49,91%	50,82%
Meram Elektrik Dağıtım A.Ş.	49,91%	50,82%

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

** Project is completed and transferred to Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. (a subsidiary).

*** As of 31 December 2009, it was included in the consolidation by proportionate consolidation method. As of 31 December 2010, it became a subsidiary hence it is included in the consolidation by full consolidation method.

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

	31 December 2010	31 December 2009
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 equity method.

** The Parent Company has a 40% interest in the indicated affiliates.

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



Full Consolidation Method:

- All items of the statement of financial position except for the paid in capital of the Parent Company and its subsidiaries and their equities at the acquisition date are added, and inter-company balances are eliminated.
- The Parent Company's interest in the subsidiaries is set off against the Long Term Financial Assets account of the Parent Company and 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 one single time. The equity of the subsidiary at the acquisition date should be drawn up according to the market value of the subsidiary's net assets at that date. If the cost value of the Parent Company's shareholding in its subsidiary is more than the nominal value of the part of the share capital in the subsidiary's equity, the difference is recorded as positive goodwill in the consolidated statement of financial position as a separate item. If the cost value of the investment is less than the nominal value of the share capital of the subsidiary, the difference is recorded as negative goodwill and correlated with the statement of comprehensive income.
- Shares that are not related to the Parent Company 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 "Non-controlling Interests" in the consolidated statement of financial position in the equity account group and in the statement of comprehensive income, as a separate item from the Parent's ownership interests.
- The purchases and sales among the Parent Company and its subsidiaries and the profit and losses arising from these transactions are reversed in the Consolidated Statement of Comprehensive Income. Furthermore, the profits and losses arising from purchases and sales of financial assets, stocks, tangible and intangible assets, and other assets subject to purchase and sales among the shareholders of the consolidation are also included among the reversed profits and losses mentioned above.

Proportionate Consolidation Method :

- Assets, liabilities, and equity as well as the 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 with the date the affiliate is acquired by the Parent Company until the reporting date, the Parent Company's share of the increases and decreases in the affiliate's equity are 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 comprehensive 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 statement of financial position 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
- Loan discount 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
- Expense accrual
- Adjustment on invoiced but undelivered goods
- Adjustment on idle section expenses arising from idle capacity

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

Consolidated statements of financial position as of 31 December 2010 and 2009 and the related as well as the consolidated statements of comprehensive 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.

Alcen Enerji Dağıtım ve Perakende Satış Hizmetleri A.Ş., a jointly controlled entity, has acquired Meram Elektrik Dağıtım A.Ş. in full from the Privatization Administration and Türkiye Elektrik Dağıtım A.Ş. as of 30 October 2009 against a total of TL 652.212.000 (USD 440 million). As of 31 December 2009, the said acquisition was provisionally accounted for as the studies made for determining the fair values of identifiable assets and transferred liabilities were then ongoing. An acquisition provisionally accounted for should be adjusted within 12 months following the establishment date of the merger as per the TFRS 3 "Business Combinations". As of 31 December 2010, the studies



made for determining the fair values of identifiable assets and liabilities taken over have been finalized, and the below mentioned classifications made have direct effect on the amount of goodwill in the statement of financial position as of 31 December 2009. As a result of the said classifications, the net amount of total assets as of 31 December 2009 increased by a total of TL 3.210.357 and the goodwill of TL 8.243.832 decreased by a total of TL 3.210.357 and was stated as TL 5.033.475.

- Adjustment of security deposits received
- Adjustment of trade receivables and payables
- Adjustment of doubtful trade receivables
- Deferred tax adjustment

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. Changes and Errors in Accounting Policies and Accounting Estimates :

The accounting policies applied by Alarko Group are consistent with those applied in the prior year. Significant changes in accounting policies are applied and significant errors are treated retrospectively, and the prior year financials are restated. Changes in accounting policies are applied in the period of the change if they are related to the one period only; however, if they are related to the future periods, they are applied both in the period of change and the future period, prospectively.

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 2010, and the Parent Company and its subsidiaries, affiliates, and jointly controlled entities have applied those that are related to their own fields of activity.

The standards which are valid as of 31 December 2010 and the amendments and comments brought to the prior standards are as follows:

- TAS 24 (Amendment) - "Related Party Disclosures"
- TFRS 1 - "First-Time Adoption of International Financial Reporting Standards"
- TFRS 9 - "Classification and Measurement of Financial Assets"
- TFRS Comment 14 (Amendment) - "Prepayments of a Minimum Funding Requirement"
- TFRS Comment 19 - "Extinguishing Financial Liabilities with Equity Instruments"

ix. Significant Accounting Policies 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 balances on hand, bank accounts, cheques received, cash 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 exchange rate issued by the Central Bank as at the reporting 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 Lira at the foreign currency rate issued by the Central Bank as at the reporting date.

The cheques received with maturity dates exceeding the reporting date are stated in trade receivables and are rediscounted at a rate equivalent to that determined by the Treasury for government bonds which coincides with the related maturity. 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 statement of financial position 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 for the reporting period.

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 reporting date, it is assumed that the fair values of these assets approximate their book values.

As the deposit accounts, cash balances, and cheques received are converted into cash in short terms, and as there is no risk of value decrease, their book values are deemed to approximate 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, post-dated cheques, and customers are subject to rediscount.

Fair Value

Discounted 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 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 deferred financial income. The lease income representing the total deferred financial income at the date of transaction is associated with the statement of comprehensive income such that the net investment within the scope of leasing creates a fixed rate of periodical income throughout the leasing period.

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 reporting date, discounted by 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 reporting 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 goods, finished goods, merchandise, and other inventories.

Real estates held for trading in inventories are stated at cost adjusted according to 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 assets other than operating 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 a material effect on the consolidated 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 consolidated 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 comprehensive income, even if the related financial asset is not a derecognized item.

(d) Tangible Assets:

Tangible assets are stated at cost less their accumulated depreciation and impairment losses, 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	2-20 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	2-27 years
Special costs	2-27 years
Other intangible assets	5 years

(f) Non-Current Assets Held for Sale :

Assets with book values recovered only upon being sold and not as a result of being used are classified as non-current 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 provision for its overdue receivables. As of 31 December 2010, all related non-current assets are sold.

(g) Service Concession Arrangements:

TFRS Comment 12 addresses how the infrastructural investments made and services provided by the entities (operators) who have gained operating right for a defined period of time by signing public service concession agreements should be accounted for. TFRS Comment 12 expresses that the investments realized by operators related to projects deemed within the scope of the Comment are required to be accounted for as financial assets and/or intangible assets as per the terms of agreement and not as buildings, fixed assets, or properties.

Berdan HEPP, Hasanlar HEPP, and Tohma HEPP agreements signed by Alarko Group are deemed within the scope of TFRS Comment 12, and the Group has classified the net book values of tangible assets falling within the scope of TFRS Comment 12 under the intangible assets account.

As stated in Note 3, the amount charged by Meram Elektrik Dağıtım A.Ş. upon the concession obtained in exchange for rendering electrical power distribution service is accounted for at the fair value of the service and the said total is recognized as a financial asset under trade receivables in the accompanying consolidated financial statements.

(h) Leased Assets and Leasing Liabilities :

Alarko Group, recognizes leased assets at the lower of the fair value of the asset in the consolidated statement of financial position and the present value of minimum lease payments at the end of the reporting period. In calculating the present value of minimum lease payments at the end of the reporting period, the interest rate used in leasing operations is used in discounting the lease payments in the future periods. As of the end of the reporting period, principal amount of leasing liabilities are recognized in the statement of financial position as short or long term according to their maturities, and the interest expenses related to the current period are associated with the statement of comprehensive income.

Leased assets are included in the related tangible assets in the consolidated statement of financial position and amortized based on the shorter of the useful life and the leasing period.

Motor vehicles	5 years
Machinery, plant, and equipment	4-10 years

(i) Assets and Liabilities in Foreign Currency :

Foreign currency assets and liabilities in the statement of financial position are translated into Turkish Lira at foreign exchange rates announced by the Turkish Central Bank as at the reporting dates. Transactions in foreign currencies during the period are translated into Turkish Lira at the actual rates applicable on the transaction date. Exchange gains and losses resulting from such translations are included in the statements of comprehensive income.

(j) Impairment of Assets :

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

On the other hand, the recoverable value of cash generating assets is 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 are 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 for 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 revenue, 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 3.513.235 (31 December 2009- TL 12.149) 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/TFRS 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 Group will have taxable income during the future periods.

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

(o) Income Taxes :

Under the Turkish Tax Code, a company that has its head office or place of business in Turkey is subject to a corporate tax.

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.

Corporate earnings are subject to corporation tax at a rate of 20%. 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 article 298 (bis) of the Tax Law amended by Law 5024 to be enacted as of 1 January 2004, the financial statements of the tax payers whose earnings are determined on balance sheet basis are subject to inflation adjustment in the event that the increase in price indices exceed 100% for the last three accounting periods including the current period and 10% for the current accounting period. In the 2010 and 2009 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.

The Income Tax Regulations related to investment allowance are suspended by Law Nr 5479 published in the Official Gazette of 8 April 2006 and



the application of investment allowance is terminated with effect from 1 January 2006. Certain transition arrangements have been made for the purpose of partial protection of acquired rights by the provisional article 69 added to ITL by the same Law mentioned above; and by these arrangements, the following totals will continue to be subject to investment allowance from 2006, 2007, and 2008 profits.

- Investment allowance exemption amounts transferred to 2006;
- Investment allowance exemption amounts arising from investments made subsequent to 1 January 2006 within the scope of the investment incentive documents prepared for the applications made prior to 24 April 2003;
- Investment allowance exemption amounts to be calculated over the investment expenditures made subsequent to 1 January 2006 having economical and technical connection with investments which started prior to the said date within the scope of ITL article 19.

As the said provisional article limits the right for using investment allowance with the 2008 earnings, the possibility to use in or subsequent to 2009 the investment allowance rights which are valid but pending as of 2008 due to insufficient earnings has been legally suspended.

In the said provisional article 69 of the ITL, the phrase stated as "... only for 2006, 2007, and 2008.." which limits the application of investment allowance exemption to three years stipulating suspension of investment allowance rights that are not used until the end of 2008 has been cancelled by the Constitutional Court and the resolution is published in the Official Gazette dated 8 January 2010.

Due to the cancellation of the legal decision for termination of investment allowance application right in 2008, the investment allowance amounts that the Parent Company could not use in the prior years are recognized in the tax calculations of the accompanying consolidated financial statements as of 31 December 2009.

As of 31 December 2010 and 2009 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 2.517,01 in respect of each year of service as of 31 December 2010 (31 December 2009 - TL 2.365,16).

The termination indemnity liability stated in the accompanying consolidated financial statements has been determined as per the recognition and valuation principles stated in "Employee Benefits" TAS 19. As the characteristics of the termination indemnity liabilities are similar to the "Post Employment Benefit Plans" stated in this standard, 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, if higher than the value of the termination indemnity upper limit determined by the Labour Law for 31 December 2010, the termination indemnity upper limit, to remain constant for restatement purposes, and this value is reduced by the actual discount rate of 4,66% (31 December 2009- 5,92%) calculated based upon the assumption that the expected annual inflation rate will be 5,1% (31 December 2009 - 4,8%) and the expected discount rate will be 10% (31 December 2009 - 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 expense related to forward sales and acquisitions are calculated by effective interest rate method throughout their maturities and recognized as financial income and expense on accrual basis.

The service sales directly related to construction contracts are recognized in accordance with TAS 11. A Construction Contract is defined in TAS 11 as "a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use". When the outcome of a construction contract can be estimated reliably, the contract revenue and expenses are recognized in the financial statements as per the "percentage of completion method". When the outcome of a construction contract cannot be estimated reliably, revenue shall be recognized only to the extent of contract costs incurred that it is probable will be recoverable, and contract costs shall be recognized as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be expensed immediately.

(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 in changes in 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 the TAS/IFRS, the Management may make assumptions and estimates that might affect the book value of the assets and liabilities stated in the financial statements as of the end of the reporting period, explanations regarding unrecognized liabilities, and income and expense totals related to the period. However, actual results may vary from these results.

(v) Events After the Reporting Period :

If the Group receives information after the reporting date about conditions that required adjustment, the financial statements that relate to those condition are updated in the light of the new information. If non-adjusting events after the reporting date are material, the Group discloses 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 included in the financial statements and are considered as conditional liabilities and assets.

(y) Segment Reporting :

For the years ended 31 December 2010 and 2009, the principle activities of Alarko Group are classified under six sectors, namely, holding, tourism, industry and commerce, energy, contracting and land development, and fishery products.

(z) Government Incentives and Grants :

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

3. Business Combinations

The business combination realized during the accounting period 1 January - 31 December 2010 is as follows:

Alsım Alarko Sanayi Tesisleri ve Ticaret A.Ş (a subsidiary) has acquired 50% of Altek Alarko Elektrik Santralleri Tesis İşletme ve Tic. A.Ş. shares from Societe Nationale d'Electricite et de Thermique (SNET) as at 30 November 2010 at a total of TL 86.948.550 (USD 58.500.000).

As of 31 December 2010, the said acquisition was provisionally accounted for as the studies made for determining the fair values of identifiable assets and liabilities being transferred were then ongoing. The initial recognition of the identifiable assets and liabilities is made over their provisional values stated below. The acquisition which was subject to provisional accounting is to be adjusted within 12 months following the establishment date of the merger as per the IFRS 3 "Business Combinations". Upon the final accounting of the acquisition, it is likely to have adjustments in the recorded fair values of acquired identifiable assets and the liabilities taken over and in turn the recorded value of goodwill.



**Fair Value
TL**

Cash and cash equivalents	5.754
Trade receivables	11.607.080
Inventories	729.257
Tangible and intangible assets	114.165.210
Other receivables and current assets	766.576
Other non-current assets	108.536
Trade payables	(3.797.838)
Financial debts	(28.406.678)
Other financial liabilities	(1.309.683)
Debt provisions	(513.571)
Provision for termination indemnity	(335.743)
Deferred tax liability	(5.201.726)
Other payables and short term liabilities	(5.777.415)

Fair value of assets, net	82.039.759
Less: acquisition price	86.948.550

Goodwill	4.908.791
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Goodwill effect of the acquisition realized by subsidiary on the consolidated financial statements (Note 16) **4.908.791**

TL 114.165.210 of the tangible and intangible assets recognized within the scope of purchase accounting in accordance with the TFRS 3 "Business Combinations" comprise the fair value of power generation plants owned by the entity. The effects of the acquired entity observed on the Group during the period 30 November 2010 and 31 December 2010 comprise a sales revenue of TL 5.696.887 and a net loss for the period of TL 1.648.385.

The business combination realized during the accounting period 1 January - 31 December 2009 is as follows:

Alcen Enerji Dağıtım ve Perakende Satış Hizmetleri A.Ş. in which Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. (a subsidiary) has a 50% interest has acquired Meram Elektrik Dağıtım A.Ş. from the Privatization Administration and Türkiye Elektrik Dağıtım A.Ş. on 30 October 2009 in full at a total of TL 652.212.000 (USD 440 million).

As of 31 December 2009, the said acquisition was provisionally accounted for as the studies made for determining the fair values of identifiable assets and transferred liabilities were then ongoing. The acquisition which was subject to provisional accounting is to be adjusted within 12 months following the establishment date of the merger as per the TFRS 3 "Business Combinations". Upon finalizing the accounting of the acquisition within the said period of time, certain retroactive adjustments were made on the fair values of the acquired identifiable assets and transferred liabilities and in turn, in the recorded value of the goodwill, and the effects of the said adjustments are reflected to the accompanying financial statements (Note 2(v)).

**Fair Value
TL**

Cash and cash equivalents	14.915.441
Trade receivables	104.147.008
Financial assets	184.199.040
Inventories	9.184.767
Intangible assets	430.583.747
Other receivables and current assets	93.391.788
Trade payables	(72.757.323)
Financial debts	(8.609.022)
Debt provisions	(6.249.208)
Deposits received	(31.582.294)
Provision for termination indemnity	(14.830.012)
Deferred tax liability	(30.126.964)
ther payables and short term liabilities	(29.959.719)

Fair value of assets, net	642.307.249
Less: acquisition price	652.212.000

Goodwill	9.904.751
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Goodwill effect of the acquisition realized by jointly controlled entity on the consolidated financial statements (Note 16) **4.943.340**

Intangible assets comprise a total of TL 364.208.691 recognized within the purchase accounting scope as per the TFRS 3 "Business Combinations" and the customer contracts (relations) constituted by the retail license owned by the company.

By the Transfer of Operating Rights Agreement signed on 24 July 2006, Türkiye Elektrik Dağıtım A.Ş. ("TEDAŞ") has transferred its operating right of the distribution system and facilities as well as other movable and immovable properties to Meram Elektrik Dağıtım A.Ş. ("MEDAŞ") for a period of 30 years. Furthermore, the said company owns a distribution license that will be valid throughout the said period. The fair values of the Transfer of Operating Rights Agreement and the distribution license are determined taking into consideration the estimated cash flows. In this respect, as per the TFRS 3 "Business Combinations" and TFRS Comment 12 "Service Concession Agreements" based on the Transfer of Operating Rights Agreement and the distribution license owned, they were accounted for as TL 184.199.040 of financial assets and TL 66.375.056 of intangible assets.



4. Segment Reporting

As of 31 December 2010, segment reporting is as follows (TL) :

31 December 2010

ASSETS	Holding	Tourism	Industry ve Commerce	Energy	Contracting and Land Development	Fishery Products	Elimination and Classification	Total
Current Assets								
Cash and Cash Equivalents	102,866,524	9,445,335	36,652,780	20,782,454	188,186,506	1,670,172	-	359,603,771
Financial Assets	64,063,925	-	-	-	-	-	-	64,063,925
Trade Receivables	383,072	1,301,750	36,630,271	96,673,382	281,740,799	2,064,801	(117,398,951)	301,395,124
Other Receivables	61,515	2,823	15,914	1,020,984	46,776,272	327	(5,252,346)	42,625,489
Inventories	4,055	988,622	15,777,259	5,253,561	68,144,320	665,584	(12,854,271)	77,979,130
Other Current Assets	803,396	1,501,297	4,593,739	3,646,842	42,271,774	667,516	(4,572,124)	48,912,440
Sub total	168,182,487	13,239,827	93,669,963	127,377,223	627,119,671	5,068,400	(140,077,692)	894,579,879
Non-current Assets held for Sale	-	-	-	-	-	-	-	-
Non-Current Assets								
Trade Receivables	-	-	94,366	29,471,347	10,303	-	-	29,576,016
Other Receivables	8,450	522,817	1,833	4,062,767	3,431,748	732	-	8,028,347
Financial Assets	310,590,373	58,434	1,836,933	1,945,749	393,816,014	-	(620,881,821)	87,365,682
Investments valued by Equity Method	5,143,553	-	-	-	-	-	-	5,143,553
Investment Properties	-	-	-	-	35,349,139	-	(33,612,004)	1,737,135
Tangible Assets	2,242,118	17,428,112	20,916,284	225,904,319	62,505,610	1,704,595	27,911,179	358,612,217
Intangible Assets	19,901	10,064,935	414,049	213,683,856	77,130	48,329	287	224,308,487
Goodwill	-	-	-	4,943,338	-	-	5,288,644	10,231,982
Deferred Tax Assets	130,730	635,464	1,731,188	-	-	-	(2,497,382)	-
Other Non-current Assets	19	77,934	9,278	80,623	17,622,924	5,987	-	17,796,765
TOTAL ASSETS	486,317,631	42,027,523	118,673,894	607,469,222	1,139,932,539	6,828,043	(763,868,789)	1,637,380,063

31 December 2010

LIABILITIES	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Elimination and Classification	Total
Short Term Liabilities								
Financial Liabilities	51,810	200,245	6,174	40,829,922	23,592,428	55,027	-	64,735,606
Other Financial Liabilities	-	-	-	306,911	-	-	-	306,911
Trade Payables	34,945	8,557,999	6,752,909	59,615,871	263,653,068	665,588	(117,151,551)	222,128,829
Other Payables	275,703	1,091,567	512,747	13,726,409	29,054,646	56,952	(5,252,347)	39,465,677
Taxes on Profit for the Period	346,081	-	617,367	2,697,450	7,969,160	197,777	(8,061,800)	3,766,035
Debt Provisions	1,211	62,582	1,991,260	7,356,915	3,516,357	858	3,507,768	16,436,951
Other Short Term Liabilities	9,544	10,898,372	4,014,353	10,433,819	56,883,081	223,661	-	82,462,830
Long Term Liabilities								
Financial Liabilities	-	-	-	154,232,297	61,477,943	222,171	-	215,932,411
Other Financial Liabilities	-	-	-	2,392,093	-	-	-	2,392,093
Trade Payables	-	-	-	695,962	-	-	-	695,962
Other Payables	-	-	133,842	20,924,228	5,635,292	-	-	26,693,362
Provision for Termination Indemnity	691,624	2,490,430	4,732,668	3,690,471	4,883,941	179,563	-	16,668,697
Deferred Tax Liability	-	-	-	19,650,762	15,024,148	21,505	2,380,180	37,076,595
Other Long Term Liabilities	-	490,728	4,270	-	36,117	-	-	531,115
EQUITY								
Paid-in Capital	223,691,754	5,907,067	44,803,270	155,785,101	250,726,552	5,032,071	(462,478,815)	223,467,000
Cross Shareholding Adjustment (-)	-	-	-	-	-	-	(787,396)	(787,396)
Revaluation Surplus Funds	74,665,086	-	276,853	65,821	44,213,497	-	(119,141,674)	79,583
Translation Differences	-	-	-	-	4,459,143	-	(1,157)	4,457,986
Restricted Profit Reserves	5,470,613	578,253	2,135,299	1,933,710	1,771,294	434,504	(6,853,060)	5,470,613
Retained Earnings / (Accumulated Losses)	173,504,112	11,989,895	48,987,957	111,940,422	330,548,157	(977,366)	(133,847,621)	542,145,556
Net Profit/ (Loss) for the period	7,575,148	(239,615)	3,704,925	1,191,058	36,487,715	715,732	(9,817,924)	39,617,039
Non-controlling Interest	-	-	-	-	-	-	93,636,608	93,636,608
TOTAL LIABILITIES AND EQUITY	486,317,631	42,027,523	118,673,894	607,469,222	1,139,932,539	6,828,043	(763,868,789)	1,637,380,063



31 December 2010

	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Elimination and Classification	Total
CONTINUING OPERATIONS								
Sales Income (Outside the Group) (net)	897.155	62.028.344	108.071.885	594.561.659	413.353.892	16.836.964	-	1.195.749.899
Sales Income (Within the Group)	3.491.726	39.327	249.384	8.168.812	30.600.293	3.164	(42.552.706)	-
Cost of Sales (Outside the Group) (-)	(2.063.893)	(40.339.620)	(83.597.689)	(528.697.602)	(353.318.353)	(14.675.777)	-	(1.022.692.934)
Cost of Sales (Within the Group) (-)	(3.527.342)	(15.495)	(328.200)	(7.139.639)	(15.491.590)	(2.658)	26.504.924	-
GROSS PROFIT / (LOSS)	(1.202.354)	21.712.556	24.395.380	66.893.230	75.144.242	2.161.693	(16.047.782)	173.056.965
Research and Development Expenses (-)	-	-	(1.324.812)	-	-	-	-	(1.324.812)
Marketing, Sales, and Distribution Expenses (-)	-	(4.754.099)	(14.935.971)	(58.021.548)	-	(800.625)	1.141.779	(77.370.464)
General Administration Expenses (-)	(2.564.126)	(19.838.769)	(6.121.378)	(51.942.305)	(36.939.945)	(455.106)	6.875.953	(110.985.676)
Other Operating Income	525.850	2.611.928	2.456.554	58.812.943	16.804.377	113.196	7.827.218	89.152.066
Other Operating Expenses (-)	(11.077)	(686.855)	(2.925.004)	(4.537.992)	(23.105.065)	(254.602)	539.310	(30.981.285)
OPERATING PROFIT / (LOSS)	(3.251.707)	(955.239)	1.544.769	11.204.328	31.903.609	764.556	336.478	41.546.794
Shares within the Profits and Losses of Investments valued by Equity Method	-	-	-	-	-	-	(209.143)	(209.143)
Financial Income	26.556.890	1.358.255	6.105.278	20.993.281	53.760.840	261.105	(6.364.001)	102.671.648
Financial Losses (-)	(15.416.958)	(810.396)	(3.089.871)	(33.171.910)	(31.978.942)	(128.416)	(203.415)	(84.799.908)
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	7.888.225	(407.380)	4.560.176	(974.301)	53.685.507	897.245	(6.440.081)	59.209.391
- Tax Income / (Expense) for the Period	(346.081)	-	(985.601)	(2.846.352)	(18.536.938)	(197.776)	-	(22.912.748)
- Deferred Tax Income / (Expense)	33.004	167.765	130.350	5.011.711	1.339.146	16.263	(1.047.562)	5.650.677
Tax Income / (Expense) from Continuing Operations	(313.077)	167.765	(855.251)	2.165.359	(17.197.792)	(181.513)	(1.047.562)	(17.262.071)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	7.575.148	(239.615)	3.704.925	1.191.058	36.487.715	715.732	(7.487.643)	41.947.320
OTHER COMPREHENSIVE INCOME:								
- Change in Revaluation Fund of Financial Assets	-	-	-	-	106.929	-	-	106.929
- Change in Translation Differences	-	-	-	-	(975.081)	-	-	(975.081)
TOTAL COMPREHENSIVE INCOME	7.575.148	(239.615)	3.704.925	1.191.058	35.619.563	715.732	(7.487.643)	41.079.168
Distribution of Profit/(Loss) for the Period	-	-	-	-	-	-	2.330.281	2.330.281
- Non-controlling Interest	-	-	-	-	-	-	(9.817.924)	39.617.039
- Parent Company Shares	7.575.148	(239.615)	3.704.925	1.191.058	36.487.715	715.732	(9.817.924)	39.617.039
Distribution of Total Comprehensive Income	-	-	-	-	-	-	2.330.957	2.330.957
- Non-controlling Interest	-	-	-	-	-	-	(9.818.600)	38.748.211
- Parent Company Shares	<u>7.575.148</u>	<u>(239.615)</u>	<u>3.704.925</u>	<u>1.191.058</u>	<u>35.619.563</u>	<u>715.732</u>	<u>(9.818.600)</u>	<u>38.748.211</u>

31 December 2009

ASSETS	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Elimination and Classification	Total
Current Assets								
Cash and Cash Equivalents	127.809.828	10.297.409	31.411.528	31.617.189	157.926.432	1.085.205	-	360.147.591
Financial Assets	56.989.031	-	-	-	84.762.147	-	(39.359)	141.711.819
Trade Receivables	2.796.396	1.657.588	38.218.890	198.179.149	387.227.358	2.068.331	(135.443.122)	494.704.590
Other Receivables	27.905.489	2.820	239.523	1.012.702	98.465.250	-	(64.912.797)	62.712.987
Inventories	4.380	911.685	16.265.420	4.792.581	105.767.429	500.042	(19.739.202)	108.502.335
Other Current Assets	4.187.488	2.620.192	3.766.190	1.345.461	53.874.883	717.341	(3.773.534)	62.738.021
Sub total	219.692.612	15.489.694	89.901.551	236.947.082	888.023.499	4.370.919	(223.908.014)	1.230.517.343
Non-current Assets held for Sale	-	-	85.949	-	-	-	-	85.949
Non-Current Assets								
Trade Receivables	-	-	383.191	12.292.779	10.776	-	-	12.686.746
Other Receivables	8.450	380.807	30.639	3.106.038	3.584.427	643	-	7.111.004
Financial Assets	227.317.612	58.146	1.107.149	1.269.908	189.639.075	-	(412.967.733)	6.424.157
Investments valued by Equity Method	5.352.034	-	-	-	-	-	-	5.352.034
Investment Properties	-	-	-	-	34.209.971	-	(32.372.399)	1.837.572
Tangible Assets	2.326.934	16.847.643	22.356.169	104.978.310	39.392.129	1.546.182	31.332.678	218.780.045
Intangible Assets	39.616	9.960.722	403.567	222.147.719	125.025	55.634	285	232.732.568
Goodwill	-	-	-	5.033.475	-	-	379.851	5.413.326
Deferred Tax Assets	97.725	467.699	1.600.837	-	-	-	(2.166.261)	-
Other Non-current Assets	19	195.326	6.849	2.192.495	29.020.992	-	(940.522)	30.475.159
TOTAL ASSETS	<u>454.835.002</u>	<u>43.400.037</u>	<u>115.875.901</u>	<u>587.967.806</u>	<u>1.184.005.894</u>	<u>5.973.378</u>	<u>(640.642.115)</u>	<u>1.751.415.903</u>



31 December 2009

LIABILITIES	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Elimination and Classification	Total
Short Term Liabilities								
Financial Liabilities	46.976	178.635	6.208	35.427.687	30.951.479	11.018	-	66.622.003
Other Financial Liabilities	-	-	-	139.319	-	-	-	139.319
Trade Payables	29.287	8.790.404	6.585.809	52.099.909	389.582.933	772.238	[133.153.129]	324.707.451
Other Payables	283.402	1.836.862	878.774	39.303.265	84.144.426	46.316	[64.649.604]	61.843.441
Taxes on Profit for the Period	4.071.565	-	514.677	-	5.340.287	253.495	[2.468.208]	7.711.816
Debt Provisions	2.983	237.380	1.708.682	2.341.285	9.698.589	4.705	4.366.704	18.360.328
Other Short Term Liabilities	15.820	11.480.538	5.426.016	13.609.970	55.996.932	38.505	[3.133.930]	83.433.851
Long Term Liabilities								
Financial Liabilities	-	-	-	235.494.391	-	-	-	235.494.391
Other Financial Liabilities	-	-	-	1.220.384	-	-	-	1.220.384
Other Payables	-	-	-	16.921.912	-	-	-	16.921.912
Provision for Termination Indemnity	572.485	1.780.383	4.247.336	7.836.639	4.529.961	133.011	-	19.099.815
Deferred Tax Liability	-	-	-	20.309.544	16.609.608	37.768	832.452	37.789.372
Other Long Term Liabilities	6.363	620.620	36.570	5.111	6.761.762	7.671	-	7.438.097
EQUITY								
Paid-in Capital	223.691.754	5.907.067	44.803.240	111.972.419	199.408.647	4.312.231	[366.628.358]	223.467.000
Cross Shareholding Adjustment (-)	-	-	-	-	-	-	[608.222]	[608.222]
Revaluation Surplus Funds	43.570.282	-	146.355	[610.020]	33.498.165	-	[76.632.128]	[27.346]
Translation Differences	-	-	-	-	5.316.505	-	[556]	5.315.949
Restricted Profit Reserves	4.333.573	578.253	2.097.884	514.314	1.481.599	377.256	[5.049.307]	4.333.572
Retained Earnings/(Accumulated Losses)	155.486.482	13.189.733	44.500.439	42.801.422	290.332.911	[969.977]	[48.436.468]	496.904.542
Net Profit/(Loss) for the period	22.724.030	[1.199.838]	4.923.911	8.580.255	50.352.090	949.141	[36.475.889]	49.853.700
Non-controlling Interest	-	-	-	-	-	-	91.394.528	91.394.528
TOTAL LIABILITIES AND EQUITY	454.835.002	43.400.037	115.875.901	587.967.806	1.184.005.894	5.973.378	[640.642.115]	1.751.415.903

31 December 2009

	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Fishery Products	Elimination and Classification	Total
CONTINUING OPERATIONS								
Sales Income (Outside the Group) (net)	1.215.942	58.266.800	102.518.527	177.387.875	541.874.872	13.238.442	-	894.502.458
Sales Income (Within the Group)	3.975.261	24.830	398.545	172.784	22.084.212	2.653	[26.658.285]	-
Cost of Sales (Outside the Group) (-)	[1.426.451]	[37.630.927]	[76.968.693]	[151.016.880]	[460.385.785]	[10.871.411]	-	[738.300.147]
Cost of Sales (Within the Group) (-)	[4.015.044]	[19.620]	[259.216]	[73.555]	[9.244.826]	[2.466]	13.614.727	-
GROSS PROFIT / (LOSS)	(250.292)	20.641.083	25.689.163	26.470.224	94.328.473	2.367.218	[13.043.558]	156.202.311
Research and Development Expenses (-)	-	-	[1.085.739]	-	-	-	-	[1.085.739]
Marketing, Sales, and Distribution Expenses (-)	-	[4.915.217]	[14.563.683]	[14.875.184]	-	[670.906]	188.173	[34.836.817]
General Administration Expenses (-)	[2.388.270]	[18.917.267]	[6,588.693]	[8,215.221]	[44,925.848]	[398.191]	6,069.644	[75,363.846]
Other Operating Income	786.378	1,622.844	2,050.466	21,574.758	16,197.220	65,898	8,556.044	50,853.608
Other Operating Expenses (-)	[252.365]	[568.144]	[3,298.843]	[6,219.322]	[33,187.847]	[356.362]	[4,606.648]	[48,489.531]
OPERATING PROFIT / (LOSS)	(2,104.549)	[2,136.701]	2,202.671	18,735.255	32,411.998	1,007.657	[2,836.345]	47,279.986
Shares within the profits and losses of Investments valued by Equity Method	-	-	-	-	-	-	[277.706]	[277.706]
Financial Income	53,606.473	1,090.802	7,877.713	5,945.445	117,313.206	307.723	32,096.344	154,045.018
Financial Losses (-)	[24,727.147]	[1,097.184]	[4,154.482]	[11,724.587]	[76,574.286]	[115.141]	878	[118,391.949]
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	26,774.777	[2,143.083]	5,925.902	12,956.113	73,150.918	1,200.239	[35,209.517]	82,655.349
- Tax Income / (Expense) for the Period	[4,071.565]	-	[1,313.612]	[2,774.499]	[2,872.079]	[253.495]	-	[11,285.250]
- Deferred Tax Income / (Expense)	20,818	943.245	311.621	[1,601.359]	[19,926.749]	2,397	270.134	[19,979.893]
Tax Income / (Expense) from Continuing Operations	[4,050.747]	943.245	[1,001.991]	[4,375.858]	[22,798.828]	[251.098]	270.134	[31,265.143]
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	22,724.030	[1,199.838]	4,923.911	8,580.255	50,352.090	949.141	[34,939.383]	51,390.206
OTHER COMPREHENSIVE INCOME:								
- Change in Revaluation Fund of Financial Assets	-	-	-	-	88.375	-	-	88.375
- Change in Translation Differences	-	-	-	-	[382.104]	-	-	[382.104]
TOTAL COMPREHENSIVE INCOME	22,724.030	[1,199.838]	4,923.911	8,580.255	50,058.361	949.141	[34,939.383]	51,096.477
Distribution of Profit / (Loss) for the Period	-	-	-	-	-	-	1,536.506	1,536.506
- Non-controlling Interest	-	-	-	-	-	-	[36,475.889]	49,853.700
- Parent Company Shares	22,724.030	[1,199.838]	4,923.911	8,580.255	50,352.090	949.141	-	49,853.700
Distribution of Total Comprehensive Income	-	-	-	-	-	-	1,534.792	1,534.792
- Non-controlling Interest	-	-	-	-	-	-	[36,474.175]	49,561.685
- Parent Company Shares	<u>22,724.030</u>	<u>[1,199.838]</u>	<u>4,923.911</u>	<u>8,580.255</u>	<u>50,058.361</u>	<u>949.141</u>	<u>[36,474.175]</u>	<u>49,561.685</u>



Distribution of depreciation and termination indemnity expenses by segment in the consolidated statement of comprehensive income for the year ended 31 December 2010 is as follows (TL):

	Holding	Tourism	Industry and Commerce	Contracting and Land Energy Development	Fishery Products	Total
Investment Properties (Notes 13,24)	-	-	-	-	100.437	100.437
Tangible Assets (Notes 14,24)	127.524	2.820.682	1.942.477	4.999.757	10.007.752	20.053.252
Intangible Assets (Notes 15,24)	325	1.888.598	208.751	9.089.330	81.869	11.276.762
Current period depreciation expense	<u>127.849</u>	<u>4.709.280</u>	<u>2.151.228</u>	<u>14.089.087</u>	<u>10.190.058</u>	<u>31.430.451</u>
Provision for Termination Indemnity no longer required (Notes 19,25)	(29.702)	(161.090)	(744.889)	(6.740.942)	(1.277.067)	(8.959.297)
Current period termination indemnity expense (Notes 19,24)	148.840	871.137	1.230.215	2.401.790	1.630.844	6.334.985
Total termination indemnity expense for the period	<u>119.138</u>	<u>710.047</u>	<u>485.326</u>	<u>(4.339.152)</u>	<u>353.777</u>	<u>(2.624.312)</u>

Distribution of depreciation and termination indemnity expenses by segment in the consolidated statement of comprehensive income for the year ended 31 December 2009 is as follows (TL):

	Holding	Tourism	Industry and Commerce	Contracting and Land Energy Development	Fishery Products	Total
Investment Properties (Notes 13,24)	-	-	-	-	100.438	100.438
Tangible Assets Notes 14,24)	141.867	2.619.661	2.074.113	3.545.699	9.944.208	18.479.640
Intangible Assets (Notes 15,24)	162	2.209.628	206.215	3.032.666	129.323	5.586.150
Current period depreciation expense	<u>142.029</u>	<u>4.829.289</u>	<u>2.280.328</u>	<u>6.578.365</u>	<u>10.173.969</u>	<u>24.166.228</u>
Provision for Termination Indemnity no longer required (Notes 19,25)	(71.136)	(158.104)	(491.278)	(791.601)	(1.153.079)	(2.668.393)
Current period termination indemnity expense (Notes 19,24)	131.283	321.488	965.314	806.847	1.612.658	3.874.131
Total termination indemnity expense for the period	<u>60.147</u>	<u>163.384</u>	<u>474.036</u>	<u>15.246</u>	<u>459.579</u>	<u>1.205.738</u>

5. Cash and Cash Equivalents

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

	31 December 2010	31 December 2009
Cash	46.030	105.506
Banks	340.497.274	344.607.162
- TL demand deposit	3.082.095	24.624.740
- Foreign currency demand deposit	11.622.778	14.640.131
- TL time deposit	147.612.621	48.269.192
- Foreign currency time deposit	173.550.839	251.703.008
- Blocked time deposits	4.628.941	5.370.091
Cheques received	999.384	1.381.092
Other liquid assets	169.359	111.049
Investment funds *	17.891.724	13.942.782
Total	<u>359.603.771</u>	<u>360.147.591</u>

As of 31 December 2010, the interest rates applied on time deposits are as follows: TL deposits: 0,50% - 10,00% (31 December 2009 - 6,25% - 11,50%); Euro deposits: 0,50% - 3,50% (31 December 2009 - 0,07% - 3,25%); USD deposits: 1,00%- 3,66% (31 December 2009 - 0,07% - 4,50%); Ruble deposits: 10,00% (31 December 2009 - 9,00%).

* Consists of Type B liquid investment funds as of 31 December 2010 and 2009.

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

6. Financial Assets

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



	31 December 2010	31 December 2009
Financial Assets Held for Trading		
- Investment Funds *	56.989.031	42.247.577
Financial Assets Held to Maturity **		
- Public sector notes and bonds	-	84.722.788
Value increase in marketable securities (Note 26)	7.074.894	14.741.454
Total	<u>64.063.925</u>	<u>141.711.819</u>

* As of 31 December 2010 and 2009, financial assets held for trading consist of Type A investments funds.

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

	31 December 2010	31 December 2009
Financial Assets Held to Maturity **		
- Public sector notes and bonds	86.380.484	-
Total	<u>86.380.484</u>	<u>-</u>

** As of 31 December 2010, the interest rate on financial assets held to maturity is 4,65% (31 December 2009 - varies between 3,72% - 4,65%).

Affiliates ;	31 December 2010		31 December 2009	
	Participation		Participation	
	Rate %	Amount	Rate %	Amount
Isı Sanayi Araştırma ve Geliştirme A.Ş.	5,00	7.348	5,00	7.348
San-Bir San. Hiz. İşl. ve Tic. A.Ş.	1,22	2.643	1,22	2.643
Other	*	542.332	*	419.715

Subsidiaries ;

	31 December 2010		31 December 2009	
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
Alarko SA (**)	42,33	50.129	42,33	50.129
Saret KZ (**)	100,00	7.033	100,00	7.033
DAF Araştırma Geliştirme A.Ş. (**)	33,33	19.999	33,33	19.999
Total		<u>985.198</u>		<u>6.424.157</u>

(*) Less than 1%.

(**) The indicated 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 of the Group.

(***) As of 10 August 2010, the shares of Temzet Elektrik Üretim İletim A.Ş. have been transferred to Temtaş Tavşanlı Enerji Madencilik Turizm Tekstil San. ve Tic. A.Ş. in accordance with the provisions of the Share Transfer Agreement.

7. Financial Liabilities

Financial liabilities consist of the following (TL) :

	31 December 2010	31 December 2009
Short term bank loans	796.181	30.870.306
Principal amount and interest payments of long term loans	63.939.425	35.704.006
Leasing liabilities with maturities less than 1 year	-	47.691
Short term financial debts	64.735.606	66.622.003
Short Term Other Financial Liabilities	306.911	139.319
Long term bank loans	215.932.411	235.494.391
Long Term Other Financial Liabilities	2.392.093	1.220.384
Total	<u>283.367.021</u>	<u>303.476.097</u>

(*) 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 lease obligations are stated in the Interest Rate Risk Table as "Financial Liabilities" under the financial instruments with fixed and variable interest (Note 32 (iii)).



As of 31 December 2010 and 2009, the maturities and interest rates of short term bank loans are as follows:

31 Aralık 2010

Maturity	Interest Rate	Currency	Amount in Original Currency	Exchange Rate	TL Equivalent
01.01.2011-21.10.2011	0% - 10%	TL	24.193.041	-	24.193.041
30.09.2011-31.12.2011	1,96% - 5,00%	USD	26.182.272	1,5460	40.477.793
11.01.2011-11.12.2011	4,28% - 4,96%	EURO	31.610	2,0491	64.772
					<u>64.735.606</u>

31 December 2009

Maturity	Interest Rate	Currency	Amount in Original Currency	Exchange Rate	TL Equivalent
01.01.2010-31.01.2010	0% - 10%	TL	6.639.900	-	6.639.900
25.02.2010-31.12.2010	2,50% - 7,74%	USD	39.759.550	1,5057	59.865.954
31.12.2010	4,28% - 4,96%	EURO	26.589	2,1603	57.440
28.03.2010	5,40%	JPY	675.913	0,0163	11.018
					<u>66.574.312</u>

As of 31 December 2010 and 2009, the maturities and interest rates of long term bank loans are as follows:

31 December 2010

Maturity	Interest Rate	Currency	Amount in Original Currency	Exchange Rate	TL Equivalent
22.10.2012-21.10.2015	9,97% - 10,00%	TL	61.700.114	-	61.700.114
30.09.2015-30.06.2021	1,96% - 5,00%	USD	89.975.746	1,5460	139.102.503
23.01.2029	4,55% - 5,50%	EURO	7.383.629	2,0491	15.129.794
					<u>215.932.411</u>

31 December 2009

Maturity	Interest Rate	Currency	Amount in Original Currency	Exchange Rate	TL Equivalent
30.10.2019-30.06.2021	2,50% - 7,74%	USD	150.207.801	1,5057	226.167.886
15.06.2022-14.05.2029	1,47% - 4,96%	EURO	4.317.227	2,1603	9.326.505
					<u>235.494.391</u>

As of 31 December 2010 and 2009, the distribution of short and long term bank loans with respect to their maturities are as follows (TL):

	31 December 2010 (TL)	31 December 2009 (TL)
Less than 1 year	64.735.606	66.574.312
1 - 2 Years	54.497.610	40.195.925
2 - 3 Years	46.342.409	36.666.954
3 - 4 Years	41.793.121	31.437.389
4 years and more	73.299.271	127.194.123
Total (Note 32(iii))	<u>280.668.017</u>	<u>302.068.703</u>



8. Trade Receivables and Payables

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

	31 December 2010	31 December 2009
Customers	144.989.956	237.478.971
Notes receivable	28.558.097	30.396.109
Rediscount on receivables (-)		
Notes receivable	(270.117)	(239.697)
Maturity cheques	(189.716)	(237.695)
Customers	(111.341)	(375.829)
Other short term receivables	4.221.469	7.450.655
Short term leasing receivables	26.079	37.671
Receivables from ongoing construction contracts (Note 11)	15.824.452	59.564.401
Doubtful trade receivables	63.283.971	36.051.534
Provision for doubtful trade receivables(-)	(63.283.971)	(36.051.534)
Total	193.048.879	334.074.586
Trade receivables from related parties	88.617.940	84.719.857
Rediscount on receivables from related parties (-)	(62.653)	(22.516)
Doubtful trade receivables from related parties	9.853.344	15.949.841
Provision for doubtful trade receivables from related parties (-)	(9.853.344)	(15.949.841)
Total trade receivables from related parties (Note 31)	88.555.287	84.697.341
Short term financial assets	19.790.958	75.932.663
Grand Total	<u>301.395.124</u>	<u>494.704.590</u>

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

	31 December 2010	31 December 2009
Customers	10.303	10.776
Notes receivable	101.411	394.865
Rediscount on receivables (-)		
Notes receivable	(7.045)	(37.752)
Long term leasing receivables	-	26.078
Long term financial assets	29.471.347	12.292.779
Total	<u>29.576.016</u>	<u>12.686.746</u>

Changes in provision for doubtful receivables are set out below (TL) :

	31 December 2010	31 December 2009
Opening balance	52.001.375	20.376.377
Effect of jointly controlled entity included in the consolidation	-	30.525.567
Current period provision expense (Note 23)	40.456.182	4.388.801
Effect of rate change	(573.554)	-
Renounced claims	(6.096.497)	-
Provisions no longer required (Note 25)	(12.650.191)	(3.289.370)
Closing balance	<u>73.137.315</u>	<u>52.001.375</u>

Leasing receivables consist of the following (TL) :

	31 December 2010	31 December 2009
Gross leasing receivables	32.957	89.455
Unearned interest income	(6.878)	(25.706)
Total (Note (32)(iii))	<u>26.079</u>	<u>63.749</u>



	31 December 2010	31 December 2009
Short term leasing receivables	26.079	37.671
Long term leasing receivables	-	26.078
Total (Note 32(iiii))	<u>26.079</u>	<u>63.749</u>

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

	31 December 2010	31 December 2009
Suppliers	153.413.354	147.300.305
Rediscount on payables (-) Suppliers	(305.777)	(457.079)
Progress payments related to ongoing construction contracts (Note 11)	11.930.148	120.547.304
Other trade payables	22.973.143	36.170.116
Total	188.010.868	303.560.646
Due to related parties	34.121.633	21.151.293
Rediscount on balances due to related parties (-)	(3.672)	(4.488)
Total trade payables to related parties (Note 31)	34.117.961	21.146.805
Grand Total (Note 32 (ii))	<u>222.128.829</u>	<u>324.707.451</u>

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

	31 December 2010	31 December 2009
Suppliers (Note 32 (ii))	695.962	-
	<u>695.962</u>	<u>-</u>

9. Other Receivables and Payables

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

	31 December 2010	31 December 2009
Due from personnel	26.686	37.059
Other miscellaneous receivables	1.344.343	6.337.764
Deposits and guarantees given	35.119.371	42.510.724
Other doubtful receivables	256.721	220.770
Provision for other doubtful receivables (-) (Note 32(ii))	(256.721)	(220.770)
Total (Note 32(i))	36.490.400	48.885.547
Due from shareholders	-	12.825.949
Due from affiliates	6.135.089	1.001.491
Other receivables from related parties (Note 31,32(i))	6.135.089	13.827.440
Grand Total	<u>42.625.489</u>	<u>62.712.987</u>

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

	31 December 2010	31 December 2009
Other miscellaneous receivables	419.647	278.034
Deposits and guarantees given	7.608.700	6.832.970
Total (Note 32(i))	<u>8.028.347</u>	<u>7.111.004</u>



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

	31 December 2010	31 December 2009
Due to shareholders (Note 31)	9.411	8.294
Due to affiliates (Note 31)	59.975	-
Deposits and guarantees received	20.592.437	21.875.431
Due to personnel	17.214	22.624
Other miscellaneous debts	7.198.184	23.669.641
Taxes, duties and other withholdings payable	9.770.076	12.406.655
Social security premiums payable	1.784.061	1.563.682
Other liabilities	34.319	2.297.114
Total (Note 32(iii))	<u>39.465.677</u>	<u>61.843.441</u>

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

	31 December 2010	31 December 2009
Deposits and guarantees received	26.693.362	16.921.912
Total (Note 32(ii))	<u>26.693.362</u>	<u>16.921.912</u>

10. Inventories

Inventories consist of the following (TL) :

	31 December 2010	31 December 2009
Raw materials and supplies	19.269.496	57.032.741
Semi-finished goods	1.065.946	1.212.105
Finished goods	3.328.450	5.165.536
Merchandise *	55.424.137	46.424.680
Other inventories	488.293	1.941.452
Inventory provision (-) *	(1.597.192)	(3.274.179)
Total	<u>77.979.130</u>	<u>108.502.335</u>

* As of 31 December 2010, a portion of TL 45.750.158 out of the merchandise balance of TL 55.424.137 (31 December 2009 - TL 43.816.519) consists of real estates held for trading.

Changes in inventory provision are set out below (TL) :

	31 December 2010	31 December 2009
Opening balance	3.274.179	6.551.298
Current period expense (Note 23)	-	498.653
Provisions no longer required (Note 25)	(1.676.987)	(3.775.772)
Closing balance	<u>1.597.192</u>	<u>3.274.179</u>



As of 31 December 2010 and 2009, details of real estates held for trading consist of the following (TL) :

	31 December 2010				31 December 2009			
	Adjusted Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date	Adjusted Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date
Real Estate Project								
Land Share (1 Parcel) and Project Cost								
Projects unsold	14.339.405	-	14.130.000	07.12.2010	20.041.034	-	19.695.000	04.12.2009
Projects with sale contracts realized	12.090.515	11.798.400	-	-	3.704.897	3.427.659	-	-
Impairment and Elimination	(2.371.152)				(1.601.371)			
Total	24.058.768	11.798.400	14.130.000		22.144.560	3.427.659	19.695.000	
Land in Büyükçekmece								
Cost (5 parcels)	4.321.594		8.260.000	04.12.2010	4.321.594		7.690.000	04.12.2009
Land in Maslak								
Cost	15.105.685		33.185.000	06.12.2010	15.105.685		32.235.000	02.12.2009
Lands in Orhanlı and Kocataş								
Cost	2.264.111				2.244.680			
Total	<u>45.750.158</u>	<u>11.798.400</u>	<u>55.575.000</u>		<u>43.816.519</u>	<u>3.427.659</u>	<u>59.620.000</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 2010, sales contracts are made for 49 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.

As of 31 December 2010, the All Risk on Construction and Employer's Liability Insurance totals for the Real Estate Project amount to TL 36.662.654 and TL 34.037.854.

Within the frame of the provision of the CMB Communiqué on Principles Regarding Real Estate Investment Companies Nr VI-11 which reads "The land and lots in the portfolio of the REIC, on which any project has not been realized for five years as of the acquisition date, may not exceed 10% of its portfolio value" as stated in paragraph (d) of Article 27, Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. (a subsidiary) asked for a period of grace from the Capital Markets Board on 29.07.2009; and on 21.08.2009, the Board has given an additional period until 30 June 2010 to comply with the related communiqué.

Upon the application of the Company to the CMB on 17 June 2010, an extension until 30 June 2011 is granted pursuant to the meeting of the Decision Making Body of the Board dated 8 July 2010 Nr 20/612 for completion of project development work related to the land in Maslak.

11. Balances Due From Ongoing Construction Contract and Progress Payments

Costs and estimated earnings related to the ongoing construction contracts are as follows:

	31 December 2010	31 December 2009
Costs related to the ongoing construction contracts	1.158.485.145	1.620.173.173
Estimated earnings	176.054.881	194.654.902
Less: Total progress payments billed as of the period end	(1.330.645.722)	(1.875.810.978)
	<u>3.894.304</u>	<u>(60.982.903)</u>



The net balance stated above is classified in the accompanying consolidated statement of financial position as follows (TL) :

	31 December 2010	31 December 2009
Due from Ongoing Construction Contracts (net) (Note 8)	15.824.452	59.564.401
Progress Payments related to ongoing Construction Contracts (Note 8)	(11.930.148)	(120.547.304)
	<u>3.894.304</u>	<u>(60.982.903)</u>

The total short term advances received by the subsidiaries and jointly controlled entities of the Group in relation to the ongoing construction contracts as of 31 December 2010 amounts to TL 40.462.999 (31 December 2009 - TL 51.229.131).

12. Investments Valued by Equity Method

Investments valued by equity method consist of the following (TL):

	31 December 2010		31 December 2009	
	Participation Rate %	Amount	Participation Rate %	Amount
Al-Riva Proje Ar. Değ. Konut İnş. ve Tic. A.Ş.*	12,13	4.075.954	12,13	4.252.993
Al-Riva Arazi Ar. Değ. Konut İnş. ve Tic. A.Ş.**	2,63	-	2,63	-
Al-Riva Arazi Değ. Konut İnş. Turistik Tes. Golf İşl. ve Tic. A.Ş.***	2,28	1.067.599	2,28	1.099.041
Total		<u>5.143.553</u>		<u>5.352.034</u>

* As of 31 December 2010, total assets amount to TL 49.241.329, total liabilities amount to TL 8.856.919, total equity amounts to TL 40.384.410, and the net loss for the period is TL 443.712. As of 31 December 2009, total assets amount to TL 48.778.362, total liabilities amount to TL 7.950.240, total equity amounts to TL 40.828.122, and the net loss for the period is TL 604.106.

** As of 31 December 2010, total assets amount to TL 22.389.337, total liabilities amount to TL 1.598.688, total equity amounts to TL 20.790.649, and the net loss for the period is TL 248.617. As of 31 December 2009, total assets amount to TL 22.376.339, total liabilities amount to TL 1.337.073, total equity amounts to TL 21.039.266, and the net loss for the period is TL 248.609. Alarko Group's share within the decrease observed in the affiliate's equity during the period from the acquisition date until 31 December 2010 was deducted from the acquisition cost of the investment, and the decrease observed in the amount corresponding to the equity share in comparison with the acquisition cost was recognized as loss in the consolidated statement of comprehensive income.

*** As of 31 December 2010, total assets amount to TL 71.246.960, total liabilities amount to TL 330.703, total equity amounts to TL 70.916.257, and the net loss for the period is TL 79.003. As of 31 December 2009, total assets amount to TL 71.243.413, total liabilities amount to TL 248.153, total equity amounts to TL 70.995.260, and the net loss for the period is TL 71.689.

13. Investments in Progress

	31 December 2010	31 December 2009
Opening balance	2.909.894	2.909.894
Accumulated depreciation (Note 24)	(1.172.759)	(1.072.322)
Before value increase, net	1.737.135	1.837.572
Value increase / (decrease)	-	-
After value increase, net	<u>1.737.135</u>	<u>1.837.572</u>

As of 31 December 2010 and 2009, total insurance on investment properties amounts to TL 58.011.740 and TL 48.300.091, respectively.

As of 31 December 2010, comparison between the restated cost values of investment properties and their fair values is as follows (TL):

	31 December 2010		
	Expertise Report Date	Fair Value (TL)	Cost Value, Net (TL)
Name of Property			
Ankara Çankaya İş Merkezi	07.12.2010	2.500.000	1.142.949
İstanbul Karaköy İş Merkezi	07.12.2010	1.300.000	593.043
İstanbul Şişhane İş Merkezi	07.12.2010	1.500.000	1.143
Total		<u>5.300.000</u>	<u>1.737.135</u>



As of 31 December 2009, comparison between the restated cost values of investment properties and their fair values is as follows (TL):

31 December 2009

Name of Property	Expertise Report Date	Fair Value (TL)	Cost Value, Net (TL)
Ankara Çankaya İş Merkezi	01.12.2009	2.425.000	1.172.960
İstanbul Karaköy İş Merkezi	02.12.2009	1.210.000	663.430
İstanbul Şişhane İş Merkezi	02.12.2009	1.500.000	1.182
Total		<u>5.135.000</u>	<u>1.837.572</u>

14. Tangible Assets

Tangible assets consist of the following (TL) :

As of 31 December 2010;

	Opening 1 January 2010	Effect of Rate Change	Capitalized Borrowing Costs and Foreign Additions	Exchange Differences	Transfers and Disposals	Effect of Entity Excluded from Consolidation	Elimination Entries	Total After Elimination 31 December 2010	
Land	12.334.316	5	3.248	-	-	-	-	12.337.569	
Land improvements	28.986.934	194.646	1.968	-	-	-	-	29.183.548	
Buildings	159.284.364	3.619.181	30.871.258	248.825	4.028.514	(605.681)	653.069	198.099.530	
Plant, machinery, and equipment	183.667.051	92.331.249	1.889.125	416.101	40.411.690	-	(4.375.128)	314.340.088	
Motor vehicles	13.538.215	(51.940)	182.747	326.610	(511.555)	-	-	13.484.077	
Furniture and fixtures	55.601.479	376.106	5.248.743	133.689	(3.999.548)	-	1.324	57.361.793	
Other tangible assets	8.819.164	871.743	1.478.783	(313.917)	(170.863)	-	-	10.684.910	
Investments in progress	11.461.653	11.556.670	32.897.025	3.513.235	(52.402.234)	-	(7.973)	7.018.376	
Total	<u>473.693.176</u>	<u>108.897.660</u>	<u>72.572.897</u>	<u>4.324.543</u>	<u>(12.643.996)</u>	<u>(605.681)</u>	<u>(3.728.708)</u>	<u>642.509.891</u>	
	Opening 1 January 2010	Effect of Rate Change	Depreciation Expense for the Period	Foreign Exchange Difference	Sales Depreciation	Effect of Entity Excluded from Consolidation	31 December 2010	Elimination Entries	Total After Elimination 31 December 2010
Land improvement	28.030.244	19.437	101.265	-	-	-	28.150.946	-	28.150.946
Buildings	79.028.903	322.158	2.193.582	95.593	(839.607)	(233.484)	80.567.145	1.319.570	81.886.715
Plant, machinery and equipment	90.080.508	16.191.367	8.914.544	222.579	(3.952.875)	-	111.456.123	-	111.456.123
Motor vehicles	9.023.151	(52.289)	2.612.384	153.945	(347.901)	-	11.389.290	-	11.389.290
Furniture and fixtures	41.644.383	287.671	4.397.549	38.747	(2.639.307)	-	43.729.043	-	43.729.043
Other tangible assets	7.105.942	158.545	514.358	(315.158)	(178.130)	-	7.285.557	-	7.285.557
Total Accumulated Depreciation	<u>254.913.131</u>	<u>16.926.889</u>	<u>18.733.682</u>	<u>195.706</u>	<u>(7.957.820)</u>	<u>(233.484)</u>	<u>282.578.104</u>	<u>1.319.570</u>	<u>283.897.674</u>
Tangible Assets, net	<u>218.780.045</u>								<u>358.612.217</u>

Fixed assets acquired by financial leasing are recognized among motor vehicles, plant, machinery, and equipment and consist of the following (TL):

31 December 2010

31 December 2009

Plant, machinery, and equipment	-	2.563.256
Motor vehicles	131.526	131.526
Accumulated depreciation (-)	(43.842)	(2.092.436)
	<u>87.684</u>	<u>602.346</u>



As of 31 December 2009;

	Opening 1 January 2009	Effect of Rate Change	Entries to Consolidation	Additions	Capitalized Borrowing Costs and Foreign Exchange Differences	Transfers and Disposals	Elimination Entries	Total After Elimination 31 December 2009
Land	12.334.316	-	-	-	-	-	-	12.334.316
Land improvements	28.986.934	-	-	-	-	-	-	28.986.934
Buildings	157.423.705	525.912	-	3.315.514	(317.661)	(1.663.106)	-	159.284.364
Plant, machinery, and equipment	155.779.411	212.871	-	32.852.635	(2.143.625)	(3.033.415)	(826)	183.667.051
Motor vehicles	15.105.317	646.815	363.683	661.740	(2.119.458)	(1.119.882)	-	13.538.215
Furniture and fixtures	55.039.698	653.552	-	4.376.855	(808.548)	(3.640.547)	(19.531)	55.601.479
Other tangible assets	8.721.052	-	-	298.360	(2.312)	(197.936)	-	8.819.164
Investments in progress	4.927.639	-	-	6.553.043	12.149	(31.178)	-	11.461.653
Total	438.318.072	2.039.150	363.683	48.058.147	(5.379.455)	(9.686.064)	(20.357)	473.693.176

	Opening 1 January 2009	Effect of Rate Change	Entries to Consolidation	Depreciation Expense for the Period	Foreign Exchange Difference	Sales Depreciation	31 December 2009	Elimination Entries	Total After Elimination 31 December 2009
Land improvements	27.930.526	-	-	99.718	-	-	28.030.244	-	28.030.244
Buildings	76.710.358	260.066	-	1.957.115	(43.473)	(1.076.829)	77.807.237	1.221.666	79.028.903
Plant, machinery, and equipment	84.535.204	148.361	-	7.625.321	(593.807)	(1.634.571)	90.080.508	-	90.080.508
Motor vehicles	7.213.357	363.046	363.683	2.703.351	(858.766)	(761.520)	9.023.151	-	9.023.151
Furniture and fixtures	38.941.511	521.890	-	4.464.255	(195.418)	(2.091.954)	41.640.284	4.099	41.644.383
Other tangible assets	6.740.203	-	-	404.115	-	(38.376)	7.105.942	-	7.105.942
Total Accumulated Depreciation	242.071.159	1.293.363	363.683	17.253.875	(1.691.464)	(5.603.250)	253.687.366	1.225.765	254.913.131
Tangible Assets, net	196.246.913								218.780.045

15. Intangible Assets

Intangible assets consist of the following (TL) :

Cost	Rights	Special Cost	Other Intangible Assets	Total
As of 1 January 2009	4.351.738	48.913.891	148.676	53.414.305
Effect of rate change	105.748	-	-	105.748
Additions*	219.093.062	121.175	-	219.214.237
Transfers	13.084	1.371.049	-	1.384.133
Disposals	(118.585)	(395.163)	-	(513.748)
Foreign exchange difference	(3.178)	-	-	(3.178)
As of 31 December 2009	223.441.869	50.010.952	148.676	273.601.497
Effect of rate change	(3.767.856)	25.839.083	-	22.071.227
Effect of entity excluded from Consolidation	(1.985)	-	-	(1.985)
Additions	370.842	14.013	-	384.855
Transfers	14.565	1.912.373	-	1.926.938
Disposals	(1.100.003)	(3.447)	-	(1.103.450)
Foreign exchange difference	27	-	-	27
As of 31 December 2010	218.957.459	77.772.974	148.676	296.879.109



- * As of 31 December 2009, TL 218.817.579 of the additions totaling TL 219.093.062 related to tangible assets and TL 364.208.691 which is recorded within the scope of purchase accounting as per the TFRS 3 "Business Combinations" comprise the customer agreements owned by the Company by its retail sales license. Furthermore, in accordance with the operating right transfer agreement as per the TFRS Comment 12 "Service Concession Agreements" and the distribution license owned, a total of TL 66.375.056 recognized as intangible assets belongs to Alcen Enerji Dağıtım ve Perakende Satış Hizmetleri A.Ş. in which the Parent Company has an indirect interest of 50,82% and Meram Elektrik Dağıtım A.Ş. in which the Parent Company has indirectly participated.

Accumulated Amortisation	Rights	Special Costs	Other Intangible Assets	Total
As of 1 January 2009	3.885.590	31.703.806	79.725	35.669.121
Effect of Rate Change	105.748	-	-	105.748
Charge for the current period	2.259.487	3.280.285	30.991	5.570.763
Disposals	(117.841)	(372.814)	-	(490.655)
Foreign exchange difference	(1.435)	-	-	(1.435)
Elimination entries	-	15.387	-	15.387
31 December 2009 Total After Elimination Entries	6.131.549	34.626.664	110.716	40.868.929
Effect of Rate Change	23.224	21.427.229	79.634	21.530.087
Effect of entity excluded from consolidation	(1.012)	-	-	(1.012)
Charge for the current period*	8.222.343	3.024.685	29.734	11.276.762
Disposal	(1.100.714)	(3.448)	-	(1.104.162)
Foreign exchange difference	(191)	209	-	18
31 December 2010 Total After Elimination Entries	13.275.199	59.075.339	220.084	72.570.622
Net Value				
As of 31 December 2009				232.732.568
As of 31 December 2010				224.308.487

- * As of 31 December 2010, a total of TL 1.082.548 (31 December 2009- TL 998.505) from the current period special cost amortisation amounting to TL 3.024.685 (31 December 2009- TL 3.280.285) represents amortisation provided 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 2010 and 2009, goodwill consists of the following (TL):

Date of Transaction	Gross Positive Goodwill	
	31 December 2010	31 December 2009
30 November 2010 *	4.908.791	-
30 October 2009 **	4.943.340	5.033.475
21 June 1994	161.302	161.302
7 October 1998	218.549	218.549
	10.231.982	5.413.326

- * As of 30 November 2010, Alsım Alarko Sanayi Tesisleri ve Ticaret A.Ş. (a subsidiary) has acquired 50% of the shares of Altek Alarko Elektrik Santralleri Tesis İşletme ve Tic. A.Ş. the net assets' fair value of which amounts to TL 82.039.759 at a total cost of TL 86.948.550. The indicated total represents the goodwill constituted upon the said transaction (Note 3).

- ** As of 30 October 2009, Alcen Enerji Dağıtım ve Perakende Satış Hiz. A.Ş. (a jointly controlled entity) has acquired Meram Elektrik Dağıtım A.Ş. the net assets' fair value of which amounts to TL 642.307.249 at a total cost of TL 652.212.000. The indicated total represents the goodwill constituted upon the said transaction (Note 3). Alcen Enerji Dağıtım ve Perakende Satış Hiz. A.Ş. was included in the consolidation as of 31 December 2009 at a rate of 50,82% whereas the said rate has decreased down to 49,91% as of 31 December 2010, and the change in goodwill as of 31 December 2010 and 2009 originates the said rate change.

17. Government Incentives and Grants

Alarko Carrier Sanayi ve Ticaret A.Ş. which is one of the jointly controlled entities has obtained TL 55.870 of research and development investments incentive from TEYDEB - The Technology and Innovation Support Programmes Directorate of TUBITAK - for the year ended 31 December 2010, in relation to the Burner Development and Rooftop Air Conditioner Development Projects (31 December 2009 - TL 167.700) (Note 25).



18. Provisions, Conditional Assets and Liabilities

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

	31 December 2010	31 December 2009
Tax provision related to prior periods *	3.507.768	2.468.209
Rental expenses	769.899	740.968
Communication expense payable	4.893	7.451
Electricity expense payable	4.355.521	48.673
Premium provisions	1.426	1.706
Contractual expenses	153.498	352.927
Water expense payable	6.432	10.855
Fuel expense payable	13.967	16.378
Return provisions	-	4.041
Warranty provisions	1.679.062	1.462.351
Undocumented debts related to goods and services	292.655	5.516.486
Provision for litigation	5.651.830	7.730.283
Total	<u>16.436.951</u>	<u>18.360.328</u>

* Tax provision made prior years as per the local legislation of Kazakhstan and Ukraine for the subsidiaries and jointly controlled entities operating in these countries.

As of 31 December 2010 and 2009, changes in provision for litigation are set out below (TL):

	31 December 2010	31 December 2009
Opening balance	7.730.283	4.202.309
Charge for the current period (Note 23)	837.282	3.438.544
Provision for litigation no longer required (Note 25)	(2.875.443)	-
Current period interest and exchange difference expenses	-	89.430
Effect of rate change	(40.292)	-
Provision for litigation at the end of the period	<u>5.651.830</u>	<u>7.730.283</u>

Taxes on profit for the period consist of the following (TL) :

	31 December 2010	31 December 2009
Current period tax provision (Note 29(a))	22.912.748	11.285.250
Prepaid taxes and funds	(19.146.713)	(3.573.434)
	<u>3.766.035</u>	<u>7.711.816</u>

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

a) Mortgages on Assets:

As of 31 December 2010 and 2009, two parcels of the land in Eskice District in Büyükçekmece Village stated in the inventories and fixed asset 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 plot 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) As of 31 December 2010, guarantees received for short term trade receivables amount to TL 135.900.974 (31 December 2009 - TL 113.858.738). The guarantees received other than those received for short term trade receivables amount to TL 438.564.806 (31 December 2009 - TL 702.095.398).

c) As of 31 December 2010 , the overdue receivables and the related provisions stated in the Group's accounting records amount to TL 73.394.036 (31 December 2009 - TL 52.222.145).

d) As of 31 December 2010, mortgages on assets amount to TL 1.552.506 (31 December 2009 - TL 3.749.460).

e) As of 31 December 2010, contingent liabilities amount to TL 1.413.644.340 (31 December 2009 - TL 980.965.530).



The guarantees/sureties/mortgages given and received by the Group as of 31 December 2010 and 2009 consist of the following (TL):

	31 December 2010	31 December 2009
Mortgages given	1.552.506	3.749.460
Guarantee letters given	629.620.277	658.064.251
Guarantee notes given	696.227	835.357
Sureties given	783.327.836	322.065.922
	<u>1.415.196.846</u>	<u>984.714.990</u>
Sureties received	404.872.038	635.341.613
Mortgages received	39.306.166	39.551.480
Guarantee notes received	108.981.798	116.872.939
Cheques received	781.565	743.216
Notes received	12.000.373	9.549.701
Other	8.523.840	13.895.187
	<u>574.465.780</u>	<u>815.954.136</u>

The guarantee/surety/mortgage position of the Group as of 31 December 2010 and 2009 is set out in the table below (TL):

	31 December 2010		31 December 2009	
Guarantees, sureties, mortgages given by the Company				
A. Total guarantees, sureties, mortgages given in the name of its own corporate body				
	Foreign Currency	TL Equivalent	Foreign Currency	TL Equivalent
TL	-	-	-	-
USD	-	-	-	-
EURO	-	-	-	-
JPY	-	-	-	-
		-		-
B. Total guarantees, sureties, mortgages given in the name of entities included in the consolidation by full consolidation method				
	Foreign Currency	TL Equivalent	Foreign Currency	TL Equivalent
TL	76.010.275	76.010.275	72.359.868	72.359.868
USD	27.351.691	42.285.714	22.198.715	33.424.605
EURO	62.547.753	128.166.601	65.270.726	141.004.348
JPY	1.820.244.114	34.462.682	1.820.244.114	29.673.620
CHF	623.731	1.025.289	623.731	903.911
		281.950.561		277.366.352
C. Total guarantees, sureties, mortgages given as collateral for other third parties' liabilities to ensure continuity of ordinary trade operations				
	Foreign Currency	TL Equivalent	Foreign Currency	TL Equivalent
TL	757.379.531	757.379.531	209.249.880	209.249.880
USD	114.473.761	176.976.435	162.322.688	244.409.271
EURO	57.501.908	117.827.160	53.001.191	114.498.473
CHF	3.923	6.449	3.923	5.685
JPY	1.626.331.377	30.791.332	3.554.131.402	57.939.450
DEM	-	-	1.616.000	1.784.943
		1.082.980.907		627.887.702
D. Total other guarantees, sureties, mortgages given				
i. In the name of the Parent Company				
		-		-
ii. In the name of other group companies that are not included in the scope of items B and C				
	Foreign Currency	TL Equivalent	Foreign Currency	TL Equivalent
TL	27.979.174	27.979.174	46.580.971	46.580.971
ABD DOLARI	2.255.953	3.487.703	6.113.278	9.204.763
AVRO	9.174.029	18.798.501	10.959.219	23.675.202
		50.265.378		79.460.936
iii. In the name of third parties that are not included in the scope of item C				
		-		-
Grand Total		<u>1.415.196.846</u>		<u>984.714.990</u>



As of 31 December 2010, the ratio of the other guarantees, sureties, and mortgages given by the Group to its equity is 6% (31 December 2009 - 9%).

- f)** As of 31 December 2003, tariff adjustment invoices amounting to a total of TL 2.3 million related to 2001 and 2002 years were prepared by Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ) for Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.Ş. (a subsidiary). Although the said invoices were recognized as sales deductions in 2003, the Company made an application to the Ministry of Energy and Natural Resources for correction of the calculation of invoice totals. Upon failing to receive any response from the Ministry, the Company has filed for a case against the Ministry claiming annulment of the invoices in 2004 and the legal proceedings are 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 Santralleri 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. Finally, 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 Company has returned the secondary invoices with a total value of TL 3.107.405 + VAT to TETAŞ through the notary. Furthermore, as per the writing of the Ministry of Energy and Natural Resources dated 15 August 2008, TETAŞ has notified the Company on a revised tariff for the period 01.01.2003-31.08.2008 related to Tohma HES and sent a secondary invoice of TL 806.027 +VAT. In addition to the appeals made to TETAŞ, the said dispute was made a court case. During this period, TETAŞ has not realized the payment of the Company's current receivables and sent a writing informing that these receivables have been deducted from the secondary invoices.

In the writing of TETAŞ sent to the Company on 21 April 2009, it is stated that the offsetting has been completed taking into account the tariff differences subject to the court case and the total delay interests calculated for the said differences in relation to the tariff revision made as of March 2009 and TETAŞ has started to pay the succeeding receivables to the Company. From this date onwards, the Company has arranged the invoices related to tariff differences which could not be sorted out in the past years due to the ongoing action and recorded them in 2009 with a note of reservation. The tariff difference invoices amounting to a total of TL 4.422.145 (excl. VAT) has been paid to the Company by TETAŞ during 2009.

In summary, the court appeals and negotiations related to the tariff revision and related price difference invoices have been ongoing for a long period of time.

- TETAŞ has completed the offsetting it started in June 2007 and started to realize the payment of receivables formed since April 2009
- The cases filed against the Ministry of Energy and Natural Resources have taken a long period of time and a future estimate could not be made.

Taking into consideration the facts stated above, the Company has made a total provision of TL 8.742.293 for its receivables from TETAŞ, comprising a delay interest of TL 4.475.489 and a principal amount of TL 4.266.804.

- h)** Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.Ş. (a subsidiary) 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 and the case has been finalized at the 13th State Council by decree nr. E.2007/1704 K:2009/2216 in favor of the Company. Although the court case is finalized, the Company continues to return the monthly Distribution Service Fee invoices prepared and issued by Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) back to SEDAŞ. As of 31 December 2010, the said invoices which have been returned by the Company without being recorded and without any provisions made amount to a total of TL 866.205 + VAT.
- i)** 2009 tariffs for Tohma HEPP and 2008, 2009, and 2010 tariffs for Hasanlar HEPP which were provisionally approved by the Ministry on 9 April 2010 and 5 November 2010, respectively, were forwarded to Altek Alarko Elektrik Santralleri Tesis, İşletme ve Ticaret A.Ş. (a subsidiary) with the condition that the approval does not represent an undertaking by the Ministry or an acquired right for the Company. Accordingly, the Company's electrical energy sales tariffs for the related periods were once again revised. Taking as basis the revised sales tariffs, the Company has recognized in the accompanying financial statements a price difference of TL 1.507.224 related to 2008 and 2009 and a price difference of TL 113.859 for 2010. There is no revised tariff notification made as of the reporting date in relation to Berdan HEPP. For Berdan HEPP and for the periods in which no revised tariff are provided, the tariffs stated in the appendices of the HEPP agreements are used until the revision is completed by the Ministry, and the Company prepares 2010 invoices over these tariffs until new tariffs are issued.
- j)** In the letter sent by the Competition Authority to Alarko Carrier Sanayi ve Ticaret A.Ş. (a jointly controlled entity), it is stated that a judicial inquiry is set up for the purpose of determining whether the agreements entered into between the Company and its authorized dealers and services include competitive restrictions. As a result of the investigation made upon the mentioned letter, it has been communicated to the Company on 8 March 2007 that an administrative penalty of 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 appeal to the State Council, however the appeal was rejected by the resolution of the State Council on 13.12.2010.
- k)** The application made by Alarko Carrier Sanayi ve Ticaret A.Ş. (a jointly controlled entity-hereinafter referred to as Company) to the Ministry of Labour and Social Security in regard to benefiting from the short-time working allowance for the 83 workers working at the radiator manufacturing plant in Yukarı Dudullu Organize Sanayi Bölgesi Ümraniye-İstanbul has been approved by the Ministry. Accordingly, 83



workers working at the plant have been benefited from the short-time working allowance during the period 01.11.2009-01.05.2010.

Furthermore, the application made by the said Company to the Ministry in regard to extending the period for short-time work for the 173 workers working at the manufacturing plant in Yukarı Dudullu Organize Sanayi Bölgesi Ümraniye-İstanbul has been approved by the Ministry. Accordingly, 173 workers working at the plant have been benefited from the short-time working allowance during the period 01.11.2009-30.04.2010.

- l) 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., and Al-Riva Arazi Değ. Konut İnş. Tur.Tes. Golf İşl. ve Tic. A.Ş. has filed for a case to liquidate the said companies. The action was rejected by the Istanbul 8th Commercial Court of First Instance. The full decision is appealable but not communicated to the Company as of the reporting date.
- m) On 27 October 2009, a Share Pledge Agreement is entered into among Alcen Enerji Dağıtım ve Perakende Satış Hizmetleri A.Ş. (a jointly controlled entity - hereinafter referred to as Alcen Enerji) acting as the Company, Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş., Alarko Holding A.Ş., Alarko Fenni Malzeme Satış ve İmalat A.Ş., Cengiz Holding A.Ş., Eti Alüminyum A.Ş. and Cengiz Madencilik Sanayi ve Ticaret A.Ş. acting as the pledgers, and Türkiye Halk Bankası A.Ş. as the pledgee for the purpose of establishing a first lien on shares representing 100% capital of Alcen Enerji under the provisions of the loan agreement which was signed among others by Alcen Enerji as the debtor, Denizbank A.Ş., Türkiye Garanti Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye İş Bankası A.Ş. as Authorized Leaders of Arrangement and Credit Grantors, Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. (subsidiary) and Cengiz İnşaat Sanayi ve Ticaret A.Ş. as original guarantors, and the Bank stated in the said agreement as the Intermediary Bank under the provisions of the share sale agreement between Alcen Enerji and the Turkish Prime Ministry Privatization Administration in relation to partial financing of the transfer fee required to be paid by Alcen Enerji in relation to the privatisation of 100% of the shares of Meram Elektrik Dağıtım A.Ş. (a jointly controlled entity) by block sales method.

19. Employee Benefits

Liabilities related to employee benefits consist of provisions for termination indemnity stated below (TL) :

	31 December 2010	31 December 2009
Opening balance	19.099.815	10.381.998
Effect of rate change	193.194	51
Effect of company included in the consolidation	-	7.536.436
Effect of company excluded from consolidation	-	(24.408)
Charge for the current period (Note 24)	6.334.985	3.874.131
Provisions no longer required (Note 25)	(8.959.297)	(2.668.393)
Provision for termination indemnity at the end of the period	<u>16.668.697</u>	<u>19.099.815</u>

20. Other Assets and Liabilities

Other current assets consist of the following (TL) :

	31 December 2010	31 December 2009
Order advances given	9.702.757	3.928.535
Advances given to subcontractors	6.778.776	8.695.452
Expenses related to future months	3.966.140	4.019.061
Income accruals	1.017.528	553.112
Transferred VAT	13.528.841	11.475.577
Other VAT	131.128	1.008.187
Prepaid taxes and funds	13.642.058	32.712.686
Other special consumption tax	58.717	94.460
Job advances	36.908	57.569
Personnel advances	915	86.021
Other current assets	48.672	107.361
Total	<u>48.912.440</u>	<u>62.738.021</u>

Other non-current assets consist of the following (TL) :

	31 December 2010	31 December 2009
Order advances given	744.796	2.702.955
Expenses related to future years	199.852	347.827
Prepaid taxes and funds	16.851.927	27.424.187
Other miscellaneous non-current assets	190	190
Total	<u>17.796.765</u>	<u>30.475.159</u>



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

	31 December 2010	31 December 2009
Expense accruals	10.332.497	12.438.889
Income related to future months	2.347.590	3.015.253
Other special consumption taxes	58.717	94.460
VAT calculated	660.364	3.890.890
Other VAT	131.128	1.008.404
Order advances received	68.932.534	62.985.955
Total	<u>82.462.830</u>	<u>83.433.851</u>

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

	31 December 2010	31 December 2009
Income related to future months	498.887	808.412
Order advances received	32.228	6.629.685
Total	<u>531.115</u>	<u>7.438.097</u>

21. Equity

(a) Share Capital :

As of 31 December 2010, the capital structure of the Parent Company is as follows (TL):

Name	Shareholding	Book Value
Alaton Family	36,37 %	81.266.212
Garih Family	35,87 %	80.148.877
Other *	27,76 %	62.051.911
	<u>100,00 %</u>	<u>223.467.000</u>

As of 31 December 2009, the capital structure of the Parent Company is as follows (TL):

Name	Shareholding	Book Value
Alaton Family	36,37 %	81.266.212
Garih Family	36,37 %	81.266.212
Other *	27,26 %	60.934.576
	<u>100,00 %</u>	<u>223.467.000</u>

* Represents shareholdings of less than 10%.

The registered capital limit of the Parent Company is TL 500.000.000. As of 31 December 2010, the paid-in capital of the Parent Company is TL 223.467.000 (31 December 2009 - TL 223.467.000) consisting of 22.346.700.000 shares of Kr 1 nominal value each (31 December 2009 - 22.346.700.000 shares).

(b) Cross Shareholding Adjustment:

Capital adjustment made upon participation of subsidiaries having interest in the Parent Company capital is as follows (TL) :

	31 December 2010	31 December 2009
Share capital of the Parent Company	223.467.000	215.876.230
Bonus issue	-	7.590.770
Parent Company shares acquired by the Subsidiary at nominal value (-)	(787.396)	(608.222)
Total Share Capital	<u>222.679.604</u>	<u>222.858.778</u>

There are Parent Company shares acquired by Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. in 2003 amounting to TL 608.222 as of 31 December 2010 (Value adjusted to the purchasing power of the Turkish Lira at 31 December 2004 - TL 1.208.359) (31 December 2009 - TL 608.222), and there are Parent Company shares acquired by Alamsaş Alarko Ağır Makina Sanayii A.Ş. as of 31 December 2010 amounting to a total value of TL 179.174.



(c) Restricted Profit Reserves:

As of and 31 December 2010 and 2009, 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:

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

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

(d) Retained Earnings / Accumulated Losses

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

	31 December 2010	31 December 2009
Retained earnings	496.904.542	455.871.526
2009 profit transfer	49.853.700	-
2008 profit transfer	-	54.819.601
Capital increase	-	(7.570.110)
Transfer to reserves	(1.137.041)	(2.023.204)
Effect of companies included in the consolidation	-	(29.057)
Effect of companies excluded from consolidation	(108.032)	(1.135.710)
Effect of rate change	621.389	(58.522)
Effect of increase in the subsidiary's interest in the Parent Company	(419.642)	-
Dividend payments	(3.569.360)	(2.969.982)
Retained earnings	<u>542.145.556</u>	<u>496.904.542</u>

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

	31 December 2010	31 December 2009
Retained earnings / (accumulated losses)	230.754.015	222.509.520
Inflation adjustment differences in equity	132.371.586	132.307.054
Legal reserves	5.175.003	4.449.083
Extraordinary reserves	173.844.952	137.638.885
	<u>542.145.556</u>	<u>496.904.542</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 reserves, and extraordinary reserves consist of the following (TL) :

	31 December 2010	31 December 2009
Inflation adjustment related to legal reserves	220.329	219.047
Inflation adjustment on extraordinary reserves	132.086.725	132.057.629
Effect of rate change on inflation adjustment:		
- Legal reserves	2.723	1.282
- Extraordinary reserves	61.809	29.096
Total	<u>132.371.586</u>	<u>132.307.054</u>

Inflation adjustment differences will be used in bonus issue and offsetting losses. Furthermore, inflation adjustment difference originating from reserves bearing no entry to disable profit distribution may be used in profit distribution. As of 31 December 2010, other equity items that may be subject to profit distribution amount to TL 536.747.501 (Note 30).

(e) Non-controlling Interest :

Non-controlling interest consists of the following (TL) :



	31 December 2010	31 December 2009
Share capital	32.247.543	32.267.458
Financial assets value increase fund	-	831
Legal reserves	720.571	600.101
Translation differences	1.157	555
Retained earnings/(accumulated losses)	58.337.056	56.989.077
Profit for the period	2.330.281	1.536.506
Total	<u>93.636.608</u>	<u>91.394.528</u>

22. Sales and Cost of Sales

Sales income consists of the following (TL) :

	31 December 2010	31 December 2009
Local sales	934.232.741	718.144.745
Exports	262.750.630	176.091.993
Other sales	3.354.447	5.138.939
Sales returns (-)	(918.849)	(992.306)
Sales discounts (-)	(3.669.070)	(3.880.913)
Total	<u>1.195.749.899</u>	<u>894.502.458</u>

Cost of sales consists of the following (TL) :

	31 December 2010	31 December 2009
Cost of goods sold	32.839.500	30.059.588
Cost of trade goods sold	51.425.452	77.426.842
Cost of services sold	922.089.414	622.670.740
Cost of semi-finished goods sold	535.641	346.439
Cost of other sales	15.802.927	7.796.538
Total	<u>1.022.692.934</u>	<u>738.300.147</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 2010	31 December 2009
Research and development expenses	1.324.812	1.085.739
Marketing, sales and distribution expenses	77.370.464	34.836.817
General administration expenses	110.985.676	75.363.846
Total	<u>189.680.952</u>	<u>111.286.402</u>

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

	31 December 2010	31 December 2009
Personnel expenses (Note 24)	770.020	687.884
Outsourced benefits and services	365.636	221.227
Depreciation and amortisation (Note 24)	122.559	108.806
Miscellaneous expenses	66.252	60.577
Taxes, duties, and fees	345	7.245
Total	<u>1.324.812</u>	<u>1.085.739</u>

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

	31 December 2010	31 December 2009
Personnel expenses (Note 24)	22.792.203	10.436.308
Depreciation and amortisation (Note 24)	8.110.402	2.198.029
Provision for termination indemnity (Note 24)	2.027.508	664.586
Outsourced benefits and services	34.714.279	8.335.875
Systems failure expenses	-	3.498.243
Exhibition, advertisement, presentation expenses	2.604.825	2.321.230
Travel expenses	592.415	561.211
Miscellaneous expenses	6.528.832	6.821.335
Total	<u>77.370.464</u>	<u>34.836.817</u>



General administration expenses consist of the following (TL):

	31 December 2010	31 December 2009
Personnel expenses (Note 24)	33.474.444	37.429.158
Provision for termination indemnity (Note 24)	3.736.066	2.653.808
Rental expenses	1.639.874	3.130.436
Depreciation and amortisation (Note 24)	5.002.149	5.487.957
Outsourced benefits and services	8.240.461	5.501.773
Communication expenses	330.028	117.969
Taxes, duties, and fees	2.060.041	1.152.336
Bank expenses	172.261	1.167.507
Inventory provision (Note 10)	-	498.653
Doubtful receivables expense (Note 8,9)	40.492.133	4.603.312
Provision for litigation (Note 18)	837.282	3.438.544
Miscellaneous expenses	15.000.937	10.182.393
Total	<u>110.985.676</u>	<u>75.363.846</u>

24. Expenses by Nature

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

	31 December 2010	31 December 2009
Overhead expenses	1.600.475	1.688.835
Service rendering expenses	14.947.694	13.087.871
Other production expenses	1.647.172	1.594.730
Research and development expenses (Note 23)	122.559	108.806
Marketing, sales, and distribution expenses (Note 23)	8.110.402	2.198.029
General administration expenses (Note 23)	5.002.149	5.487.957
Total	<u>31.430.451</u>	<u>24.166.228</u>

	31 December 2010	31 December 2009
Investment properties (Note 13)	100.437	100.438
Depreciation (Note 14)	20.053.252	18.479.640
Amortisation (Note 15)	11.276.762	5.586.150
Total	<u>31.430.451</u>	<u>24.166.228</u>

Employee benefits consist of the following (TL) :

	31 December 2010	31 December 2009
Direct labor expenses	4.670.373	3.624.997
Overhead	2.894.628	2.993.548
Service rendering expenses	63.004.701	40.599.579
Research and development expenses (Note 23)	770.020	687.884
Marketing, sales, and distribution expenses (Note 23)	24.819.711	11.100.894
General administration expenses (Note 23)	37.210.510	40.082.966
Total	<u>133.369.943</u>	<u>99.089.868</u>

	31 December 2010	31 December 2009
Wages and salaries	108.488.088	84.361.307
Personnel transportation expense	2.302.863	1.931.997
Provision for termination indemnity (Notes 4,19)	6.334.985	3.874.131
Termination indemnities paid	9.433.682	3.481.390
Personnel catering expense	2.169.863	2.515.849
Benefits in cash and kind	1.120.493	983.215
Personnel health expense	245.639	265.452
Other personnel expenses	3.274.330	1.676.527
Total	<u>133.369.943</u>	<u>99.089.868</u>



25. Other Operating Income and Expenses

Other operating income consists of the following (TL):

	31 December 2010	31 December 2009
Provisions for doubtful trade receivables no longer required (Note 8)	12.650.191	3.289.370
Provisions for termination indemnity no longer required (Notes 4,19)	8.959.297	2.668.393
Inventory provisions no longer required (Note 10)	1.676.987	3.775.772
Provision for litigation no longer required (Note 18)	2.875.443	-
Rent income	3.151.621	2.685.118
Commission income	36.097	4.799
Profit on sale of tangible assets	1.063.629	1.441.831
Other extraordinary income	3.646.099	4.834.387
R&D incentive income (Note 17)	55.870	167.700
Income from default fines	14.011.310	9.898.628
Tariff difference income	-	2.311.262
Reactive income	10.570.363	4.995.229
Income on returns	196.020	2.595.891
Additional claims related to completed projects	6.290.969	2.804.162
Income on turning the power on and off	2.576.304	717.822
Scrap sales income	2.007.291	-
Income on power connection	1.245.445	253.963
Damages received	1.356.805	1.991.955
Other income and profits	16.782.325	6.417.326
Total	<u>89.152.066</u>	<u>50.853.608</u>

Other operating expenses consist of the following (TL) :

	31 December 2010	31 December 2009
Commercial expenses	1.878.183	1.396.450
Expenses within the scope of guarantee	1.162.301	1.230.095
Contracting expenses	14.698.589	26.882.838
Loss on sale of tangible assets	949.743	1.595.624
Commission expenses	208.400	74.518
Provision for tariff difference and delay interest	-	4.361.896
Other expenses and losses	12.084.069	12.948.110
Total	<u>30.981.285</u>	<u>48.489.531</u>

26. Financial Income

Financial income consists of the following (TL) :

	31 December 2010	31 December 2009
Rediscount interest income	2.112.763	2.676.703
Maturity difference income	2.871.924	2.953.549
Dividend income	56.637	195.916
Interest income	27.117.512	22.125.987
Value increase in marketable securities (Note 6)	7.074.894	14.741.454
Income on sale of marketable securities	847.713	2.227.648
Foreign exchange gains	62.590.205	109.123.761
Total	<u>102.671.648</u>	<u>154.045.018</u>

27. Financial Expenses

Financial expenses consist of the following (TL) :

	31 December 2010	31 December 2009
Rediscount interest expenses	1.100.815	1.690.610
Maturity difference expenses	406.915	849.507
Borrowing expenses	31.430.553	15.166.527
Loss on sale of marketable securities	-	16.464
Foreign exchange losses	51.861.625	100.668.841
Total	<u>84.799.908</u>	<u>118.391.949</u>



28. Non-Current Assets Held for Sale

Non-current assets held for sale consist of the following (TL) :

	31 December 2010	31 December 2009
Non-current assets held for sale	-	85.949

The figure consists of long term assets (buildings) that Alarko Carrier Sanayi ve Ticaret A.Ş. (a jointly controlled entity) has obtained against its uncollectible receivables. As of 31 December 2010, these non-current assets have been sold.

29. Tax Assets and Liabilities

a) Corporation Tax ;

The corporation tax rate for 2010 is 20% in Turkey (31 December 2009 - 20%). 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 consolidated statement of comprehensive income are summarized in the following (TL):

	31 December 2010	31 December 2009
Current period corporation tax (Note 18)	22.912.748	11.285.250
Deferred tax (income) / expense (Note 29(b))	(5.650.677)	19.979.893
Total tax expense	17.262.071	31.265.143

As of 31 December 2010 and 2009, the tax rate is 20%, however, it is considered as 30% for those companies that use investment allowance. As per the Turkish tax legislation, the deferred tax rate used on valuation difference in deferred construction progress payments is 20%. On the other hand, the tax rates used in calculating corporation tax and deferred tax for the jointly controlled entities are 20%, 25%, and 30% in Russia, Ukraine, and Spain, respectively, and 28% for the subsidiaries in Kazakhstan (31 December 2009 - 37%).

As of 31 December 2010 and 2009, the reconciliation between the tax expense calculated by applying the legal tax rate on the profit before tax and the total tax provision stated in the consolidated statement of comprehensive income is as follows (TL):

	31 December 2010	31 December 2009
Profit before tax	59.209.391	82.655.349
Local tax rate	20 %	20 %
Tax expense calculated by using the tax rate	11.841.878	16.531.070
Disallowable expenses and other additions	11.834.313	24.417.048
Tax-exempt earnings and other deductions	(7.444.054)	(10.312.786)
Effect of different tax rates	1.029.934	629.811
Total tax expense	17.262.071	31.265.143

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 2010	31 December 2009
Net difference between the book value of inventories and the tax bases	3.121.697	282.569
Accumulated losses *	36.537.164	63.196.782
Adjustment of deferred construction cost within the scope of TAS 11	427.110.716	764.102.197
Adjustment of deferred construction progress payments within the scope of TAS 11	(515.040.882)	(839.086.070)
Inventory provision	1.597.192	1.672.808
Royalty provision	92.610	264.848
Provision for litigation expenses	5.554.534	7.383.794
Warranty provision	1.679.062	1.462.351
Expense accrual	8.742.120	4.361.842
Idle capacity	136.929	241.922
Provision for security deposit	273.156	2.895.103
Adjustment of rediscount on customers and notes receivable	(256.587)	(98.291)
Adjustment of rediscount on suppliers and notes payable	(1.164.195)	(420.767)
Valuation difference in financial instruments	(390.449)	(198.982)



Provision for termination indemnity	16.274.799	18.951.810
Provision for doubtful receivables	(92.366)	1.534.521
Effect of acquisition (Note 16)	(71.453.976)	(138.221.278)
Valuation difference in non-monetary accounts	(4.935.202)	(14.020.593)
Net difference between the book values of tangible and intangible assets and their tax bases	(77.129.037)	(46.906.095)
Investment allowance	859.305	-
Effect of partial spin-off	(16.345.331)	(16.345.331)
Total Temporary Income/(Expense)Differences	(184.828.741)	(188.946.860)

Deferred Tax Assets / (Liabilities)**(37.076.595)****(37.789.372)**

* Out of the total accumulated losses subject to deferred tax calculation, a portion of TL 32.682.051 pertains to Alcen Enerji Dağıtım ve Perakende Satış Hizmetleri A.Ş. (a jointly controlled entity) as of 31 December 2010. TL 8.854.187 of this total represents 2009 losses and the balance of TL 23.827.864 represents 2010 losses. The remaining part of accumulated losses amounts to TL 3.855.113 out of which a portion of TL 1.973.084 pertains to Attaş Alarko Turistik Tesisler A.Ş. (subsidiary), TL 1.817.071 pertains to Alarko Enerji Üretim A.Ş. (subsidiary), and TL 64.958 pertains to Aldem Alarko Konut İnşaat ve Tic. A.Ş. (subsidiary).

Deferred Tax Income / (Expense) (TL):

31 December 2010**31 December 2009**

Current period deferred tax asset / (liability)	(37.076.595)	(37.789.372)
Reversal of prior period deferred tax (liability) / asset	37.789.372	2.495.318
Effect of company excluded from consolidation	-	4.883
Effect of rate change	3.743.563	(889)
Altek merger effect	1.194.337	-
Medaş merger effect	-	15.310.167

Deferred tax income / (expense) (Note 29(a))**5.650.677****(19.979.893)****30. Earnings / (Loss) Per Share**

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

31 December 2010**31 December 2009**

Profit / loss for the period (TL)	39.617.039	49.853.700
Weighted average number of ordinary shares at the beginning of the period *	223.467.000	215.876.230
Number of ordinary shares arising from the bonus issue realized on 20 May 2009 and provided from the dividends made from retained earnings *	-	7.590.770
Cross shareholding adjustment *	(787.396)	(608.222)
Weighted average number of ordinary shares at the end of the period *	222.679.604	222.858.778
Weighted average number of revised ordinary shares *	222.679.604	222.858.778
Earnings / (loss) per share of the Parent Company (TL)	0,178	0,224

* per share of TL 1 nominal value.

As of 31 December 2010, the profit for the period of Alarko Group stated in the accompanying consolidated financial statements is TL 39.617.039 and other equity items that may be subject to profit distribution amount to a total of TL 536.747.501 (Note 21 (d)).

As of 31 December 2010, the Parent Company profit for the period is TL 7.603.349 as stated in the legal books. The other equity items stated in the Parent Company's legal records that may be subject to profit distribution amount to a total of TL 226.115.976.

31. Related Party Disclosures

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

31 December 2010**31 December 2009**

Alarko Carrier San. ve Tic. A.Ş.	310	32.834
Alfarm Alarko Leröy Su Ürün. San. ve Tic. A.Ş.	41.875	38.027
Altek Alarko Elek. San. Tes. İşl. ve Tic. A.Ş.	-	8.937
Alsim A.Ş.-Rana Inter. Ltd. Adi Ortaklığı	-	525.063



Alsim A.Ş. Wacon Hillwater-Terrasan Adi Ort.	120.625	93.761
Alsim A.Ş. Wacon Hillwater Adi Ort.	65.305	1.002.850
Alsim A.Ş.-Akfen A.Ş.Tüpraş İzmit Adi Ort.	2.069.738	1.798.921
Meram Elektrik Dağıtım A.Ş.	660.019	-
Alarko-Makyol Adi Ortaklığı	165.983	211.110
Al-Riva Proje. Ar. Değ. Konut İnş.Tic. A.Ş.	8.815.733	7.903.329
Al-Riva Arazi Değer. Konut İnş. ve Tic. A.Ş.	1.598.063	1.336.976
Al-Riva Ar. Değ. Kon. İnş. Tur. Tes. Golf A.Ş.	330.078	248.058
DAF Araştırma Geliştirme A.Ş.	91.006	81.980
Doğuş-Alarko-YDA İnşaat Adi Ortaklığı	159.932	-
Doğuş İnşaat ve Ticaret A.Ş.	5.138.668	13.023.648
Makyol İnş. San. Turz. ve Tic. A.Ş.	23.863.506	17.140.628
AHI Carrier GmbH	242.825	-
Beijer ECR Iberica	7.549	-
Carrier South Eastern Europe Airconditioning	324.306	-
Carrier GmbH & Co. KG	108	-
Carrier South Eastern Europe Airconditioning	-	260.484
Carrier SPA	9.542	98.530
Carrier Nederland BV Holland Airconditioning	-	1.649
Carrier Nederland BV Divisie Airconditioning	29.210	-
Carrier SA Montluel	-	5.768
Carrier Belgium	-	9.046
Carrier Asia Ltd.	1.366	-
Airconditioning and Heating FZE UAE	-	124.629
Carrier Airconditioning Refr. Shanghai	-	1.393
Carrier Africa FZE	5.433	-
Carrier Polska	561	166
Carrier Middle East Ltd.	-	1.141
Carrier Espena	76.180	169.630
Carrier Slovakia	-	145
Carrier QATAR	37.341	-
Carrier Holland Heating BV	50.149	-
Fast SA Carrier Village D'Entreprises ST	5.760	-
Toshiba Carrier UK Ltd.	36.340	25.829
Deyaar Development PJSC	7.081.712	7.069.275
Construcciones Y Auxiliar De Ferroc S.A.	35.730	87.371
UTE AOG-OHL IS	37.552.846	33.418.679
Eti Alüminyum A.Ş.	141	-
Rediscount on receivables from related parties (-)	(62.653)	(22.516)
Doubtful trade receivables from related parties *	9.853.344	15.949.841
Provision for doubtful trade receivables from related parties(-)	(9.853.344)	(15.949.841)

Total (Note 8)**88.555.287****84.697.341**

* As of 31 December 2010, the provision for doubtful trade receivables is made in relation to the receivables of TL 9.853.344 of the shareholders of "Streicher-Haustad & Timmermann Günsayıl-Alsim A.Ş.", a company which is included in the consolidation as a subsidiary (31 December 2009-TL 15.949.841).

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

31 December 2010**31 December 2009**

Alarko Carrier San. ve Tic. A.Ş.	65.429	170.258
Altek Alarko Elek. San. Tes. İşl. ve Tic. A.Ş.	-	1.942
Alfarm Alarko Leröy Su Ürün. San. ve Tic. A.Ş.	114	13
Streicher-H. Timmermann-Günsayıl-Alsim Adi Ort.	-	-
Alsim Alarko-Emit-Spa İzmit Art. Dsj. İş Ort.	56.564	87.382
Alsim A.Ş.-Akfen A.Ş. İzmit Tüpraş Adi Ortaklığı	568.436	537.665
Alarko-Makyol Adi Ortaklığı	24.028.301	17.317.434
Carrier SA	-	20.540
Carrier SPA	37.948	13.694
Toshiba Carrier Ltd.	1.173.356	68.926
Toshiba Carrier Thailand	326.143	-
Carrier Europe Middle East	-	36.756
Carrier Corporation	125.252	220.466
Automated Logic Corporation	-	2.100
Carrier Nederland BV Holland Heating	40.927	53.552
Carrier ARCD PTE Ltd.	4.073	65
E.R.C.D. SA	2.705	2.290



Profroid	27.129	7.849
Obrascon Huarte Lain SA (OHL)	27.733	103.379
Akfen İnşaat Turizm ve Ticaret A.Ş.	1.437.998	1.184.170
Leröy Seafood Group	404.475	494.298
UTE AOG	894	3.038
Mak-yol İnş. San. Turz. ve Tic. A.Ş.	143.133	67.218
Doğuş İnş. ve Tic. A.Ş.	3.699.350	436.967
YDA İnş. San. ve Tic. A.Ş.	1.743.330	321.291
Cengiz İnşaat Sanayi ve Ticaret A.Ş.	68	-
Cengiz Enerji Sanayi ve Ticaret A.Ş.	208.275	-
Rediscount on payables to related parties (-)	(3.672)	(4.488)

Total (Note 8) **34.117.961** **21.146.805**

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

	31 December 2010	31 December 2009
Alcen Enerji Dağıtım ve Perakende Satış Hiz. A.Ş.	-	12.825.949
OHL-Alsim Alarko-GYO Ortak Girişim Projesi	10.887	934
Doğuş-Alarko-YDA İnşaat Adi Ortaklığı	6.124.202	1.000.557

Total (Note 9) **6.135.089** **13.827.440**

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

	31 December 2010	31 December 2009
Dividends to shareholders	9.411	8.294
Doğuş-Alarko-YDA İnşaat Adi Ortaklığı	59.975	-

Total (Note 9) **69.386** **8.294**

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

	31 December 2010	31 December 2009
Al-Riva Proje Ar. Değ. Konut İnş. Tic. A.Ş.	504.984	652.213
Al-Riva Arazi Değ. Konut İnş. ve Tic. A.Ş.	1.167	1.687
Al-Riva Ar. Değ. Kon. İnş. Tur. Tes. Golf A.Ş.	2.826	4.554
Alarko Deyaar Gayrimenkul Geliştirme A.Ş.	1.502	29.515
Alarko Makyol Adi Ortaklığı	620.320	7.378.244
Tüm Tesisat ve İnşaat A.Ş.	2.252	2.106
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.	74.833	113.378
Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş.	8.465.929	10.741.668
Alarko Carrier Sanayi ve Ticaret A.Ş.	922.189	1.253.323
Alsim Alarko-Emit-Spa İzmit Ar. Dsj. İş Ort.	-	3.276
Streicher-H. Timmermann-Günsayıl-Alsim Adi Ort.	36.255	191.586
Alcen Enerji Dağıtım ve Perakende Satış Hiz. A.Ş.	489.423	-
Meram Elektrik Dağıtım A.Ş.	6.604.396	-
Carrier Africa FZE	635.137	205.126
Airconditioning & Heating FZE UAE	1.372.399	1.256.364
Carrier Asia	121.195	170.664
Carrier Hellas Conditioning	-	1.951.235
Carrier SPA	53.322	188.703
Carrier GmbH	108	14.616
Carrier Espana S.L.	372.024	884.149
Holland Airconditioning	59.499	67.126
Carrier Polska SP.Z.O.O.	16.219	46.521
Carrier Belgium	7.662	17.928
Carrier Airconditioning UK	-	263.320
Holland Heating	-	52.678
Carrier Middle East Ltd.	1.044	3.633
Carrier S.A Montluel	129.354	51.698
Carrier OY	1.886	-
Carrier AB	24.804	12.428
Refr. Shangai	448	1.885



Carrier Kuwait Airconditioning	-	2.768
Carrier Transcold Ltd.	-	3.440
AHI Carrier Slovakia spol s.ro	2.145	148
Toshiba Carrier Ltd.	139.079	-
Totaline ECR Iberica	-	2.653
E.R.C.D. SA	882	-
AHI Carrier GmbH	14.334	-
AHI Carrier Australia Pty. Ltd.	54.279	-
AHI Carrier NZ Ltd.	4.286	-
Fact SA Carrier	123.984	443.392
Beijer ECR Iberica	12.325	18.634
Miraco International Trading	413	-
Beijer REF Polska Sp. Z.O.O	403	-
Carrier Holland Heating UK Ltd.	433.185	-
Carrier SCS Division ERCD	4.693	-
Carrier Rental Systems	25.223	-
Carrier Qatar W.L.L.	35.607	-
Carrier South Eastern Eurpe Air.	1.378.187	-
Eti Bakır A.Ş.	132.618	-
Eti Alüminyum A.Ş.	94.401	-

22.977.221**26.030.659**

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

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

31 December 2010**31 December 2009**

Alarko Carrier Sanayi ve Ticaret A.Ş.	470.669	290.646
Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş.	4.899.004	25.970
Streicher-H. Timmermann-Günsayıl-Alsim Adi Ort.	2.587	19.321
Alfarm Alarko Leröy Su Ürün. San. ve Tic. A.Ş.	3.181	2.861
Alarko Makyol Adi Ortaklığı	494.922	549.926
Meram Elektrik Dağıtım A.Ş.	538.717	-
Alcen Enerji Dağıtım ve Perakende Satış Hiz. A.Ş.	1.648.279	-
Automated Logic Corp.	448.772	386.759
Carrier ARCD PTE Ltd.	145.983	215.779
Carrier Corp.	1.178.073	1.752.102
Carrier S.A.	6.664.791	6.422.579
Carrier SPA	819.037	740.279
E.R.C.D. SA	286.575	107.197
Carrier Holland Heating BV	165.468	806
Profroid	669.856	556.800
Midea	939.243	581.355
Carrier GmbH	15.979	62.574
Tadiran Ltd.	2.590	69.427
Toshiba Carrier Ltd.	5.564.677	7.334.856
Toshiba Thailand	5.073.141	3.374.149
Totaline E.C.R. Iberica S.A	736	246
U.T. Electronic Controls	39.213	27.906
AHI Carrier	62.004	-
Carrier Asia Ltd.	57.177	-
Carrier Polska S.P. Zoo	3.353	-
Carrier Middle East Ltd.	241.107	-
Fact SA Carrier	109.602	-
Cengiz Enerji Sanayi ve Ticaret A.Ş.	4.597.114	-

35.141.850**22.521.538**

Expenses arising from related parties comprise purchases of trade goods, services, fixed assets and rents paid.

As of 31 December 2010, remuneration provided to top executives such as the CEO and members of the Board of Directors amount to TL 8.604.905 (31 December 2009 - TL 7.629.920). The entire amount consists of short term benefits.

As of 31 December 2010, the guarantees, mortgages, and sureties received from group companies amount to TL 271.443.932 (31 December 2009 - TL 372.545.769). As of 31 December 2010, the guarantees, mortgages, and sureties given to group companies amount to TL 1.022.272.161 (31 December 2009 - TL 557.869.185).



32. Nature and Extent of Risk Arising from Financial Instruments

i. Credit Risk

Credit risks incurred by type of financial instruments are as follows (TL) :

31 December 2010	Receivables				Bank Deposits	Derivative Instruments	Other *
	Trade Receivables		Other Receivables				
	Related Party	Other Party	Related Party	Other Party			
Maximum credit risk incurred as of the reporting date (A+B+C+D+E)** (Notes 5,8 and 9)	89.271.643	245.507.087	6.135.089	44.518.747	340.497.274	-	19.106.497
- Part of the maximum risk covered with collaterals	-	16.525.334	-	-	-	-	168.605
A. Net book value of financial assets that are neither overdue nor impaired (Notes 8, 9)	77.419.261	174.264.525	6.135.089	40.865.839	340.497.274	-	19.106.497
B. Book value of financial assets with conditions revised which otherwise would be considered as overdue or impaired	-	-	-	-	-	-	-
C. Net book value of overdue assets that are not impaired (Note 8)	11.136.026	67.595.414	-	3.652.908	-	-	-
- Portion covered with collaterals	-	2.383.377	-	2.956.326	-	-	-
D. Net book value of impaired assets	-	555.914	-	-	-	-	-
-Overdue (gross book value)	9.853.344	63.460.074	-	256.721	-	-	-
-Impairment (-) (Notes 8, 9)	(9.853.344)	(63.053.493)	-	(256.721)	-	-	-
-Part of net value covered with collaterals	-	406.581	-	-	-	-	-
-Not yet overdue (gross book value)	-	379.811	-	-	-	-	-
-Impairment (-) (Note 8)	-	(230.478)	-	-	-	-	-
-Part of net value covered with collaterals	-	149.333	-	-	-	-	-
E. Derecognized elements involving credit risk ***	716.356	3.091.234	-	-	-	-	-

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

** 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.

*** Indicated totals consist of collaterals, sureties, and guarantees given for L/C agreements.

31 December 2009	Receivables				Bank Deposits	Derivative Instruments	Other *
	Trade Receivables		Other Receivables				
	Related Party	Other Party	Related Party	Other Party			
Maximum credit risk incurred as of the reporting date (A+B+C+D+E)** (Notes 5,8 and 9)	90.544.151	426.629.778	13.827.440	55.996.551	344.607.162	-	15.540.429
- Part of the maximum risk covered with collaterals	-	16.982.302	-	2.924.863	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired (Notes 8, 9)	71.697.338	296.194.689	13.827.440	41.929.910	344.607.162	-	15.540.429
B. Book value of financial assets with conditions revised which otherwise would be considered as overdue or impaired	-	-	-	-	-	-	-
C. Net book value of overdue assets that are not impaired (Note 8)	13.000.003	125.852.969	-	14.066.641	-	-	-
-Portion covered with collaterals	-	2.009.136	-	2.924.863	-	-	-
D. Net book value of impaired assets	-	646.337	-	-	-	-	-
-Overdue (gross book value)	15.949.841	18.218.923	-	220.770	-	-	-
-Impairment (-) (Notes 8, 9)	(15.949.841)	(17.769.533)	-	(220.770)	-	-	-
-Part of net value covered with collaterals	-	449.390	-	-	-	-	-
-Not yet overdue (gross book value)	-	18.478.948	-	-	-	-	-
-Impairment (-) (Note 8)	-	(18.282.001)	-	-	-	-	-
-Part of net value covered with collaterals	-	196.947	-	-	-	-	-
E. Derecognized elements involving credit risk ***	5.846.810	3.935.783	-	-	-	-	-

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

** 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.

*** Indicated totals consist of collaterals, sureties, and guarantees given for L/C agreements.



Distribution of net book values by maturity of the overdue assets that are not impaired is as follows (TL):

31 December 2010	Receivables			
	Trade Receivables		Other Receivables	
	Related Party	Other Party	Related Party	Other Party
1-30 days past due	388.015	10.953.117	-	19.779
1-3 months past due (*)	-	7.795.344	-	-
3-12 months past due (*)	4.137	31.367.174	-	676.780
1-5 years past due (*) (**)	10.743.874	15.606.837	-	-
More than 5 years past due	-	1.872.942	-	2.956.349
Total	11.136.026	67.595.414	-	3.652.908
Portion covered with collaterals	-	2.383.377	-	2.956.326

31 December 2009	Receivables			
	Trade Receivables		Other Receivables	
	Related Party	Other Party	Related Party	Other Party
1-30 days past due	461.366	25.185.111	-	10.815.204
1-3 months past due	467.760	43.249.381	-	22.899
3-12 months past due	2.582.513	34.619.162	-	98.570
1-5 years past due	9.488.364	10.587.077	-	250.705
More than 5 years past due	-	12.212.238	-	2.879.263
Total	13.000.003	125.852.969	-	14.066.641
Portion covered with collaterals	-	2.009.136	-	2.924.863

The credit risk of Alarko Group may arise basically from its trade receivables. The Group management evaluates trade receivables taking into consideration the collaterals received, past experiences, and current economic outlook; and states them, net, in the statement of financial position after making provisions for doubtful receivables if deemed necessary. The Group has made provisions for doubtful receivables formed until the reporting date.

- * The majority of receivables which are 1-3 months, 3-12 months, and 1-5 years past due comprise the receivables of Meram Elektrik Dağıtım A.Ş. mostly arising from irrigation, industry, trading concerns, and residence consumptions. Furthermore, there is an increase in overdue receivables arising from the slow payments made by TEİAŞ to Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.Ş.
- ** Receivables from related parties that are 1-5 years past due consist of receivables of Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. (a subsidiary) from Al-Riva companies. Receivables that are 3-12 months past due consist of receivables of Antalya Light Rail System 1. Phase Construction Works from Antalya Metropolitan Municipality.

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 short term financial instruments, i.e. trade receivables, into cash. As of 31 December 2010 and 2009, the Group's liquid assets (current assets - inventories) exceed its short term liabilities by TL 387.297.910 and TL 559.282.748, respectively.

31 December 2010

Maturities per Contract	Book Value	Total Cash Outflows per Contract	Less than 3 months	3-12 months	1-5 years	More than 5 years	Eliminations and Adjustments
Non-derivative financial liabilities							
Bank loans (Note 7)	280.668.017	333.502.693	2.723.707	78.442.803	210.045.410	42.290.773	-
Trade payables (Note 8)	83.430.413	83.545.843	180.763.471	5.161.156	198.370	497.593	(103.074.747)
Other payables (Note 9)	26.693.362	27.439.901	-	-	6.746.539	31.891.608	(11.198.246)

Expected Maturities	Book Value	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years	More than 5 years	Eliminations and Adjustments
Non-derivative financial liabilities							
Other financial liabilities (Note 7)	1.359.703	1.359.703	27.436	111.883	152.548	1.067.836	-
Trade payables (Note 8)	178.551.616	178.801.972	215.934.252	36.334.208	-	-	(73.466.488)
Other payables (Note 9)	61.843.441	61.843.441	89.538.388	37.011.619	-	-	(64.706.566)



31 December 2009

Maturities per Contract	Book Value	Total Cash Outflows per Contract	Less than 3 months	3-12 months	1-5 years	More than 5 years	Eliminations and Adjustments
Non-derivative financial liabilities							
Bank loans (Note 7)	302.068.703	404.274.812	18.958.495	66.473.153	217.243.482	101.599.682	-
Short term lease obligations (Note 7)	47.691	49.956	141	49.815	-	-	-
Trade payables (Note 8)	146.155.835	146.367.044	202.682.349	5.663.001	-	-	(61.978.306)
Other payables (Note 9)	16.921.912	16.921.912	-	-	16.921.912	-	-
Expected Maturities	Book Value	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years	More than 5 years	Eliminations and Adjustments
Non-derivative financial liabilities							
Other financial liabilities (Note 7)	1.359.703	1.359.703	27.436	111.883	152.548	1.067.836	-
Trade payables (Note 8)	178.551.616	178.801.972	215.934.252	36.334.208	-	-	(73.466.488)
Other payables (Note 9)	61.843.441	61.843.441	89.538.388	37.011.619	-	-	(64.706.566)

iii. Interest Risk

Interest risk arises from the possible effects of interest rate changes 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 their average maturities vary between 1 month and 19 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 may be ignored.

31 December 2010

31 December 2009

	31 December 2010	31 December 2009
Financial Instruments with Fixed Interest		
Financial Assets		
Time deposits (Note 5)	325.792.401	305.342.291
Leasing receivables (Note 8)	26.079	63.749
Assets of which the fair value differences are reflected to profit/loss (Note 6)	86.380.484	84.722.788
Financial Liabilities (Note 7) *	276.810.621	286.190.716
	31 December 2010	31 December 2009

Financial Instruments with Variable Interest		
Financial Liabilities (Note 7) *	3.857.396	15.925.678
Investment Funds (Note 5)	17.891.724	13.942.782

* Financial liabilities stated under financial instruments with fixed and variable interests consist of short and long term bank loans and lease obligations.

As of 31 December 2010, if the variable interest rates on foreign currency loans were to increase/decrease by 0,5% and those on TL loans were to increase/decrease by 1% with all other variables remaining constant, the profit/(loss) before tax would be lower/higher by TL 1.573 due to change in interest expenses (31 December 2009 - TL 1.740) and the total assets would be lower/higher by TL 5.012 due to capitalized financial cost (31 December 2009 - TL 3.740).

iv. Foreign Currency Risk

Balances of foreign currency transactions of 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 can be exposed to foreign currency risk upon exchange rate fluctuations. The foreign currency risk is controlled through continuous analysis and monitoring of the foreign exchange position.



As of 31 December 2010, the currency risk analysis of Alarko Group is as follows (TL);

Foreign Currency Sensitivity Analysis Chart				
31 December 2010				
	Profit / Loss		Equity	
	Value increase in foreign currency	Value decrease in foreign currency	Value increase in foreign currency	Value decrease in foreign currency
When USD changes by 10% against TL:				
1- Net Assets / Liabilities in USD 2- Hedged from USD risk (-)	(1.486.049) -	1.486.049 -	- -	- -
3- USD Net Effect (1+2)	(1.486.049)	1.486.049	-	-
When Euro changes by 10% against TL:				
4- Net Assets / Liabilities in Euro 5- Hedged from Euro risk(-)	11.468.690 -	(11.468.690) -	- -	- -
6- Euro Net Effect (4+5)	11.468.690	(11.468.690)	-	-
When JPY changes by 10% against TL:				
7- Net Assets / Liabilities in JPY 8- Hedged from JPY risk (-)	(149.881) -	149.881 -	- -	- -
9- JPY Net Effect (7+8)	(149.881)	149.881	-	-
When KZT changes by 10% against TL:				
10- Net Assets / Liabilities in KZT 11- Hedged from KZT risk (-)	(603.515) -	603.515 -	- -	- -
12- KZT Net Effect (10+11)	(603.515)	603.515	-	-
When other currencies change by 10% against TL:				
13- Net Assets / Liabilities in other currencies 14- Hedged from other currency risks (-)	633.207 -	(633.207) -	- -	- -
15- Net Effect of Other Currencies (13+14)	633.207	(633.207)	-	-
TOTAL (3+6+9+12+15)	9.862.452	(9.862.452)	-	-

As of 31 December 2010, if the currency of USD loans used in financing investments were to gain/lose value by 10% against TL with all other variables remaining constant, the total assets would be higher/lower by TL 142.802 due to capitalized finance cost (31 December 2009 - TL 23.155).

As of 31 December 2009, the currency risk analysis of Alarko Group is as follows (TL):

Foreign Currency Sensitivity Analysis Chart				
31 December 2009				
	Profit / Loss		Equity	
	Value increase in foreign currency	Value decrease in foreign currency	Value increase in foreign currency	Value decrease in foreign currency
When USD changes by 10% against TL:				
1- Net Assets / Liabilities in USD 2- Hedged from USD risk (-)	(13.640.574) -	13.640.574 -	- -	- -
3- USD Net Effect (1+2)	(13.640.574)	13.640.574	-	-
When Euro changes by 10% against TL:				
4- Net Assets / Liabilities in Euro 5- Hedged from Euro risk (-)	18.230.670 -	(18.230.670) -	- -	- -
6- Euro Net Effect (4+5)	18.230.670	(18.230.670)	-	-
When JPY changes by 10% against TL:				
7- Net Assets / Liabilities in JPY 8- Hedged from JPY risk (-)	(2.804.846) -	2.804.846 -	- -	- -
9- JPY Net Effect (7+8)	(2.804.846)	2.804.846	-	-
When KZT changes by 10% against TL:				
10- Net Assets / Liabilities in KZT 11- Hedged from KZT risk (-)	(1.972.652) -	1.972.652 -	- -	- -
12- KZT Net Effect (10+11)	(1.972.652)	1.972.652	-	-
When other currencies change by 10% against TL:				
13- Net Assets / Liabilities in other currencies 14- Hedged from other currency risks (-)	(233.335) -	233.335 -	- -	- -
15- Net Effect of Other Currencies (13+14)	(233.335)	233.335	-	-
TOTAL (3+6+9+12+15)	(420.737)	420.737	-	-



As of 31 December 2010, the foreign currency assets and liabilities of the Group consist of the following (TL):

FOREIGN CURRENCY POSITION TABLE 31 December 2010										
	TL Equivalent (Functional currency)	USD	EURO	JPY	GBP	KZT	UAH	RBL	NOK	Other
1. Trade Receivables	120.953.917	10.380.880	38.163.435	895.885.466	449.408	294.638.719	27.711.130	1.619.345	442.317	-
2a. Monetary Financial Assets (Incl. Cash and Banks)	276.703.462	114.239.885	44.863.998	318.299.264	286	48.127.407	5.196.867	10.573.263	307.576	-
2b. Non-monetary Financial Assets	44.028.184	1.937.064	1.622.295	1.218.434.123	-	761.099.532	32.070.786	268.311	1.592.730	-
3. Other	18.127.969	237.114	449.674	-	-	1.039.494.685	28.305.805	8.690.590	-	-
4. Current Assets (1+2+3)	459.813.532	126.794.943	85.099.402	2.432.618.853	449.694	2.143.360.343	93.284.588	21.151.509	2.342.623	-
5. Trade Receivables	10.303	700	4.500	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	3.011.860	9.200	1.462.904	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	3.022.163	9.900	1.467.404	-	-	-	-	-	-	-
9. Total Assets (4+8)	462.835.695	126.804.843	86.566.806	2.432.618.853	449.694	2.143.360.343	93.284.588	21.151.509	2.342.623	-
10. Trade Payables	105.930.887	17.765.935	17.479.163	1.017.324.484	9.366	1.904.174.957	15.390.243	-	1.545.804	-
11. Financial Liabilities	40.864.882	26.380.792	31.610	-	-	-	-	303.700	-	-
12.a Other Monetary Liabilities	8.251.730	-	1.458.712	-	-	359.428.447	7.687.880	-	-	-
12.b Other Non-monetary Liabilities	53.967.310	1.670.997	4.244.292	1.494.458.163	437	455.165.046	46.625.373	11.111.809	-	-
13. Short Term Liabilities (10+11+12)	209.014.809	45.817.724	23.213.777	2.511.782.647	9.803	2.718.768.450	69.703.496	11.415.509	1.545.804	-
14. Trade Payables	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	156.624.389	91.523.024	7.383.629	-	-	-	-	-	-	-
16.a Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
16.b Other Non-monetary Liabilities	-	-	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	156.624.389	91.523.024	7.383.629	-	-	-	-	-	-	-
18. Total Liabilities (13+17)	365.639.198	137.340.748	30.597.406	2.511.782.647	9.803	2.718.768.450	69.703.496	11.415.509	1.545.804	-
19. Net Foreign Currency Asset / (Liability) Position (9-18)	97.196.497	(10.535.905)	55.969.400	(79.163.794)	439.891	(575.408.107)	23.581.092	9.736.000	796.819	-
20. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11- 12a-14-15-16a)	85.995.794	(11.048.286)	56.678.819	196.860.246	440.328	(1.920.837.278)	9.829.874	11.888.908	(795.911)	-
21. Exports *	251.615.190	8.319.169	7.010.580	8.887.652.883	1.906.909	4.722.730.423	55.078.242	62.354.896	-	-
22. Imports *	227.633.369	22.115.263	21.221.120	-	67.947	10.762.877.064	183.080.360	16.117.521	-	119.079

* Average exchange rate is used. Consists of pre-elimination totals.

As of 31 December 2009, the foreign currency assets and liabilities of the Group consist of the following (TL):

FOREIGN CURRENCY POSITION TABLE 31 December 2009										
	TL Equivalent (Functional currency)	USD	EURO	JPY	GBP	KZT	UAH	RBL	NOK	Other
1. Trade Receivables	181.759.967	15.325.839	51.639.476	2.107.493.888	319.804	663.168.761	26.942.681	2.322.306	-	-
2a. Monetary Financial Assets (Incl. Cash and Banks)	410.327.143	145.627.174	81.987.300	670.515.000	808	230.836.834	1.717.213	4.626.092	324.925	-
2b. Non-monetary Financial Assets	40.783.340	4.880.682	5.859.102	903.388.325	-	556.333.352	422.316	645.791	995.416	-
3. Other	8.532.316	235.708	411.996	-	-	434.717.645	13.055.874	8.306.712	-	-
4. Current Assets (1+2+3)	641.402.766	166.069.403	139.897.874	3.681.397.213	320.612	1.885.056.592	42.138.084	15.900.901	1.320.341	-
5. Trade Receivables	10.775	700	4.500	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	3.188.341	5.416	1.472.104	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	3.199.116	6.116	1.476.604	-	-	-	-	-	-	-
9. Total Assets (4+8)	644.601.882	166.075.519	141.374.478	3.681.397.213	320.612	1.885.056.592	42.138.084	15.900.901	1.320.341	-
10. Trade Payables	208.643.623	15.286.922	43.389.275	3.796.078.765	23.100	2.826.127.229	2.740.679	65.249	2.343.793	-
11. Financial Liabilities	60.075.732	39.853.389	26.589	675.913	-	-	-	-	-	-



12.a Other Monetary Liabilities	76.284.380	41.369.297	1.878.994	-	-	854.536.986	3.650.511	11.537.931	-	-
12.b Other Non-monetary Liabilities	60.692.608	4.891.234	7.372.862	1.601.194.668	649	148.091.143	46.170.288	20.610.548	-	-
13. Short Term Liabilities (10+11+12)	405.696.343	101.400.842	52.667.720	5.397.949.346	23.749	3.828.755.358	52.561.478	32.213.728	2.343.793	-
14. Trade Payables	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	236.714.775	151.018.310	4.317.227	-	-	-	-	-	-	-
16.a Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
16.b Other Non-monetary Liabilities	6.629.686	4.403.059	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	243.344.461	155.421.369	4.317.227	-	-	-	-	-	-	-
18. Total Liabilities (13+17)	649.040.804	256.822.211	56.984.947	5.397.949.346	23.749	3.828.755.358	52.561.478	32.213.728	2.343.793	-
19. Net Foreign Currency Asset / (Liability) Position (9-18)	(4.438.922)	(90.746.692)	84.389.531	(1.716.552.133)	296.863	(1.943.698.766)	(10.423.394)	(16.312.827)	(1.023.452)	-
20. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	10.379.375	(86.574.205)	84.019.191	(1.018.745.790)	297.512	(2.786.658.620)	22.268.704	(4.654.782)	(2.018.868)	-
21. Exports *	198.820.612	8.875.879	11.017.804	4.811.708.627	1.423.866	7.450.217.409	4.108.523	62.778.734	-	-
22. Imports *	188.557.330	34.408.605	38.269.422	84.642	46.681	4.207.882.280	50.768.710	13.991.804	-	80.305

* Average exchange rate is used. Consists of pre-elimination totals.

v. Capital Risk Management

For proper management of capital risk, the Group aims

- to maintain continuity of operations so as to provide earnings to partners and benefits to other shareholders, and
- to increase profitability through determining a service pricing policy that is commensurate with the level of risks inherent in the market.

The Group determines the amount of share capital in proportion to the risk level. The equity structure of the Group is arranged in accordance with the economic outlook and the risk attributes of assets.

The Group monitors capital management by using the debt/equity ratio. This ratio is calculated by dividing the debt, net, by the total share capital. The net debt is calculated by deducting the value of cash and cash equivalents from the total debt (the sum of short and long term liabilities stated in the statement of financial position). The total share capital is the sum of all equity items stated in the statement of financial position.

The Group's general strategy has not changed with respect to last year. As of 31 December 2010 and 2009, the ratios of the total share capital to total liabilities, net, are as follows (TL):

	31 December 2010	31 December 2009
Total debt	729.293.074	880.782.180
Less: cash and cash equivalents	(359.603.771)	(360.147.591)
Net debt	<u>369.689.303</u>	<u>520.634.589</u>
Total equity	908.086.989	870.633.723
Debt/Equity Ratio	41 %	60 %

The change in debt/equity ratio arises from the decrease in commercial and financial liabilities.

33. Financial Instruments

Alarko Group assumes that the carrying values of the financial instruments represent 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 sales value of an instrument is deemed to be the fair value of the financial instrument. The Parent Company and its subsidiaries' significant accounting policies related to financial instruments are disclosed in paragraph (a) "Financial Instruments" of Note 2 "Presentation of Financial Statements".

34. Events After the Reporting Period

a) The termination indemnity upper limit which stood at TL 2.517,01 as of 31 December 2010 has been increased to TL 2.623,23 with effect from 1 January 2011 (31 December 2009 - TL 2.365,16).

b) As per the Board resolution of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. (a subsidiary) dated 7 March 2011 nr 250, the net distributable profit for the period is determined as TL 5.693.922 taking into consideration the unrealized capital gains remaining after making the first legal reserves of TL 295.924 from the profit for the period amounting to TL 5.989.846 stated in the 2010 financials in accordance with the Capital Markets Legislation, the Articles of Association, and other relevant provisions; and decision is made to distribute in cash as dividends to shareholders a total of TL 1.344.470 from this profit corresponding to 25% of the net distributable profit



of TL 5.377.878 remaining after unrealized value increase of TL 316.044 is deducted as per the CMB legislation, to start the distribution of dividends as of 31 May 2011, to set up the second legal reserves of TL 81.193 from the profit to be distributed, and to add onto the extraordinary reserves the balancing amount of TL 4.268.259.

- c) Pursuant to the Ordinary General Meeting of Attaş Alarko Turistik Tesisler A.Ş. (a subsidiary) held on 23 March 2011, decision is made to deduct the net profit for 2010 amounting to TL 385.542,25 from the accumulated losses.
- d) Pursuant to the Ordinary General Meeting of Alarko Enerji Üretim A.Ş. (a subsidiary) held on 18 March 2011, decision is made to deduct the 2010 profit of TL 43.307,77 from the 2007 losses amounting to TL 780.208,70.
- e) Pursuant to the Ordinary General Meeting of Saret Sanayi Taahhütleri ve Ticaret A.Ş. (a subsidiary) held on 18 March 2011, decision is made to make a tax provision of TL 312,20 from the 2010 profit and not to set up first legal reserves but to distribute the balance of TL 14.448,71 as dividends to shareholders starting as of 1 November 2011, and to make provisions for first dividends at 5% and subsequently set up the second legal reserves at 10% of the paid-in capital as per the Article 466/3 of the Turkish Commercial Code.
- f) Pursuant to the Ordinary General Meeting of Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.Ş. (a subsidiary) held on 18 March 2011, decision is made to make TL 875.623,23 of tax provision from the 2010 profit of TL 7.976.358,41 and to set up first legal reserves at a rate of 5% until covering 20% of the paid-in capital as per the article 466 of the Turkish Commercial Code, and to set up extraordinary reserves with the balancing amount.
- g) Pursuant to the Ordinary General Meeting of Alamsaş Alarko Ağır Makina Sanayii A.Ş. (a subsidiary) held on 23 March 2011, decision is made to make provisions for taxes and other legal liabilities from the 2010 profit at a total of TL 23.690,30; not to set up first legal reserves when the first legal reserves made in prior years reach 20% of the paid-in capital; to distribute to the shareholders in cash the entire amount of the balancing profit after provisions for taxes and other legal liabilities; to make the second legal reserves as per the Article 466/3 of the Turkish Commercial Code at 10% of the total remaining after deducting the first dividends of 5% of the paid-in capital from the profit share to be distributed; and to realize the distribution of dividends in cash until 29 April 2011.
- h) Pursuant to the Ordinary General Meeting of Alfarm Alarko Leröy Su Ürünleri Sanayi ve Ticaret A.Ş. (a jointly controlled entity) on 23 March 2011, decision is made to set up the first legal reserves from the 2010 profit at a rate of 5% after making provisions for taxes and legal liabilities until covering 20% of the paid-in capital; to add onto the share capital a portion of TL 1.395.000 of the profit remaining after provisions are made for taxes and legal liabilities; hence, distributing A type and B type shares as bonus shares in equal amounts; and to set up extraordinary reserves with the balancing amount.
- i) As of 18 January 2011, Meram Elektrik Enerjisi Toptan Satış A.Ş. was established and registered as a joint venture of Alarko Holding A.Ş. (the Parent Company), Alarko Fenni Malzeme Satış ve İmalat A.Ş. (subsidiary), the jointly controlled entities, namely, Alcen Enerji Dağıtım ve Perakende Satış Hizmetleri A.Ş., Cengiz Holding A.Ş., and Eti Alüminyum A.Ş. The capital structure of the Company is as follows:

	Shareholding	Book Value
Alcen Enerji Dağıtım ve Perakende Satış Hizmetleri A.Ş.	99,60 %	996.000
Alarko Holding A.Ş.	0,10 %	1.000
Alarko Fenni Malzeme Satış ve İmalat A.Ş.	0,10 %	1.000
Cengiz Holding A.Ş.	0,10 %	1.000
Eti Alüminyum A.Ş.	0,10 %	1.000
	<u>100,00%</u>	<u>1.000.000</u>

- j) Pursuant to the Ordinary General Meeting of Alsim Alarko San.Tes. ve Tic. A.Ş. (a subsidiary) held on 31 March 2011, decision is made to make provisions for taxes and other legal liabilities from the 2010 profit and subsequently set up the First Legal Reserves at 5% until they reach 20% of the paid-in capital; and to distribute cash dividends to shareholders a total of TL 10.000.000 of the balancing profit; and to deliver the first dividends from the profit share to be distributed at a rate of 5% of the paid-in capital and subsequently set up second legal reserves at 10% as per the Article 46/3 of the Turkish Commercial Code; and to set up the balancing amount of TL 44.144.898,68 as extraordinary reserves; and to start the process of profit distribution on 29 December 2011.
- k) Pursuant to the Ordinary General Meeting of Alarko Carrier Sanayi ve Ticaret A.Ş. held on 31 March 2011, decision is made to distribute cash dividends to shareholders at a total of TL 2.268.000 which corresponds to 26,01% of the total of TL 8.718.933 calculated by adding donations of TL 245 onto the net distributable profit for the period of TL 8.718.688 remaining after tax provisions is made at a total of TL 1.938.276 from the profit before tax recognized as TL 10.656.964 in the 2010 financial statements in accordance with the provisions of the Capital Markets Legislation and the Company's Articles of Association as well as other relevant regulations; to start the profit distribution on 31 May 2011; not to set up first legal reserves as the first legal reserves of prior years have already reached the legally set limits; to set up second legal reserves at a total of TL 172.800 over the profit share to be distributed; to make the necessary tax withholding over the profit share subject to taxation; and to set up the balancing amount of TL 6.277.888 as extraordinary reserves.

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

Insurance on assets is as follows for the respective periods (TL):

31 December 2010	1.850.548.722
31 December 2009	2.715.413.769



CONCLUSION

Esteemed Shareholders,

We have shared with you our activities and matters we deemed important in detail in our Annual Report.

We set our objective as developing and expanding our Group in a sound way without losing our competitive power under the existing challenging economic conditions. We believe that we have attained our objective to a great extent. This is the outcome of the careful and diligent efforts of our employees working in all the different levels of our Group. We owe them heartfelt thanks.

In 2011, we will maintain our aim at sound development without losing our competitive power and productivity advantage.

Feeling the support of our esteemed shareholders during our efforts increases our determination and enthusiasm to attain our objectives.

With these thoughts and feelings, we thank your esteemed committee and wish you a successful and healthy year.

Board of Directors



ALARKO CENTER

Muallim Naci Cad. No: 69
34347 Ortaköy, İstanbul / TURKEY
Phone: (90 212) 310 33 00 - 227 52 00 Pbx
Fax: (90 212) 260 71 78 - 227 04 27
web: www.alarko.com.tr
e-mail: info@alarko.com.tr

ANKARA OFFICE

Sedat Simavi Sokak. No: 48
06550 Çankaya, Ankara / TURKEY
Phone: (90 312) 440 79 10 Pbx
Fax: (90 312) 440 79 30

İZMİR OFFICE

Şehit Fethi Bey Cad. No: 55 Kat: 13
35210 Pasaport, İzmir / TURKEY
Phone: (90 232) 483 25 60 Pbx
Fax: (90 232) 441 55 13

ADANA OFFICE

Ziyapaşa Bulvarı Çelik Apt. No: 19/5-6
Kat: 1 01130 Adana / TURKEY
Phone: (90 322) 457 62 23 Pbx
Fax: (90 322) 453 05 84

ANTALYA OFFICE

Mehmetcik Mah. Aspendos
Bulvarı No: 79/5 07160 Antalya / TURKEY
Phone : (90 242) 322 00 29 - 322 66 64 Pbx
Fax: (90 242) 322 87 66