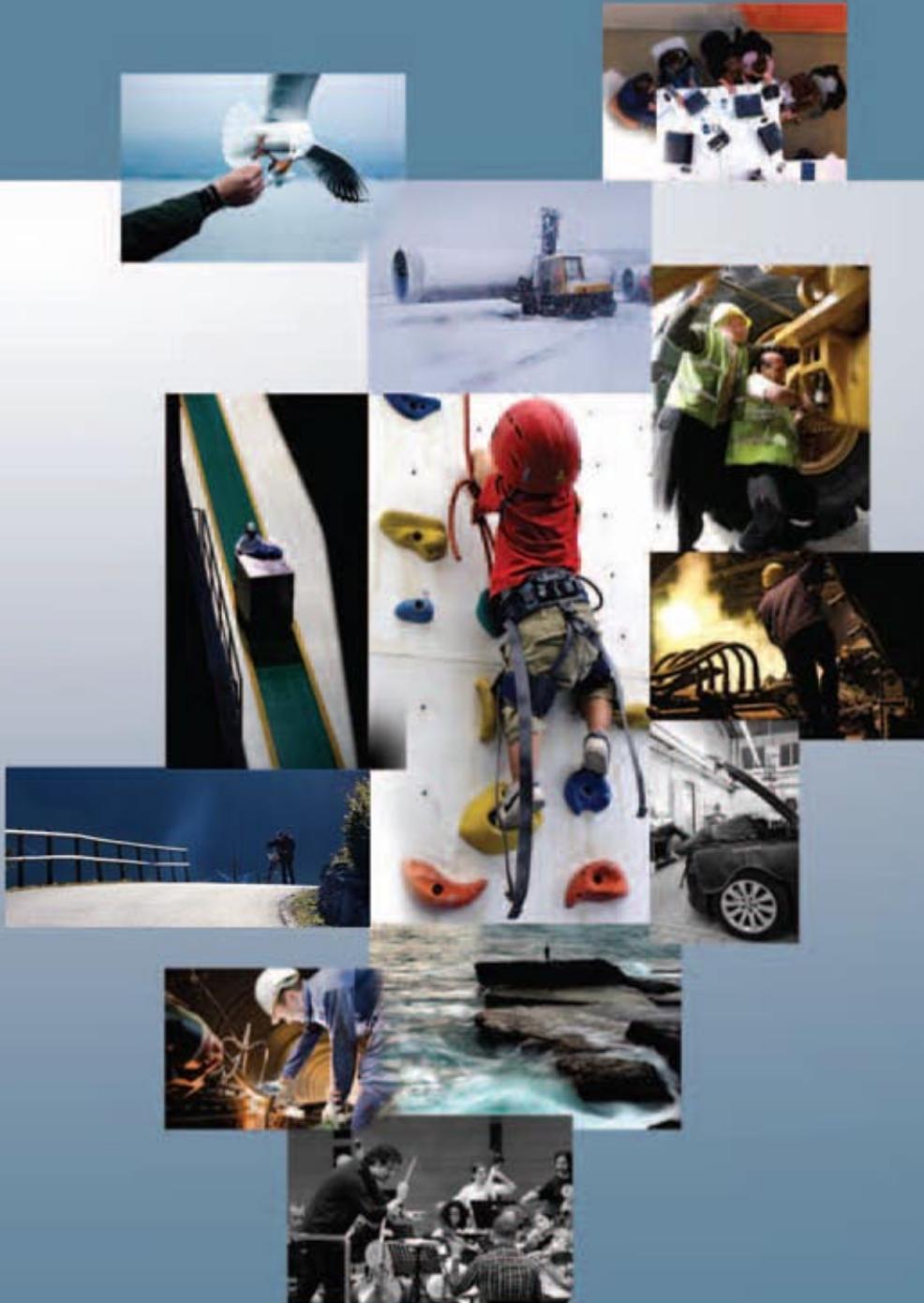


ANNUAL REPORT 2010



Contents

- 1 ▶ Financial Highlights
- 4 ▶ Founder and Honorary Chairman's Message
- 6 ▶ Chairman's Message
- 16 ▶ Review of 2010 Operations
- 30 ▶ The Role of Borusan Holding
- 34 ▶ The Borusan Kocabiyik Foundation
- 40 ▶ The Borusan Group
- 42 ▶ Steel / Pipe
- 46 ▶ Steel / Flat Steel
- 50 ▶ Distributorship / Automotive
- 58 ▶ The Earth Moving Equipments and Power Systems
- 64 ▶ Logistics
- 68 ▶ Energy
- 70 ▶ Our Determination to Succeed
- 81 ▶ Auditor's Report

Financial Highlights

<i>(USD million)</i>	December 31 2008	December 31 2009	December 31 2010
Sales	3,397	2,415	3,503
Exports	983	657	844
EBITDA	175	223	245
Working Capital	899	722	875
Capex	301	200	166
Net Borrowing Level	740	636	612
Total Assets	2,346	2,439	2,591



A person is silhouetted against the sea, standing on a dark, jagged rock formation. They are holding a long fishing rod that extends into the water. The sea is turbulent, with white foam from waves crashing against the rocks. The overall scene is dramatic and evocative, with a mix of dark and light tones.

Our determination to succeed is the force
that drives us towards the future.

As members of Borusan we aim to be “the ones who determine the standards”, as well as “the best” as we move forward with determination to succeed in all our areas of business activity. Our resolve to be successful was one of the greatest driving forces in accomplishing the results that were reflected in the financial indicators of our 2010 activities.

We, the employees of Borusan, have sometimes witnessed the determination to succeed in the efforts of our colleagues, at times in the first steps of a baby and from time to time in the eyes of the seagulls as they race with large ferry boats in hopes of catching a piece of bread tossed to them by passengers. We have given birth to this resolve to succeed at every stage of our business activities.

It is for this reason that the pictures in our Annual Report this year consists of photographs taken by our employees and effectively portray our “determination to succeed.”

We believe that the photos taken by our colleagues portray both our determination to succeed and our passion for success in a way that neither words nor numbers could ever do.

Message from the Founder and Honorary Chairman



Asım Kocabıyık
*Founder and Honorary Chairman
Borusan Holding*

Valued shareholders,

In 2010 Borusan celebrated its 66th year in the business world and its 52nd in the industrial sector.

Up until the 1960s the economy was rather constrained and primarily agriculture centered. Subsequently, between 1960 and 1965 Turkish industry began to take shape rather modestly as protectionist measures against imports stimulated industrial development to the significant level seen today.

During this 50 year industrialization period many crises have been experienced. The primary reason behind these crises was, to a great extent, fluctuations in exchange rates. The 2008 crisis, however, occurred on an international scale. As a consequence of the measures implemented by the Turkish government, our nation has managed to pull through relatively unscathed from this most recent calamity. The economic activities of 2010 have not only compensated for the negative effects of the latest crisis but also facilitated the expansion of our economy. Borusan was also able to display a successful performance in line with this development that took place across the country. Nonetheless, despite these positive results and improvements in Turkey, there are still some economic factors that are cause for concern.

As a result of this economic progress Turkey's exports have exceeded the \$100 billion mark, but the current deficit, or what is commonly referred to

as the trade imbalance, is quite disconcerting since it stands at \$80 billion. As approximately 50% of the current account deficit is the result of energy related imports and it appears that the problem will not be resolved in the short term. The other \$40 billion of this amount is composed of imports which are necessary for the completion of machinery, spare parts and other goods to be exported. At this point, it is not possible to implement a ban on imports because of the international and customs union agreements we have signed. However, it is possible to rehabilitate domestic competitive conditions to reduce the country's dependence on imports.

In addition, one of the biggest problems in our nation is unemployment. This problem appears to be a common one among all other countries and, even though it will not be easy to solve in the near future, precautionary measures need to be urgently implemented in order to prevent the situation from becoming worse.

That a large portion of the population lives in poverty is partially related to this problem of unemployment. Given the present types and technologies of manufacturing, it will not be possible to grow the economy beyond a certain level. Many segments of industry have reached a saturation point. The only way to remedy this situation appears to be the procurement of technologies that are not present at the moment and investing in new business areas. Foreign investment capital will be of vital importance in terms of providing the funding needed for these kinds of ventures.

Sectors such as agriculture, cattle breeding and aquaculture appear to be the most conducive fields for the development of employment and production in our country. These areas must be expanded as the government currently offers appropriate conditions for long-term rental of agricultural plots. I do not think that these business fields are being developed to their fullest potential.

Since, as an industrial company, Borusan manufactures valuable and high quality products and it continues to contribute greatly to the economy of the country. The Borusan team members who make this possible are quite up to par with their counterparts in more developed countries.

For quite some time now, I have been channeling my energy towards education projects which will be beneficial for our country and society. Besides these, I have also continued to provide financing for the aforementioned ongoing agricultural projects which are necessary for regional development. This Annual Report contains more detailed information elsewhere pertaining to the social responsibility projects in which Borusan is currently involved.

At this point, on behalf of our shareholders and my family, I would like to thank all the members of Borusan who have contributed to the success of our companies.

With best regards,



Asim Kocabiyik
Founder and Honorary Chairman
Borusan Holding

Chairman's Message

As we overcame the effects of the economic crisis, we renewed the vision of Borusan by determining new strategies and targets.

Valued shareholders,

We started off 2011 with great joy over our impressive performance the previous year and much optimism concerning our expectations about the possibility of sustaining such high levels this coming year. As we overcame the effects of the economic crisis, we renewed the vision of Borusan by determining new strategies and targets.

During 2010 Borusan achieved the greatest business growth in its history. Our combined turnover reached \$3.5 billion, an astonishing 45% growth over 2009 figures. There are both internal and external factors behind our high level of performance. The most important external reason is the high rate of economic growth our country has been, and still is, experiencing. This favorable atmosphere, which dominates all markets we are presently active in, has had a very positive impact on our business results.



A. Ahmet Kocabiyik
*Chairman of the Board
Borusan Holding*

Our business culture is creating a difference . . .

Meantime, the most important internal factor concerning our Group's success is the high efficiency we enjoy and our ability to react quickly to developments. The 6 Sigma methodology, which we have adopted as a Company culture, has formed a foundation that enables Borusan to significantly outperform its competitors concerning the attainment of successful business results, precisely under these kinds of settings.

The fact that we utilize a five-year, long term strategic growth plan to chart our course is yet another important characteristic of our Company. After we put its implementation on hold over the past two years due to the global crisis we returned to this planned management technique once again beginning in 2011. Last year we developed a new growth plan which encompasses the 2011 to 2015 period.

Risks and new trends of today . . .

Prior to preparing this plan for 2011 and beyond we assessed the basic trends, as well as the dynamics, pertaining to the world, our country and the sectors in which we are presently active. I can summarize the key issues in this analysis as follows:

Today we are experiencing two global risks. The first is the stagnation of the European economy. Moreover, the ongoing state of regional crises in Greece, Portugal, Ireland, Spain and some of the Eastern European countries can still be described as grave.

Secondly, there is as serious political transformation process that is being experienced in North Africa and the Middle East which is not expected to be resolved in the short term. Even though it should not directly affect Borusan there is a possibility that this change could have adverse effects on some of the important economic and trade players in our country. In addition, we have been observing two import trends in the sectors in which we are actively involved; namely, that trade is moving from the West to the East and competition is increasing in both the domestic and international arenas.

Turkey, meanwhile, is moving forward while displaying a relatively consistent and high economic performance in the midst of all these risks.

As everyone can agree, our top priority must be the sustainment of the rapid growth atmosphere which we are experiencing. However, we must not forget that our current account deficit always continues to pose a threat.

A new term, new strategies . . .

At various stages in the history of mankind a significant transformation has occurred in the basic variables of the world system. This change, which deeply affects all results, marks the arrival of a new era that calls for

Trade is moving from the West to the East and competition is increasing in both the domestic and international arenas.

Chairman's Message

The most important success criteria in all the business ventures we conduct will be “innovativeness”. We are going to develop new products, find new markets and increase efficiency in all areas.

the implementation of different methods. Philosophers refer to it as the “detachment from the old order” or a “paradigm shift”.

The need for a radical reevaluation becomes quite evident when the following issues are examined collectively: the problems pertaining especially to energy and sustainable resources, the effects that the deep economic crisis has had on global financial systems, geopolitical changes in neighboring countries and the new developments pertaining to our own country.

When we evaluated the changes, risks and trends related to 2011 and beyond, we came to the realization that our five-year strategic plan had to be prepared with a different perspective. We summarize this new point of view, which is actually a paradigm shift, under four main headings.

First of all, what we had initially labeled as “unconditional growth” has now been termed as “growth for profit”. In other words, growth has no meaning if it does not generate profitability.

Secondly, we are changing our portfolio in order to make it more resilient towards fluctuations. As a matter of fact, we made a strategic decision to withdraw from the telecommunications business and enter the energy production sector for this very reason.

Third, and perhaps the most important aspect for our Company, is related to our understanding of globalization. In our international business activities we are slowly transitioning from the role of “an exporter” towards becoming “a regional player”. Trade is steadily moving to the East and we are giving priority to investments in Kazakhstan, Azerbaijan, Georgia, Iraq and Iran. With this in mind, we have begun to meticulously appraise regional investments including takeover opportunities, especially for our steel and logistics businesses.

A new term, a new way of doing business . . .

Finally, we have defined the fourth change in our perspective as the new way in which we do business.

We have chosen the expression of “simple, fast and creative” to describe the characteristics of Borusan over the course of the next five years. The most important success criteria in all the business ventures we conduct will be “innovativeness”. We are going to develop new products, find new markets and increase efficiency in all areas. Furthermore, we decided to form a new division known as “The Innovation Faculty” as a part of Borusan Academy which, incidentally, had its first graduating class this year.



While implementing our new strategy, we are also taking into consideration global warming and environmental issues. As we establish our sustainability strategy we began an initiative in all related business areas to determine targets pertaining to these issues. As a part of this effort we aim to achieve improvements in the areas of energy efficiency, greenhouse gas emissions, waste management and water consumption.

The 5 year target of Borusan: A turnover of \$6 billion!

Our five-year strategic growth plan, prepared from this perspective of transformation, aims to attain a \$6 billion turnover by the end of 2015. Our investment plans, service and production capacities are all in alignment with this target.

I am confident that we will be able to surprise everyone and surpass our five-year strategic targets as long as unanticipated problems do not arise in the global economies. The ones who are going to make this happen are our qualified employees, every one of whom is among the best in their respective sectors. On behalf of my family, our shareholders and business partners and country. I want to thank all members of Borusan for the high level of performance they displayed during 2010. These members of the Borusan family constitute the most valuable competitive leverage we have for reaching the ambitious 2015 targets.

When evaluated broadly, such surprising performances by other companies similar to Borusan will push Turkey higher in terms of living standards, economic size and development rankings.

With warmest regards,



A. Ahmet Kocabiyik
Chairman of the Board
Borusan Holding

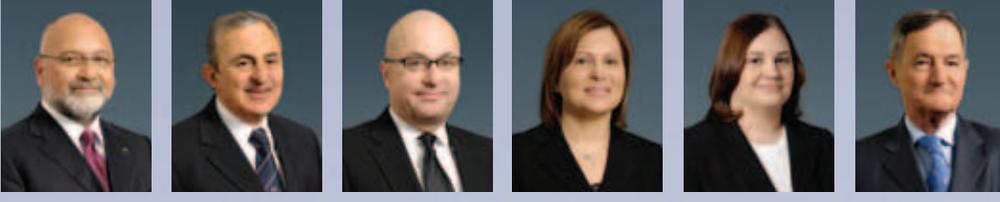
I am confident that we will be able to surprise everyone and surpass our five-year strategic targets as long as unanticipated problems do not arise in the global economies.



Our
determination
to succeed
is the key
to a brighter
future for
all of our
companies...



Board of Directors



From left to right: **A. AHMET KOCABIYIK**, *Chairman*
BÜLENT DEMİRCİOĞLU, *Vice Chairman*
AGAH UĞUR, *Executive Board Member & CEO*
ZEYNEP HAMEDİ, *Member*
NÜKHET ÖZMEN, *Member*
FRANCIS PAUL MER, *Member*

The synergy brought about through our determination to succeed enables us to work for the generations to come.



Executive Committee



From left to right: **A. AHMET KOCABIYIK**, *Chairman of the Board of Directors*
BÜLENT DEMİRCİOĞLU, *Vice Chairman of the Board of Directors*
AGAĞ UĞUR, *Executive Board Member & CEO*
MEHMET BETİL, *Member of the Executive Committee*

Our determination
to succeed is our
greatest asset
when faced with
challenges.



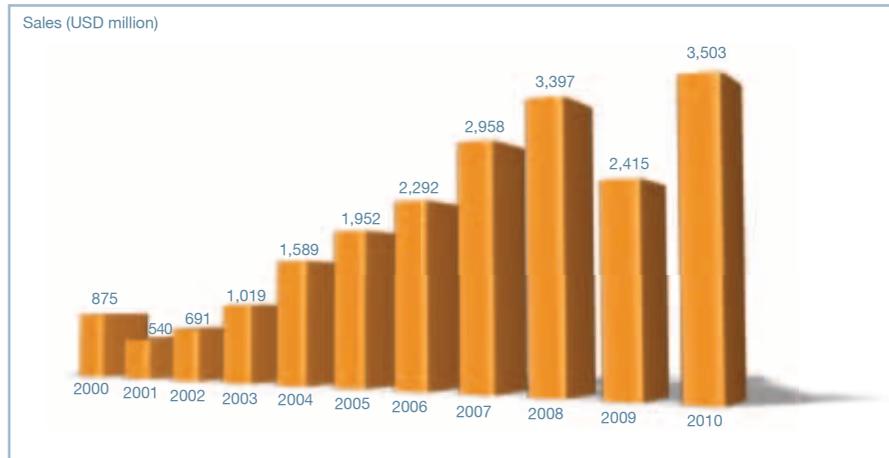
GENERAL OVERVIEW

2010 was a successful year as we were able to return to the business dynamics of the pre-crisis days of 2008. The Turkish economy grew by a robust 9% during 2010. The inflow of portfolio investments as well as the expansion of loans allowed us to fully benefit from the growing local demand and we were able to achieve rates of growth that were substantially above most other markets. As a Group we managed to grow by an astonishing 45% and increase our turnover to \$3.5 billion, the highest level in our history.

The primary factors which influenced our 2010 results can be summarized as follows:

- The Turkish economy was the fastest growing economy among the developing nations, ranking third in the world. Despite the risk posed by the dependence on the European market of the country's export structure the momentum that was attained during the second half of 2009 was successfully maintained.
- The primary sectors to which we provide service, including the automotive and white goods segments, grew markedly in relation to 2009 while benefitting significantly from the relatively low trend of the € /TL exchange rate, low interest rates on consumer loans and the intense price competition during 2010. Domestic production of passenger vehicles increased by 17% during 2010 and topped 1.1 million units, while production of white goods rose by 12% to 18.4 million units. Meanwhile, the construction sector's contribution to the GNP grew to as high as 17%. Consequently, our rates of growth in the flat steel and steel pipe markets increased to 33% and 15%, respectively.
- Fluctuations in the supply/demand balances, as well as input prices, growing economic volatility and changing supply conditions, made the process of predicting steel prices progressively more challenging. Global steel prices began the year 2010 with a rapid climb. This rising trend continued steadily until June when the weakening tendency of the supply/demand balances created a retreat in prices before they remained steady for a while. There was once again an increasing trend during the last two months of the year even though there was no obvious rise in demand. As a result, a higher price platform was established as opposed to the previous year.
- Implementations that create a differentiation in competition, high efficiency, and value added products and services, which increase brand value, became critical for companies after the crisis.

Our Steel Group was able to grow by 40% as a result of the rising prices, while our Distributorship Group companies likewise increased their overall business volume in relation to the previous year as their cumulative revenues climbed by 45%.



The Steel Group productively generated 53% of the overall revenues by processing 2.5 million tons of steel. Our steel pipe companies reported \$707 million in sales income, while the flat steel companies increased their turnover to \$1.150 billion, an increase of 46%.

As with the previous year, our distributorship activities managed to retain their 38% contribution to the cumulative revenues. The highest business growth rate during 2010, a vigorous 60%, came from our Automotive Group companies. As a direct result of the growth in the local market our BMW, MINI, Land Rover and Aston Martin national distributorships broke the annual sales record by collectively turning over more than 15,000 vehicles and motorcycles.

Both Supsan and Manheim Turkey took steps that were in alignment with their strategic plans to ensure their growth in the future.

The earth moving equipment and power systems divisions were able to take advantage of the developments in various sectors both in Turkey and Kazakhstan as their turnover increased by 30%. The sales of earth moving equipment in the Turkish market nearly doubled over 2009 figures, topping 953 units. We attained record levels in our power systems sales both domestically and abroad, and maintained our leadership in the Kazakhstan market.

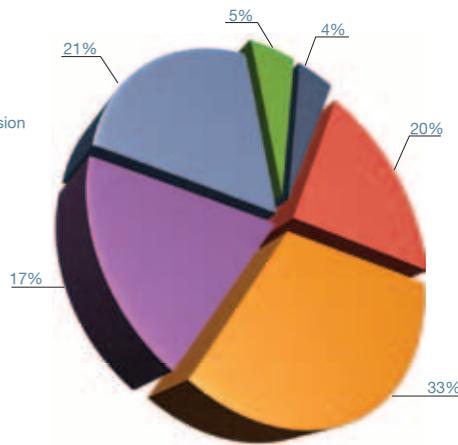
In the logistics sector our average growth rate since the year 2000 has been 20% annually. In 2010 we were able to generate \$170 million in revenues from outside the Group. On the other hand, our cumulative turnover increased by 33%, to \$264 million. With the completion of our \$100 million port investment, which began back in 2008, we became the most important player in the Gulf of Gemlik region. Of significant importance, we made a strategic decision to implement the third phase of our port investment plan way ahead of schedule in order to upgrade our container capacity and handling technologies in order to better meet the needs of our strategic customers.

Borusan 2010 Review of Operations

As growth and opportunities in the domestic market were significantly better than the international arena the ratio of revenues generated from exports and sales abroad in relation to the overall total contracted from 27% to 24%. The global decrease that was experienced in the line pipe projects of the Steel Pipe Group had an adverse affect on the export balances. Despite this, opportunities in the country and product segments were successfully seized in other steel products. Meanwhile, our companies operating abroad (i.e., earth moving equipment and power systems especially in Kazakhstan and our offshore logistic activities of Vobarno) were also successful in increasing their business volumes. Combined revenues generated from export and international activities grew by 28%, reaching \$844 million.

Borusan Group 2010 Consolidated Sales by Divisions (%)

- Pipe Division
- Flat Steel Division
- Earth Moving Equipment and Power Systems Division
- Automotive Division
- Logistics Division
- Other

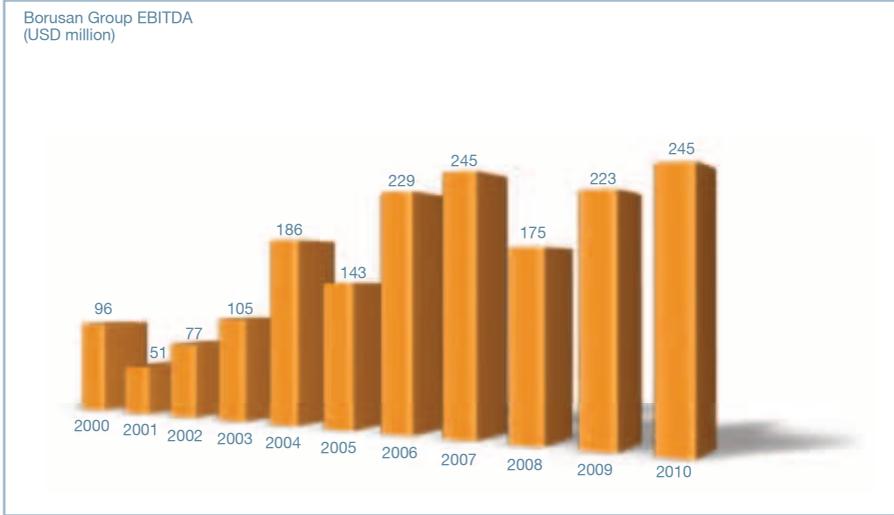


As a result of the crisis management measures we have consistently implemented up to the present time, the ratio of our operational expenses to sales contracted from 8.1% in 2009 to 6.8% last year. The increasing competition in all the business areas in which we were actively involved during 2010 created a pressure on profit margins. The mentioned losses in profits were largely compensated for by our increasing business scale and efficiency in expense management as we successfully increased our pretax profits level by 23%. The fact that the Steel Pipe Group ended up with a loss, as a result of both the stagnation dominating the international projects segment and the unfavorable price competition taking place in the domestic market, certainly limited the increase in profitability within the Group.

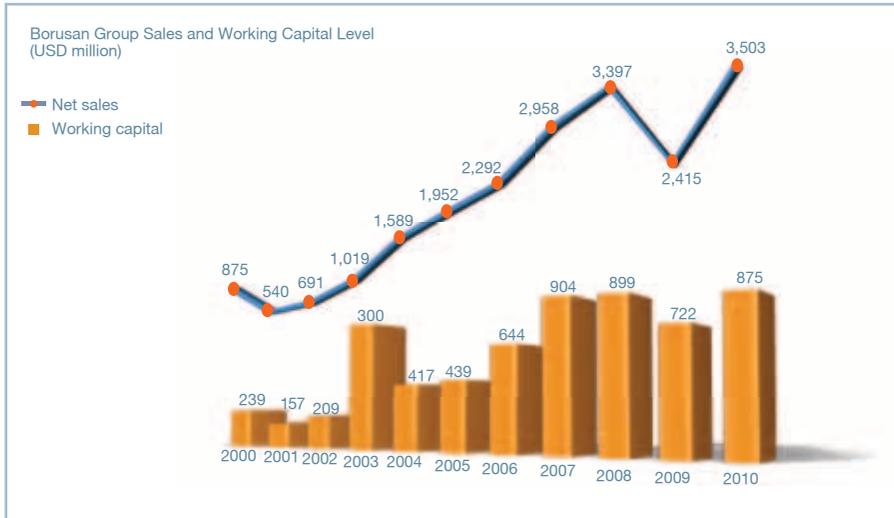
Consolidated Sales Breakdown (USD million)

- Export and International Sales
- Domestic





The EBITDA level of our Group, which has been increasing at an average rate of 10% per annum, reached \$245 million during 2010. In spite of the above target volume and profit actualizations of our other business areas due to the limited contribution of the Steel Pipe Group, the ratio of EBITDA to cumulative sales was actually limited to 7%.



In line with the 45% growth in sales at the end of 2010 our working capital increased by 20% over 2009 figures. The strategic decisions we implemented during the first quarter of 2011 to seize sales opportunities and benefit from rising steel prices had a significant influence on this increase. On the other hand, we are continuing the structural development in terms of the management of our working capital. We improved the average operating capital turnover speed by 25 days during 2010, to 97 days.

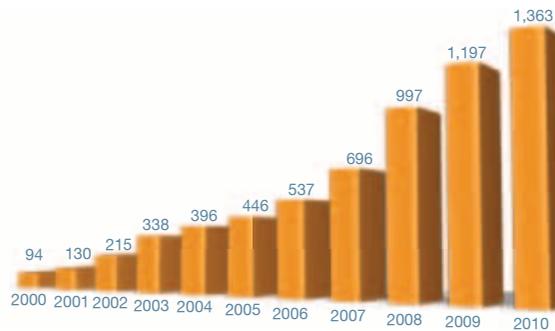
Borusan 2010 Review of Operations

Including the \$166 million worth of investments started in 2010, the combined volume of the investments we have initiated since 2000 has surpassed \$1.3 billion.

We are continuing with investments which we feel are strategically important across the Group. The ground-breaking ceremony of Borusan Mannesmann Boru's new \$100 million spiral pipe production facility took place in 2010. The plant, which is projected to go online during the final quarter of 2011, will be among the best of its kind in the world in terms of the technology used, production capacity, layout, production flexibility and strategic proximity to the port. With another \$100 million in investment we were able to double our capacity at the Gemlik Port. As a result, the general cargo and container capacity substructures were increased to 5.7 million tons and 400,000 TEU, respectively. We intend to begin the third phase of our port investment during the course of 2011.

Concerning our newest strategic business area of energy production, the total volume of investments initiated to date, including the activities that took place in 2010, rose to \$264 million. Our first completed venture in this area, the 60 MW Bandırma Borasco Wind Energy Plant, has begun production. The 50 MW Yedigöl-Aksu Hydroelectric Plant is expected to begin operation during the middle of 2011. We plan to invest an additional \$214 million into our energy business during 2011.

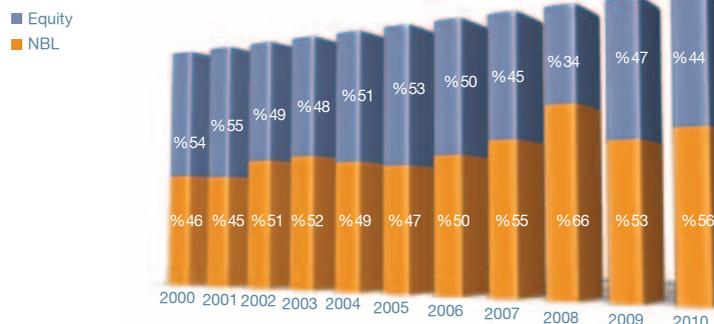
Borusan Group Cumulative Investments
(USD million)

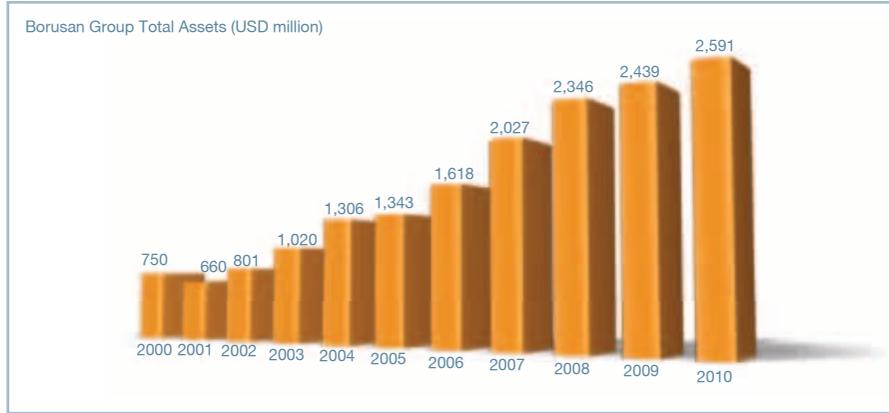


Even though we closely monitored operating capital and expense management, we specifically increased our long-term borrowing in order to create funding for our investments. Our net borrowing level increased by 12% in relation to the previous year, up to \$1.192 billion. Regardless of this development, the debt to net asset balances was maintained at the targeted optimum levels.

In contrast to the increase in our debt level, which grew in line with budgetary expansion, we were able to attain a 20% improvement in our financial expenses as a result of the reduced borrowing costs and, more importantly, by being efficient in risk management.

Borusan Group Consolidated NBL / Equity (%)





The concept of sustainability determined the course of every step we took towards the attainment of our business targets in 2010. Last year, we were one of the two companies from Turkey to join the World Business Council for Sustainable Development (WBCSD). Borusan was also among the more than 1,000 leading companies in the world to sign the “Cancun Declaration”, which contains recommendations concerning changes that must be included in the new order so that the effects of global warming and climate change can be minimized. Furthermore, we were one of three private sector companies in Turkey to sign the Declaration thereby extending support for the plans to convert to lower carbon economies.

Within the scope of Borusan Group’s environmental sustainability efforts, we began to focus on critical issues in 2010 such as energy efficiency, greenhouse gas emissions, waste management and water usage.

The attainment of our profitable 2010 results would not have been possible without the valuable contribution of Borusan workers who have made the real difference. The high level of success we achieved by making full use of opportunities to create new business dynamics during the crisis was also sustained throughout the growth phase. As a consequence we were able to establish the business structure and approaches necessary to adapt to global and local market dynamics in the future. Some of the main targets we have set for 2011 include the attainment of at least a 15% business growth and an even higher increase in profitability, the creation of innovative solutions to products and services, as well as the sustainment of efficiency and the strength of financial structure.

I would like to take this opportunity to sincerely thank all of our managers, employees, business partners and valuable customers who have contributed their efforts to the attainment of our successful business results.



Borusan 2010 Review of Operations

INDUSTRIAL ANALYSIS

Steel

Since steel production is among the leading indicators of economic conditions, the record increase in output which has exceeded the pre-crisis levels is a clear indicator that global economies are in a state of recovery.

Among the most striking facts about the global steel industry during 2010 is the reality that a sizable portion of the increase in production originated not from developing countries, as was the case in previous years, but from developed ones. This situation resulted because developed countries had experienced a much more significant contraction in production during 2009. Despite the high rate of increase in steel production it is apparent that developed countries have not been able to attain the levels they enjoyed prior to the beginning of the crisis.

In 2010, the cumulative global steel output rose to 1.4 billion tons, an increase in 15%. Consequently, worldwide raw steel production increased by 7% in relation to the pre-crisis levels of 2008. Raw steel production in Turkey, meanwhile, increased last year by 15%, up to 29 million tons. With its combined output Turkey ranked 10th in the world in 2010 among the 65 largest steel producing countries and was once again ranked second in Europe.

During 2010 the Turkish steel sector continued its exports in an atmosphere of limited development in demand across global markets and under challenging competitive conditions. Iron and steel product exports dropped by 6% to \$14 billion in value and 18 million tons in volume. The fact that the Turkish steel sector was able to increase production despite the drop in exports was the primary result of the robust rise in demand from the local market.

In addition, the start of production at our new facilities contributed to the 50% increase in flat steel output, which reached 6.6 million tons.

The total growth of the market reached 33% during 2010 as consumption in Turkey reached 2.2 million tons in cold rolled steel products and 1.8 million tons in galvanized steel products.

The Pipe

The positive developments taking place in global markets were also felt in Turkey during 2010. The steel pipe sector grew in close alignment with the construction segment as reflected in its 15% growth. Surprisingly, this increase was primarily fueled by demand from residential projects rather than substructure and large scale ventures. In line with these developments, as well as rising exports, Borusan Mannesmann Boru increased its business volume in first quality products by 24%, up to 677,000 tons. The output of high value-added products including pressurized, special and spiral pipes comprised a 50% share of the total production.



Customer specific solutions helped increase our sales volume to developing export markets while a more lasting growth target was determined for existing markets. Nearly 41% of the business volume consisted of exports to 40 countries.

As a result, the 2010 revenues increased by 32% over figures from the previous year, up to \$640 million.

The contraction in the high value added projects segment as well as the intense price competition among the standard pipe products in the local market resulted in a marked drop in profit margins. In 2010 the EBITDA margin stood at \$8 million, was substantially below figures from 2009, which were 7%, or \$34 million.

Since revenues are expected to climb by 16% during 2011 priority has been given to an increase in profits. Precautionary measures designed to prompt a return to profitable balances have been set in place since the beginning of the year.

Flat Steel

Borçelik had a rather successful year in 2010. Investments which were designed to increase market share and competitive strength were completed in accordance with the strategic plan. During the month of June the \$140 million investment designed to increase production capacity by 50% was completed as the third cold rolled and third hot dipped galvanized lines were brought online. As a result of these investments Borçelik now has the highest steel production capacity in Turkey and is also the most modern galvanized steel producer in the country.

By rapidly providing for special products and demands, in 2010 the Company attained the best performance in international sales in its history. As last year's production resulted in a turnover of 1.3 million tons, sales increased by 25% over 2009 figures. Our market shares in galvanized steel and cold rolled steel were 29% and 19%, respectively.

A profitable growth was attained in 2010 despite the fact that profit margins fell as a result of increasing competition in the domestic arena. The EBITDA level increased by 21% to \$85 million.

As a result of the activities taking place in its latest large scale investment at the Bursa branch, as well as its integration with Borçelik, Kerim Çelik reached an all time high in terms of goods shipped and turnover, which topped \$241 million. The total volume of goods shipped, meanwhile, was reported at 380,000 tons. Kerim Çelik initiated a large portion of its purchases from Borçelik and was therefore able to guarantee on time delivery while providing its customers with the highest quality merchandise. When compared to the previous year, the EBITDA level of Kerim Çelik stood unchanged, at \$7 million, mainly as a result of the expenses that originated from its new investment.



Borusan 2010 Review of Operations

Distributorship

Automotive

During 2009 the global crisis had an adverse effect on both the automotive sector and luxury category products. However, 2010 was a period of recovery for most of the markets in the world. The retail sales volume of the BMW Group, including all vehicle models under the BMW, MINI, and Rolls-Royce brands, was reported at 1.5 million units. As a result of the 17% business growth the Company continued to remain one of the leading luxury class automobile manufacturers in the world. Land Rover, on the other hand, increased its global sales to 181,000 units, an increase of 26% over the previous year.

Favorable economic balances, low interest and foreign currency exchange levels, as well as consumer oriented marketing activities, all served to contribute to the growing demand in the Turkish passenger vehicle market in 2010. The market grew by 41% as sales reached 520,000 units. Simultaneously, retail sales in the luxury segment climbed by 50% to 41,000 units. The SUV market expanded by 42% in relation to 2009 as cumulative sales in that segment rose to 25,000.

During 2010 our retail sales of BMW increased to 12,034 vehicles, while MINI and Land Rover rose to 708 and 2,315 units, respectively. During the same period secondhand vehicle sales stood at 1,065 units and our turnover of motorcycle sales reached 351 units.

Therefore, our revenue for 2010 was \$726 million, reflecting an increase of 60% in comparison to the previous year. As price reductions and low profit margins dominated competition in the sector the rate of growth in profits was slightly below that of the increase for unit sales. Our EBITDA level was \$63 million.

The auto division received the award as the Borusan Group's most successful company of 2010 not only because of its exceptional sales performance but also for the increase achieved in customer satisfaction and market share levels.

Supsan

In line with the growth of the automotive sector 2010 was also a successful year for Supsan. Under the license of Eaton Inc. the Company managed to sell 6.4 million valves and had a turnover of \$21 million. Combined exports to the U.S. and Italian markets climbed closer to 2.5 million units. The export volume of original equipment manufacturer (OEM) valves independent of Eaton increased to 200,000 units while the spare part valve exports reached 150,000 units.

Meanwhile, the new channel management strategy implemented in the domestic spare parts market reflected favorably on business growth. There was also an increase in the sale of products offered along with valves, including guides, inserts, valve cotters, camshaft, valve lifter, engine bearing and gasket set.

In 2010 Supsan received the Voice Of Customer (VOC) management and Simplified 6 Sigma company performance awards and became an example with respect to both strategic and operational excellence.



Manheim Turkey

As the country's first multi brand secondhand automobile platform Manheim Turkey facilitated the marketing of close to 30,000 vehicles in 2010, 11,000 of which were sold at auctions. The number of member dealerships increased to 1,335 while the average number of dealers attending weekly auctions rose to 400.

The start of operations at the Ankara branch, as well as the 'on time' open bidding arrangement established at Istanbul İstoç, which is held three days a week, is expected to help with the attainment of the 61% growth target that has been set for 2011.

Earth Moving Equipment and Power Systems

The earth moving equipment market in Turkey grew by 6,560 units in 2010, a 122% increase over 2009 figures. Borusan Makina ve Güç Sistemleri surpassed the previously budgeted sales targets by turning over 953 new machines. The Company also maintained its market leadership role in Turkey by generating 23% of all the sector's revenues. There was, however, a small contraction in the market share with respect to the number of units sold as a consequence of the entry into the market by a locally produced earth moving equipment segment.

In Kazakhstan, Borusan Makina maintained its market leadership position among the distributors of earth moving equipment of western origin. The overall sales of this equipment increased by 56% compared to the previous year. The performance of the agricultural sector dropped to its lowest levels mainly as a result of both the crisis in the financial sector and the unfavorable climate conditions.

In electric power systems the highest level of sales for the past few years was attained via the Caterpillar and Olympian brands. By signing up for high revenue turnkey projects we took the necessary restructuring steps for the attainment of more comprehensive jobs. The number of projects relating to transoceanic large tonnage vessels, which were most affected by the crisis, was quite low. Investments in this business area were continued, however, as this segment is viewed as a long term strategic business area for Borusan Makina ve Güç Sistemleri. Along the same lines, the MaK engine distributorship was obtained from Caterpillar and the necessary structural activities were started.

The year 2010 was also a good one for Turkey in terms of secondhand and rental business. There was a 17% increase in revenues generated by the rental fleet, which consists of 165 machines. Plans are underway to enlarge the rental fleet by nearly 40% during 2011. The combined volume of secondhand earth moving equipment sales reached 350 and more than half of these were issued a Cat Certified Used (CCU) certification. By the end of 2010, the EBITDA level increased by 32% over 2009 figures, reaching \$52 million.

In comparison to 2009 results, the after sales service revenues in Turkey and Central Asia gained by 13% and 53%, respectively. The ratio of after sales income to fixed expenses climbed from 74% to 85%. The recovery of the mining sector in Kazakhstan, as well as the implementation of maintenance and parts services that were deferred during the crisis, played an especially important role in these developments.

Borusan 2010 Review of Operations



Logistics

The negative effects of the economic crisis began to slowly dissipate during 2010. During this time the logistics sector began to feel the positive effects of increased business volume not only from foreign trade but also the domestic market, and capacity utilization rates increased accordingly.

The year 2010 was the first year the increased capacity resulting from the completion of the port expansion investment was utilized and \$43 million in revenues were generated from port activities. As a result of the EBITDA that was created, the duration of the return on investments was much faster than the previously set targets. Investments were continued in line with the growth strategy in foreign countries and, in particular, as a result of the expansion in third party logistics operations a 33% actual growth was obtained in 2010.

On account of the expansion investment that was implemented the general cargo, container and vehicle handling capacities at the Gemlik Port were increased to 5.7 million tons, 400,000 TEU and 250,000, respectively. Following the outlay, docking space increased to 1,400 meters while the terminal area was extended to 280,000 m². The 2010 port revenue and the EBITDA levels continued to remain higher than the feasibility estimates. In light of the rapid increase in capacity utilization rates steps have been taken to hasten the third phase of the investment.

Along with present subsidiaries in the U.S., Europe, North Africa and the Middle East, becoming a powerful regional player in the third party logistics services was determined to be our most important goal. With this objective the International Transporting services were positioned as a strategic business division in 2010. Through organizational structuring and investment we have set a target of taking on a more dynamic role in transportation activities, especially between Europe and Turkey.

Borusan Lojistik's brand in international markets is Borusan Logistics and \$3 million was invested last year to strengthen its country structuring. Also, last year we began the groundwork to form a company in Kazakhstan in 2011.

The ratio of revenues Borusan Lojistik generated from sales outside the Group increased from 60% in 2009 to 64% last year. Meanwhile, the EBITDA level increased to \$38 million, up 28%.

Energy

Last year was an important one in terms of the privatization and liberalization process of the Turkish electricity markets. The privatization process of electricity distribution regions was expedited and, accordingly, auctions were held for the 11 distribution companies, which were separated into three groups. The official privatization announcement for the electricity production sector is expected to be made during 2011.

Likewise, 2010 was a significant year with respect to both the completion of construction at energy power plants and the establishment of critical functions and processes at the newly formed Borusan EnBW Enerji. Perhaps the most important step taken last year was to increase the existing 45 MW production capacity of the wind energy farm in Bandırma (RES) by a total of 15 MW. So, by the end of 2010 the combined electricity produced by the facility increased to 199 GWh and generated \$15 million in revenue.

The construction of the Yedigöl Aksu hydroelectric power plant (HES), which will have a production capacity of 50 MW, continued in 2010 and it is scheduled to become operational in 2011.

The combined asset size of Borusan EnBW Enerji grew to \$292 million by the end of last year. In addition, the long-term project financing provided for the investments at Bandırma (RES) and Yedigöl (HES) were successfully initiated.

Borusan EnBW currently has two primary targets in the short term, namely, converting present projects in its portfolio to investment and expanding its present portfolio by adding new projects through purchases and securing auctions.

In accordance with our strategic plans we are still targeting to increase the energy production portfolio to 1000 MW in the short term.

Results:

As a consequence of our 2010 results, we are beginning a new year where all business segments are once again focusing on important growth targets and profitability. During this time strategic investments will continue as operational and financial discipline will have the utmost priority.

This is the first year of the growth and development targets that have been determined as a part of our 2015 strategic plans and we are confident that 2011 will be a significantly more successful year than 2010.

This plan calls for new investments and methodologies in all our business segments which will, undoubtedly, help us grow and become stronger as we aim for higher profitability and a turnover target of \$6 billion. I am confident that each of the planned objectives is exciting and uniting all Borusan employees and I wish our Group success during this exhilarating journey.

Executive Office
Agah Uğur
CEO





We are actualising our strategical plans
with our determination to succeed.



The Role of Borusan Holding

The mission of Borusan Holding is to develop a portfolio which will create the maximum value for its partners. Borusan Holding brings this responsibility to life by taking on a pioneer role in terms of leadership and control, monitoring relations with shareholders and other social partners and ensuring the effective utilization of resources. Moreover, it accomplishes this vision by means of forming a corporate identity and culture and creating efficient communication channels. Borusan Holding has positioned itself as a strategic holding, calling for a balanced concentration on the two roles that exist within Borusan Holding: the strategic investor role and the enabler role. While the strategic investor role is accentuated by focusing on active portfolio management to maximize the value created for the shareholders, the guidance and supportive roles can be seen as the Holding works to guarantee the success of the Group's companies. The four main intentional themes are strategic profit growth, strategic market positioning, new products and services through innovation and business excellence. These ideals assist the Group companies in focusing on and attaining their annual goals and objectives, as well as providing a focal point and guidance to the companies to ensure alignment throughout the Group.

Profit Growth

The companies have the crucial role in the implementation phase of the strategies designed to create value to shareholders. The Group utilizes EBITDA, PBT, NCF and ROIC measures to enhance company value maximization. The Holding supports the Group's companies with innovative and sustainable solutions for their funding requirements in order to make them achieve their profitability targets.

Strategic Market Positioning

The primary purpose of the Borusan Group is to influence market dynamics through the strategic methods it has chosen to employ and to take the leading position in the industries in which it operates. The Group has strong brands and sustaining this powerful brand image is among its top priorities. As one of the Borusan Group's key strengths, excelling in partnership management by building long-term and healthy relations with its partners is another important responsibility of the Holding.



From left to right: **CANAN ERCAN ÇELİK**, Head of Corporate Functions, Borusan Holding
SEMRA AKMAN, Director, Human Resources and Lean Six Sigma, Borusan Holding
BARIŞ KÖKOĞLU, CFO, Borusan Holding
LALE ERGİN ARAT, Director, Strategic Planning and Business Development

New Products and Services through Innovation

In the rapidly changing world and shifting conditions of competition, the Borusan Group aims to protect its competitive advantage by emphasizing creativity and innovative business processes. In this regard, the Borusan Groups' companies aim to develop new products and services through innovation in order to meet changing customer demand. The Holding is taking solid measures to integrate innovation into its corporate culture.

Business Excellence

The key aspects of the business excellence theme involve the utilization of the 6 Sigma method to develop leadership skills, a lean organization and process management, as well as making strategy execution a core competency and creating a high performance culture that is more democratic, participatory and collaborative. Borusan Holding is responsible for setting a group-wide management and performance framework and guidelines to ensure the best-in-class governance. The Holding also supports value creating initiatives and the best practices sharing platforms across the Group companies. In this area, the Borusan Academy is highlighted as one of the best examples.

Active Portfolio Management

The only strategic theme that is not deployed to Group companies is that of Active Portfolio Management. Active portfolio management covers not only diversification, as well as control and effective management of portfolio risk, but also the continuous monitoring of the performance of the allocation and prioritization of the Group's financial resources for investments.

With this long term perspective, Borusan Holding will continue to implement its roles within the Group's strategic themes to ensure that each of its companies meets their specified targets.



Our determination to succeed guides us to a brighter future and a more developed society...



The Borusan Kocabiyik Foundation



A bright future through education, culture and the arts...

The Borusan Kocabiyik Foundation is a center for corporate social responsibility which is actively involved in education, culture and arts. It was established for the purpose, among other things, of setting an example for the Turkish business community. During 2010 the Foundation allocated \$ 10 million of its budget for activities and projects in the fields of education, culture and arts.

The Borusan Kocabiyik Foundation continued to carry out numerous social responsibility activities in education with the conviction that the private sector must also contribute to the campaign that has been initiated to overcome the problem of the lack of a qualified labor force. Meanwhile, the Foundation's activities in the areas of culture and arts are guided by the principle that Turkey must develop a common universal language through these realms in partial fulfillment of its global integration.

In these latter areas, the Foundation has especially concentrated its efforts in classical music towards two specific targets. The first of these is the aim of forming a cultural bridge between Turkey and other countries through the vehicle of classical music since it is considered a universal language. And the second goal focuses on engendering global publicity for Turkey both through its music activities as well as the preservation of our cultural heritage through various activities. The efforts in this regard go beyond classical music through such projects as our ArtCenter/Istanbul, the restoration of the Terrace Houses in the ancient city of Ephesus, the Borusan Music House and Ertuğ & Kocabiyik Publications.

In the future Borusan plans to carry out its corporate social responsibility initiatives through a special focus on its own sustainability. In addition to education, culture and the arts we are also planning to initiate innovative environmental projects pertaining to the sustainability of the global ecosystem.

EDUCATION

Borusan's 2010 corporate social responsibility activities related to the field of education can be summarized as follows:

Support for Schools and Scholarships

Matching the pattern of previous years, in 2009 the Borusan Kocabiyik Foundation continued to provide for a variety of needs not only in the schools with which we are affiliated, but with others as well. The Foundation also maintained its tradition of offering scholarships for university students. In this regard, during 2010 the Foundation provided for a variety of needs at the State Conservatory of Mimar Sinan University. A sizeable endowment was also allocated for the Cardiology Department to be established at the Erzurum Ataturk University and the "Sati Gelin Girls Dormitory" which was built by the Afyon Hocalar District to provide further educational opportunities for 144 female students. Also, the construction of the Law Faculty building at Afyon Kocatepe University was started at the end of 2010.

Through the Turkish Education Volunteers Foundation (TEGV), in 2010 the Borusan Kocabiyik Foundation also provided scholarships for the room and board of 3,000 students, domestic education scholarships for



In January of 2010 the Borusan Istanbul Philharmonic Orchestra released its first international CD compilation through the Onyx Classics Company. Comprised of infrequently recorded compositions, the CD was produced by Sascha Goetzel and received favorable reviews from the international press. It was broadcast during numerous music programs.

125 students, and overseas graduate scholarships for five talented young classical musicians.

Support for the “Dad, Please Send Me To School” Campaign

Beginning in 2009, the Borusan Kocabiyik Foundation decided to support the “Dad, Please Send Me To School” project and made a commitment to provide scholarships for 100 girls for a term of three years naturally, this support was continued in 2010.

CULTURE AND ARTS

Borusan Culture and Arts (BCA) coordinates its classical music-related activities in Turkey through the Borusan Istanbul Philharmonic Orchestra (BIPO), the Borusan Chamber Orchestra (BCO), the Borusan String Quartet, the Borusan Children’s Choir, the Music Library and the Borusan Music House. As Turkey’s representative in the arts to the international community, BCA is a member of the International Society of Contemporary Music (ISCM) as well as the European Music Council (ECM). It also organizes the Istanbul New Music Festival.

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During the 2009-2010 season, the Borusan Istanbul Philharmonic Orchestra performed a total of 13 concerts. In addition, Güner Aykal was the conductor during the opening concert of the 38th International Istanbul Music Festival where the orchestra accompanied the famous pianist Lang Lang. At the same time Iannis Xenakis performed her piece entitled “The Oresteia” during the event.

On July 25, 2010 BIPO gave a concert during the opening ceremonies of the Salzburg Festival where only the most prominent orchestras in the world are given the honor of performing. BIPO was invited to Salzburg on the basis of its selection as the most successful orchestra of the Istanbul 2010: European Capital of Culture events. The Orchestra was accompanied by famed pianist Fazıl Say while in Salzburg. The concert, which was an excellent platform for introducing Turkish culture and for demonstrating the high musical level Turkey has attained, received wide acclaim from the Austrian press.

During the final days of 2010, the BIPO & Fazıl Say Festival was organized by Borusan Culture and Arts for the first time in Turkey. During this three-day festival, Fazıl Say performed three of his pieces for fans of classical music accompanied by BIPO and the Borusan String Quartet. In 2010 the Borusan String Quartet accomplished a great feat by taking first place during the 2010 International Chamber Music Ensemble Competition (ICMEC) which was organized in Boston by the New England Chamber Music Foundation. Out of 87 groups that participated in this prestigious event, the Borusan String Quartet outperformed the other eight groups that made it to the finals and brought home the esteemed first place award.





The Special Concert Series that is organized each year by the Borusan Kocabiyik Foundation helps provide higher education opportunities at some of the world's most prestigious institutions for young Turkish talents who demonstrate unusual potential in classical music.

Istanbul 2010: European Capital of Culture

From the very beginning of this prestigious initiative, Borusan Holding has been one of the main private sector companies supporting the Istanbul 2010: European Capital of Culture (ECC) endeavor. Borusan has not only provided sponsorship for various ECC ventures but has also integrated its own projects into this huge organization while simultaneously fulfilling its own responsibilities.

Accordingly, ArtCenter/Istanbul was developed by Borusan as a contemporary center for various cultural activities. Ertuğ & Kocabiyik Publications, which has historically been involved in many integrated projects, also continued their success last year. The Borusan Music House, which opened in 2010, was also actively involved in activities related to the 2010 ECC initiative.

Sponsorship of the International Istanbul Music Festival

As one of the largest and longest supporters of the International Istanbul Music Festival, Borusan began a special partnership with the Festival in 2006, committing to become the main sponsor of the event for a period of 10 years. From the beginning of this sponsorship Borusan has been known for its continual implementation of creative initiatives to stir up interest among the masses concerning the Festival itself as well as classical music. In 2010 the Festival was one of the most important components of the Istanbul 2010: European Capital of Culture project.

Borusan Music Scholarship

The Special Concert Series that is organized each year by the Borusan Kocabiyik Foundation helps provide higher education opportunities at some of the world's most prestigious institutions for young Turkish talents who demonstrate unusual potential in classical music. Essentially, it supports the development of future world renowned artists.

Cem Yılmaz, one of Turkey's leading show business and media stars, was the Guest Conductor for the 2010 version of the Special Concert Series, which was held this time at the beginning of the year. This fourth annual Special Concert was a first for two reasons. It was the first time someone from the world of the arts took the baton to lead BIFO and it marked the first time concert tickets were offered for sale to the public. The revenues generated from the Concert, which was viewed by an audience of 1,750 music lovers, helped create additional funding for the scholarships of six young and talented musicians.

Borusan Music House

Located in the heart of Istanbul's cultural and art district in Beyoğlu, the Borusan Music House was created for the purpose of hosting events for a variety of art disciplines. Last year, a total of 50 events were hosted between January 15 and May 21 in conjunction with the Istanbul 2010: European Capital of Culture endeavor.

The Music House stages chamber, jazz and world music concerts, as well as DJ performances and special music projects specific to the venue. In addition, every month young music talents are given an opportunity to display their art.

The Music House is also an important venue for modern art exhibitions. The Cosmic Latte Exhibition and the Mind Models Exhibition, both held in 2010, drew 1,800 and 2,700 art enthusiasts, respectively. Meanwhile, the Matter-Light Exhibition covered all the floors of the Borusan Music House and attracted close to 35,000 visitors.

Ertuğ&Kocabiyik Publications

In keeping with Borusan's ongoing vision of introducing Turkey's rich historical and cultural heritage to the world through high quality books, Ertuğ & Kocabiyik Publications released their newest book in 2010, entitled Palaces of Music.

Ephesus - Marble Hall Sponsorship and Ephesus Foundation

In line with Borusan's ongoing work in the project of renovating the ancient city of Ephesus, we continued our sponsorship of the Marble Hall last year. The scheme, which was started four years ago and is estimated to cost € 300,000, will undoubtedly occupy an important place in the world of archaeology.

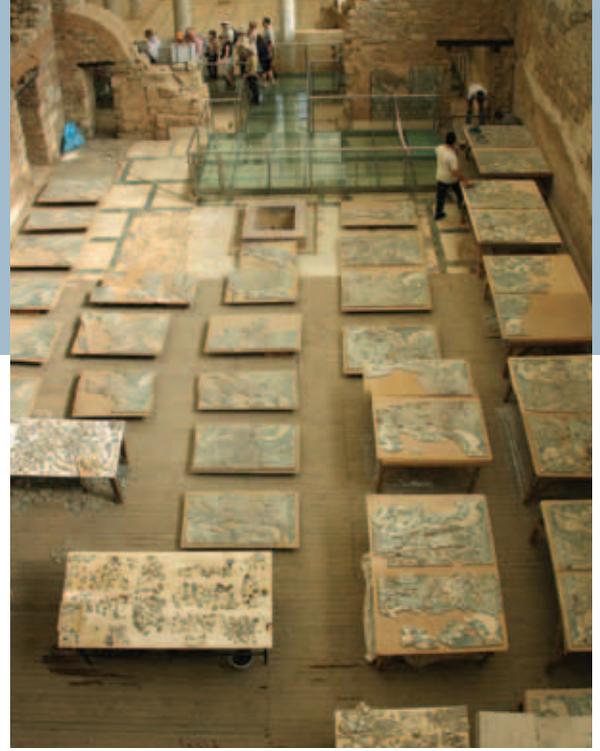
In 2010, the Ephesus Foundation was formed under the leadership of Borusan Holding in an attempt to contribute to the development of the ancient city of Ephesus, as well as to provide international publicity. Borusan Holding, Eczacıbaşı Holding, and Doğu Holding are among the corporate founders of this new non-profit organization, while individuals involved in this start up venture include Ahmet Kocabiyik, Zeynep Hamedî, Nükhet Özmen, Alexander E. Gertner and Yasemin Piriñciođlu. The primary aim of the Ephesus Foundation is to facilitate the excavation process taking place in the ancient city of Ephesus and support its promotion in the international arena in order to help make Ephesus one of the world's leading tourism destinations.

The "Time and Place" project by sculptor Andrew Rogers

Borusan Holding was the sponsor for the opening ceremonies of the "Time and Place" exhibition by the internationally recognized Australian sculptor Andrew Rogers, critically acclaimed for his work of art which can be seen from space. The pieces of art were formed through the labor of 230 Cappadocia residents by using 11,000 tons of rocks to complete the art works, which are so large they can be viewed from space.

THE ENVIRONMENT

The Borusan Group is committed to limiting the use of natural resources to an absolute minimum in all areas of business activity. The Group companies are aware of the importance of keeping clean and protecting their environment and thereby conduct themselves accordingly. Nearly every one of the Borusan companies has obtained the ISO 14001 Environmental Management Systems certification and each has made a full commitment to adhere to all related laws and maintain control over their adverse affects on the environment. Studies are ongoing to appraise possible means of reducing the use and disposal of all harmful chemicals, hazardous and other forms of waste. Environmental projects that are designed to reduce energy, water and nitrogen consumption are also in the process of being implemented. A comprehensive study launched to assess the carbon emissions of the Group's companies was completed in 2010.



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Borusan Holding was also among the private sector companies which signed the Cancun Declaration calling for the urgent formation of a legal, binding and comprehensive international agreement to be set in place to guard against global warming and climate change after 2012.

Rural Development Project

Over the years Borusan has supported the sustainability of the environment through various projects it implemented. Through a joint sponsorship between Asım Kocabıyık, Borusan's Founder and Honorary President, and the TEMA Foundation, a rural development project was initiated in the Tazlar village of the municipality of Afyonkarahisar. The venture, which took 12 years and a 2.3 million TL investment to complete, involved the development of a small lake, two kilometers of drainage, 12 kilometers of irrigation canals, 18 kilometers of roads and the planting of thousands of trees, as well as the construction of the infrastructure of the village. Although the population of village had declined to only 360 in 1997, by the time the project was completed in 2009 the number of residents had risen to 1,600, including seasonal guests. Through the newly established Asım Kocabıyık Farmer Education Center, nearly 600 farmers received training, which subsequently led to an increase of between 20 to 50% in the productivity of the agricultural plots.

This endeavor has become an inspiration for similar projects across Turkey. As a result of this successful collaboration similar ventures have now been initiated in five regions. The scheme is named "The TEMA-BORUSAN Afyonkarahisar-Sinanpaşa-Güney, Düzağaç and Tokuşlar Towns and Kınık and Karacaören Villages Rural Development Project".

500,000 trees planted in Gemlik

Under the slogan "For a Greener Turkey", in 2010 Borusan began sponsoring a project that is being managed by the Bursa Department of Forestry Management in Gemlik. With the forestation of an area covering 160 hectares as the aim of the job, Borusan provided the necessary funding for the planting of 500,000 saplings.

Global Warming and Climate Change Declaration

Borusan Holding was also among the private sector companies which signed the Cancun Declaration calling for the urgent formation of a legal, binding and comprehensive international agreement to be set in place to guard against global warming and climate change after 2012.

During the 16th session of the Conference of the Parties (COP 16) of the United Nations Framework Convention on Climate Change (UNFCCC) held in Cancun Mexico the members of the business world created the Cancun Declaration against climate change to inform participating governments of their responsibilities and expectations. In the declaration the private sector representatives have made demands for governments to convert to lower carbon economies on a local, national and regional basis. As carbon economy related investments have continued to increase daily, the fact that more binding steps have not been taken to deal with climate change has persuaded the leaders of the business world to make a detailed list of its demands in the aforementioned Declaration.





Borusan Group

Steel

The Pipe

- Borusan Mannesmann Boru Yatırım Holding
- Borusan Mannesmann Boru
- BM Vobarno

- Borusan Paslanmaz Çelik Boru ve Profil
- Borusan Mühendislik
- Borusan İstikbal Ticaret

The Flat Steel

- Borçelik
- Kerim Çelik

Distributorship

The Earth Moving Equipments and Power Systems

- Borusan Makina ve Güç Sistemleri
- Borusan Makina Kazakhstan

The Automotive

- Borusan Otomotiv & Borusan Oto

- Supsan
- Mannheim Turkey

Logistics

- Borusan Lojistik
- Borusan Logistics International

Energy

- Borusan EnBW Energy

Steel / Pipe

Borusan Mannesmann Boru
BM Vobarno
Borusan Paslanmaz Çelik Boru ve Profil
Borusan Mühendislik
Borusan İstikbal Ticaret

Borusan Mannesmann Boru

Fast recovery from last year's global crisis in just one year and reaching to pre-crisis levels by 24% growth in sales volume

Strategic Positioning

- The leader in Turkey with a 25% market share and one of the leading steel pipe manufacturers in Europe
- Partnership with the leading industrial company Salzgitter Mannesmann GmbH
- Profitable growth strategy in high value added market segments
- The pioneer and leading company in the special pipes market in Turkey
- Competitive strength in foreign markets, manifested by approximately 50% of production going overseas
- Differentiation strategy in oil & gas linepipe market with highly credible linepipe project reference list

2010 Highlights

- By recovering rapidly to overcome the effects of the crisis a 24% growth in business volume was attained.
- The strategic partnership established with Salzgitter in the American OCTG market lead to an increase in customer and market penetration rates.
- New project references were established in the North African and European natural gas linepipe sectors.
- The investment that was started in Gemlik for the large diameter linepipe sector continued in line with the plans of the project.
- BMB's Stratejic Direction and Action Plans for the next 5 years were detailt and clearly defined with respect to its 2011 - 2015 strategic plan

Our Determination to Succeed

- A 15% increase in sales turnover was achieved despite increasing competitive conditions in the domestic standard pipe market.
- Having started 'upgradeable tubing' operations by means of producing new process and special quality of steel last year, we out performed by sales of over 80,000 tons of OCTG to USA market in 2010.
- As a result of the 30 new customers that were acquired in the special pipe segment, drawn pipe sales volume increased by 48%. In addition, the fine tuning done at the pipe cutting line has allowed us to reach the targets set for profitability while simultaneously reducing production expenses.
- We became the first steel pipe company in the local sector to sell 18 m of gas pipes to the Samsun Combined Cycle Power Plant Project which is being implemented by OMV Samsun Electricity Production Industry, Ltd.
- We successfully managed to secure the Energinet.dk tender in Denmark which became our first North European project. For this venture BMB will be providing 6,300 pipes for the construction of the 94 km-long Ellund-Egtved natural gas pipeline to be built on the South Jutland Peninsula.
- We also became one of four companies to sign a framework agreement with the Polish natural gas pipeline operat Gaz-System during the tender for the 900 km long, 208,000 ton, 28-32" spiral SAW pipe to be provided between 2011 and 2013.
- As a result of the 5S activities implemented at our production facilities tangible improvements were made in health & safety and production efficiency.



From left to right: BÜLENT DEMİRCİOĞLU, *Chairman of the Board, Borusan Mannesmann Boru and Borusan Mühendislik / EROL AKGÜLLÜ, Director, Technology and Business Development Borusan Mannesmann Boru / SEMİH ÖZMEN, Director, Production Borusan Mannesmann Boru / ELİF AYHAN, Director, Finance and IT Borusan Mannesmann Boru ZAFER ATABEY, Director, Standard and Special Pipe Sales Borusan Mannesmann Boru / HAKAN SEMİZOĞLU, Director, Purchasing Borusan Mannesmann Boru / ÖZGÜR FİDANOĞLU, Director, Project Sales Borusan Mannesmann Boru*

CÜNEYT İÇEL, *Managing Director, Borusan Paslanmaz Çelik Boru ve Profil*





Borusan Mannesmann Boru Prime Product Sales (ktons)



Corporate Information

Production

- More than 4,000 types of pipes, ranging in outer diameters from 4.6 mm to 2.540 mm and thicknesses of between 0.7 mm and 25 mm
- Product range includes: water pipes, general purpose pipes, natural gas and petroleum line pipes, industrial pipes and profiles, hollow sections, boiler tubes, casing pipes and spirally-welded pipes.
- Pipes produced in stretch reducing mill (SRM) with hot-drawn technology are especially preferred in European markets and BMB is the only manufacturer in Turkey to employ this technology.
- Spirally welded line pipes are produced within a range of 355.6 mm to 2.540 mm for oil, gas and water line pipes, as well as piling applications. Coating facilities of PE, Cement and FBE serve unique customer specifications.

Production Capacity

- An annual production capacity reaching almost 1 million tons, which is made up of 800,000 tons of longitudinally welded pipes and 200,000 tons of spirally welded pipes.

Sectors Served

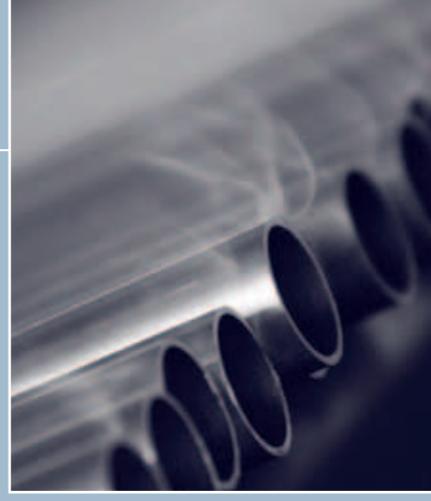
- BMB is a diversified producer of tube and pipe products, serving the construction, energy and automotive markets with its wide range of product portfolio in longitudinally welded steel pipes.
- With its spirally-welded pipes BMB also serves water, oil and gas pipeline projects, as well as the construction sector, both in the domestic and export markets.

Location

- Steel pipe plants in Bursa-Gemlik, Istanbul-Halkalı and Izmit
- Following the re-structuring of sales channels, BMB widened the number of distributors in its dealer network to 150.

Partner





BM Vobarno

Production Capacity

- Annual production capacity of 28,000 tons of cold-drawn special pipes
- Operational area of 29,000 square meters
- Special steel pipes ranging from 20 mm to 140 mm in diameter

Sectors Served

- Manufacturing industries, primarily the automotive sector

Location

- Manufacturing plant at Vobarno, Italy

Borusan Paslanmaz Çelik Boru ve Profil

Production

- Stainless steel pipes and hollow sections

Production Capacity

- Annual production capacity of 25,000 tons of stainless steel pipe and hollow sections

Products

- Ornamental Tubes and Hollow Sections
- Annealed Pipes
- Automotive Pipes
- Evaporator and Heat Exchanger Pipes, Industrial Pipes and Hollow Sections

Location

- Manufacturing plant at Çayırova-Gebze

Borusan Mühendislik

- Building machinery according to the needs of companies operating in the iron and steel industry
- Providing design and supervision services for new investment projects
- Supplying repair and maintenance services, in addition to the design and manufacture of spare parts
- Supplying machinery and design to foreign companies
- Supplying basic engineering, project design, construction and inspection services for new investment projects

Location

- Located in Bursa-Gemlik

Borusan İstikbal Ticaret

- The oldest member of the Borusan Group
- Responsible for handling Borusan Group's flat steel and pipe exports
- Incorporated under Turkish law as a foreign trade company



From left to right: ERKAN KAFADAR, *General Manager, Borçelik* / JEAN MARC BLANRUE, *Director, Production, Borçelik* / OKAN AYDINGÜN, *Director, Finance and IT, Borçelik* / MESUT GÜNEY, *Director, Supply Chain, Borçelik* / SINAN SÖZEN, *Director, Commercial, Borçelik* / KEREM ÇAKIR, *General Manager, Kerim Çelik* / BURÇİN FALAY, *Director, Support Functions, Kerim Çelik*

Borçelik

Strategic Positioning

- The first private and second largest flat steel producer in Turkey (capacity of 1.5 million tons)
- Biggest supplier of tailored products to large industries
- Strategic partnership with ArcelorMittal; the world leader in the steel sector

2010 Highlights

- Growth of 25% in Borçelik's sales volume
- Important player with regards to production for automotive, home appliance and radiator industries

Our Determination to Succeed

- Borçelik surpassed a major threshold in 2010 by shipping more than 1,000,000 tons of first quality products for the first time.
- Likewise, a combined turnover of more than \$1 billion was achieved in 2010, another first for the Company.
- According to 2010 sales results, Borçelik was ranked as the third largest company in Bursa.
- Results of the customer satisfaction survey indicated that the 80-point index achieved in 2009 was successfully increased to 91 during 2010.
- A new record was broken in exports, with offshore sales topping 253,000 tons.

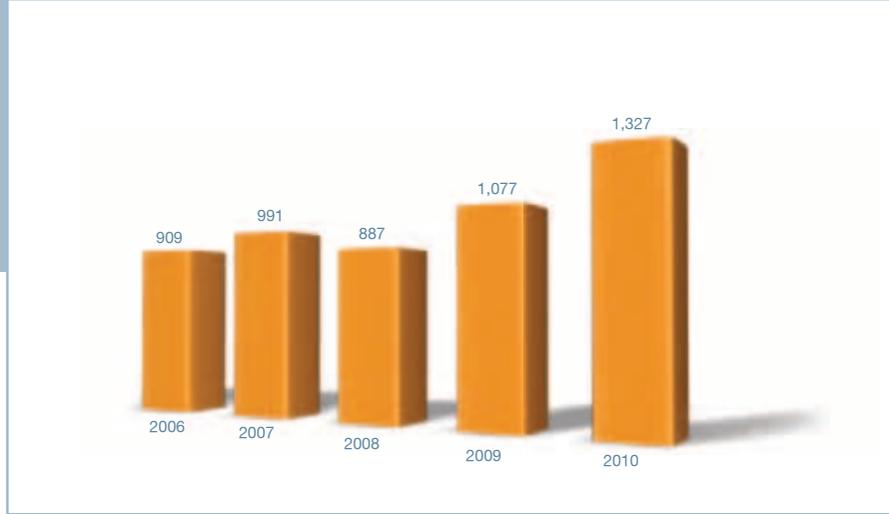
Record production and efficiency levels were achieved at all production lines.

Partner





Borçelik Sales by Total Products (ktons)



Corporate Information

Production

- Production activities in hot-dip galvanized steel, cold-rolled annealed steel and pickled and oiled hot-rolled steel groups
- Range of products consists of commercial, drawing, deep-drawing and extra-deep drawing steel, as well as bake-hardening, structural grades, rephosphorized, HSLA (high strength low alloy), enameling and dual phase

Production capacity

- A total capacity of 1.5 million tons
- Capacity distribution:
 - 600,000 tons cold rolled steel
 - 900,000 tons hot-dipped galvanized steel

Sectors Served

- Borçelik's major customer groups in the domestic market include home appliances, automotive main and subcontractor industries, panel radiators, construction, color coating, pipes and profiles, packaging, metal goods and steel service centers.

Location

- Gemlik

Shareholders

- Borusan Holding and ArcelorMittal

Kerim Çelik

Kerim Çelik achieved the highest delivery and turnover results in its history. The total volume of goods delivered amounted to 380,300 tons, surpassing the previous annual record set in 2008 by 43%.

Strategic Positioning

- The steel service center of preference for Turkish industry

2010 Highlights

- Kerim Çelik achieved the highest delivery and turnover results in its history. The total volume of goods delivered amounted to 380,000 tons, surpassing the previous year by 47%.
- During 2010, the Bursa branch, operating in the heart of the Turkish automotive industry, successfully managed to double delivery figures relative to the previous year's results, reaching 148,000 tons.
- Manisa and Tuzla branches were also able to outperform their previous delivery records, thereby continuing their growth.

Our Determination to Succeed

- We continued to adhere to our on-time delivery service while providing our customers with materials of the highest quality.
- In line with our target of providing a more comprehensive and expedient service for our clients we initiated a detailed upgrade to improve our data processing substructure. Consequently, in 2011 we intend to follow through with measures designed to enhance this data processing substructure.
- In an attempt to expand our regional presence we also launched measures to increase the number of outlets in Turkey from which we provide services.
- In the process of completing our strategic plans for 2011 - 2015, we outlined a list of actions that need to be completed to reach our aims for 2015.

Corporate Information

- In 1977, Kerim Çelik became the first Turkish company to provide world-class service and expertise standards for the steel industry.
- Product range: cold-rolled, hot-dip galvanized, pre-painted, electrical steel, hot-rolled, pickled and oiled material in coils, slitted coils and sheets.

Production Capacity

- 550,000 tons total capacity:
 - 150,000 tons in Tuzla
 - 130,000 tons in Manisa
 - 270,000 tons in Bursa

Sectors Served

- Kerim Çelik supplies the following sectors: white goods, white goods supplier industry, automotive supplier industry, construction and supplier industries, machinery and spare parts industries, radiator, lighting, locked cabinet manufacturers, heating and ventilation, gasket, poultry supplies, steel cabinet manufacturers, furniture accessory manufacturers, cable and relay systems and pipe profile.

Location

- The head office is located in Tuzla, Istanbul.
- The Production Branches are located in Tuzla, Manisa and Bursa.

Partner



Borusan Otomotiv and Borusan Oto

In November
of 2010
Borusan
Otomotiv
sold the
100,000th
automobile
of the brands
it represents.

Strategic Positioning

- Distributor of premium automobiles for BMW, MINI, Land Rover, Aston Martin and BMW Motorcycles in Turkey
- To become the first choice for automobile and motorcycle enthusiasts
- Our mission is to provide driving comfort and happiness through unrivaled products and services

2010 Highlights

- Total sales in the passenger car market grew to 510,000, representing a growth of 38% over 2009 results. Even though the growth of the premium auto segment was as high as 49.3%, BMW managed to surpass this figure with sales that increased by 79%.
- The combined passenger vehicle imports to Turkey climbed to 440,000 in 2010, an increase of 13% over the previous year.
- The total number of passenger vehicles produced in Turkey also grew in 2010, to 603,000 cars, a rise of 18% over 2009 figures.
- In November of 2010 Borusan Otomotiv sold the 100,000th automobile of the brands it represents.
- With a turnover of 12,034 vehicles, BMW had its highest retail sales on record, covering the period of the past 25 years.
- BMW succeeded in increasing its market share in its segment, from 24% in 2009 to 29% at the end of 2010.
- Land Rover also had a record year with a turnover of 2,315 vehicles, its highest sales figure to date, and led its sector with a market share of 35%.
- With a turnover of 708 vehicles, MINI had its second best year ever and was also the leader in its segment, increasing its market share from 42% to 54%.
- BMW Motorcycles was the leader of the sector consisting of 650 cc and above models. Its current market share of 43% is the highest ever recorded.
- In the second hand automobile division, we surpassed our business targets with a turnover of 1,065.
- Among all brands, as well as the whole sales network in general, we reached ratings of 83.3% in customer satisfaction and 76.7% in loyalty.
- The after sales satisfaction rating of the BMW Group rose to 85%, while the rating of Land Rover also increased to 86%.
- The new BMW 520 D model, which represents the upper mid-segment and accounts for 30% of BMW sales, came out after June and had the highest sales record of any other vehicle in its sector during the second half of the year.
- The turnover for the BMW 3 Series accounted for 45% of total sales, which represented the highest portion of the brand's total turnover. Nearly 30% of all the units sold last year were during the month of December.

Our Determination to Succeed

- The national BMW Facebook webpage was started and within a relatively short time became the seventh largest national BMW Facebook page in the world.
- By always giving priority to after sales services, we managed to obtain customer satisfaction and loyalty results which were much higher than our targets.
- Strategic training and development programs were introduced at Borusan Academy to strengthen the performance of our Group and the individual skills of our employees.
- The simplified 6 Sigma methodologies which were implemented to provide continual improvement via the creation of a new work culture have enabled us to increase our efficiency and excellence in our internal processes.
- Three new services, namely top-up package, car foiling and car accessory rental were launched.
- In what is referred to as "the Oscars of BMW", Ayşe Öktem received the Manager of the Year award in the "BMW Excellence in Sales 2010" competition.



Ayşe Öktem
Borusan Oto İstinye
Managing Director



From left to right: ESREF BIRYILDIZ, *Borusan Otomotiv, Executive Committee Co-Chairman, BMW and MINI Importer Managing Director* / ALI VAHABZADEH, *Borusan Otomotiv, Executive Committee Co-Chairman* / TIJEN ÇIDAM, *Borusan Otomotiv, Executive Committee Member, Borusan Oto Managing Director* / Y. ATILLA ERMUTLU, *Borusan Otomotiv, Executive Committee Member, Aftersales Services Director* / A. AYHAN ÖLÇER, *Borusan Otomotiv, Executive Committee Member, Dealer Importer Managing Director* / M. KERİM KAZGAN, *Borusan Otomotiv Executive Committee Member, Finance and Administration Director*

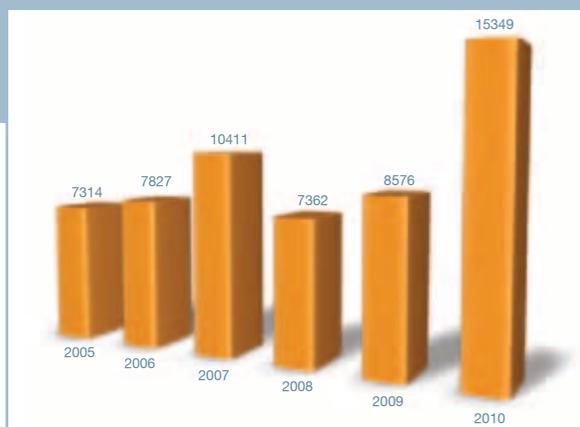
CENGİZ TEMEL, *Managing Director, Manheim Turkey* / BRENT GIFFON GREEN, *General Coordinator, Manheim Turkey* / SALİH ALSON, *Managing Director, Supsan*

Borusan Oto

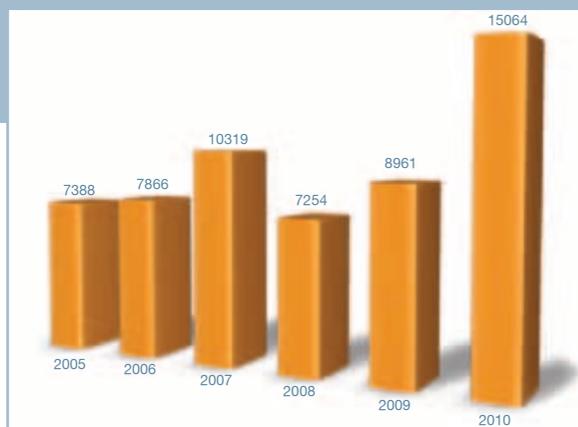


OPERATIONAL HIGHLIGHTS IN 2010

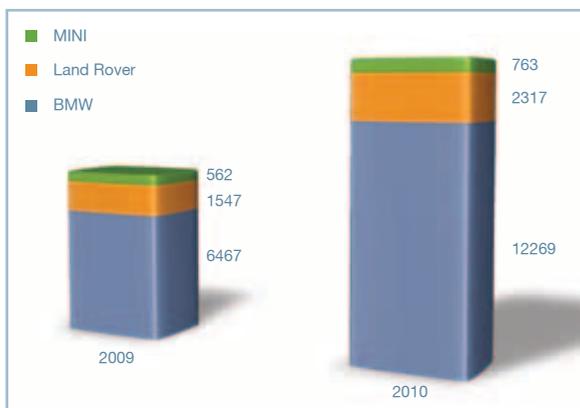
Automotive Group Car Wholesale (Units)



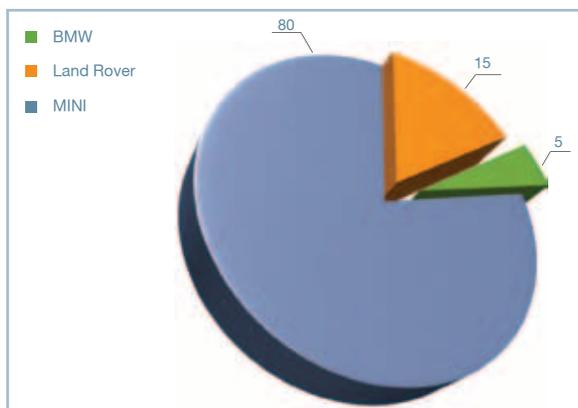
Automotive Group Car Retail Sales (Units)



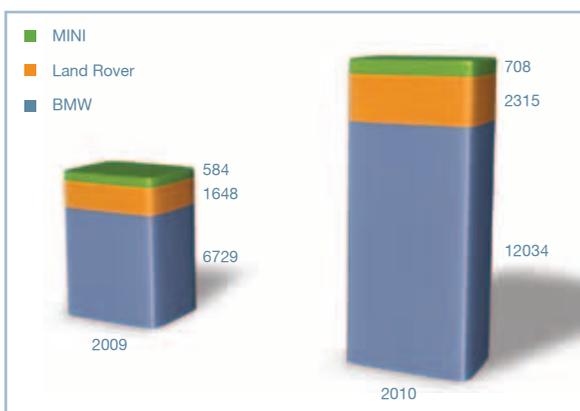
Automotive Group Wholesale by Brand (Units)



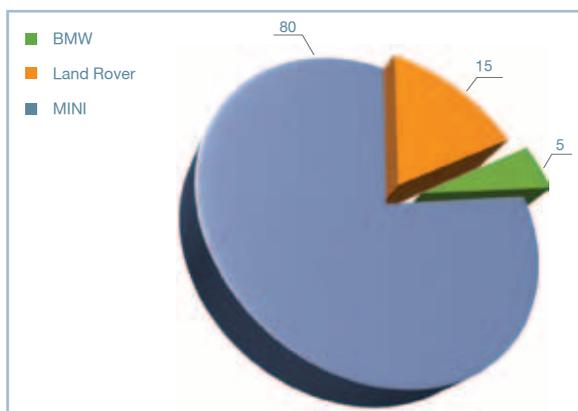
Breakdown of 2010 Automotive Group Wholesale by Brand (%)



Automotive Group Car Retail Sales by Brand (Units)



Breakdown of 2010 Automotive Group Retail Sales by Brand (%)





Corporate Information

Brands

- Borusan Otomotiv became the exclusive distributor of BMW in Turkey in 1984.
- Borusan Otomotiv became the distributor of BMW Motorcycle in Turkey in 1985.
- We became the authorized sales and after-sales services provider of the Land Rover brand in 1998.
- In 2001, Borusan Otomotiv became the distributor of the MINI brand in Turkey.
- Borusan Oto Kıbrıs Ltd. Land Rover was founded in 2008.
- As of the last quarter of 2010, Borusan Otomotiv became the distributor of Aston Martin in Turkey.

Products and Services

- Passenger cars and 4X4 vehicles, premium selected used cars, motorcycles, spare parts and service, long term automobile rentals, special diplomatic car sales

Dealership Network

- Borusan Otomotiv has 14 authorized dealers and 23 authorized service centers, located across the seven main geographic regions of Turkey, providing sales and after-sales services for its products.
- Functioning as a Borusan Otomotiv dealer, Borusan Oto has service points in the Avcılar and İstinye neighborhoods of Istanbul, the Esenboğa, Çankaya and Birlik districts of Ankara, and one each in the Adana-Mersin area and in Gaziantep.
- The authorized dealers of Borusan Otomotiv include Kosifler Oto İstanbul, Kosifler Oto Antalya, Teknik Oto, Öztörün Oto, Özgörkey Otomotiv and Köprülü Oto.



Partner

Giwa Holding
GmbH

% 50 - % 50 Joint venture





Supsan

Strategic Positioning

- Leader in domestic spare parts market
- The largest manufacturer of engine valve, valve guide and valve cotter in Turkey
- A partner offering integrated solutions for customers through new products in spare parts

2010 Highlights

- 6.4 million units sold, 6.4 million units manufactured in total
- Responding to demand increases successfully
- Approaching to the level of 150,000 units in spare parts exportation
- In spare parts, increasing the sales of products of camshaft, valve lifter, gasket set and engine bearing
- Being elected as “6 Sigma Company of the year” throughout Borusan Group in Lean 6 Sigma for the third time
- Record high through customer loyalty level of 92 points in consequence of customer satisfaction survey

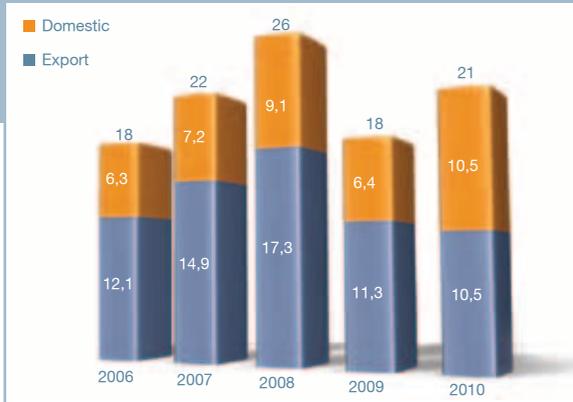
Our Determination to Succeed

- The sales of products of camshaft, valve lifter, engine bearing and gasket set are increased in the segment of spare parts.
- Steps are taken for offering new products to OEM customers.
- Actions are taken to apply marketing strategy implemented in spare parts segment in Turkey in the neighbour countries.
- 3,000 people were reached via 44 small, 5 large training meetings in spare parts market.
- Periodical increases within the year were responded through successful planning and manufacturing flexibilities.
- Qualified at the use of new forging technology.
- Implementation of our strategy on the basis of profit-based purchase was continued.
- Financial discipline was prioritized.
- Capacity increased by means employed simple manufacturing system.

The sales of products of camshaft, valve lifter, engine bearing and gasket set are increased in the segment of spare parts.

OPERATIONAL HIGHLIGHTS IN 2010

Supsan Sales Growth (USD million)



Corporate Information

Business Area

- Production of valves and valve accessories for internal combustion engines via Eaton SrL license, leader manufacturer of the global market
- International expertise with respect to production of engine components and after-sales services in the markets of original equipment and spare parts

Production Capacity

- 10 million valves in a year
- Product capacity with stellite is 4 million units, and double-part product capacity is 5.5 million units

Sectors Served

- Original equipment manufacturers and spare parts customers in domestic and global markets.

Points of Service

Headquarters: Halkali Factory

Individual Spare Parts: 100 dealers

Partner

EAT•N



Manheim Turkey

Strategic Positioning

- Turkey's leading used car remarketing company

2010 Highlights

- Continued its rapid growth as Turkey's undisputed leader in used car remarketing.
- Last year, 11,000 vehicles were sold in the secondhand sales category and 1,000 were evaluated at the open auction platform.

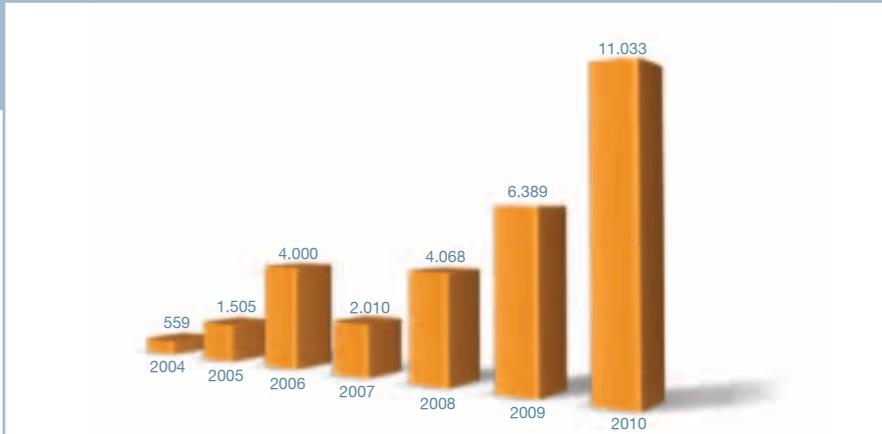
Our Determination to Succeed

- The number of cars sold increased by 73%.
- The number of member dealers increased by 40%.
- Customer Satisfaction Index reached 78 by 11 points of increase.
- The number of dealer cars sold increased by 55%.
- The number of dealers participating the auction per week increased by 64%.
- 73% of unique registered cars were sold.
- Weekly physical auctions were organized in Ankara Branch.

Continued its rapid growth as Turkey's undisputed leader in used car remarketing.

OPERATIONAL HIGHLIGHTS IN 2010

2004-2010 Manheim Number of Auction Sales



The number of cars sold increased by 73%. The number of member dealers increased by 40%.

Corporate Information

Business Area

- Brings together buyers and sellers in a secure environment that is in compliance with all applicable industry laws and regulations

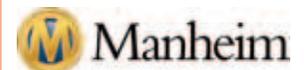
Products and Services

- Private Auction
- Offers expert evaluation and pricing of domestic or imported second-hand motor vehicles, logistical support for the transportation of vehicles to “special auction sessions”, as well as facilitating all transactions between buyers and sellers by handling documentation and financial transfers
- The Company operates totally without restrictions concerning trademarks, selling all brands of automobiles.
- Sellers from various cities who are the members of the system participate in the private auctions organized each week in the Tuzla, Istoc district of Istanbul and Ankara.
- Online connection to all auctions from Istoc.
- Self bidding via pda in Istoc.

Service Locations

- Center of Istanbul - Tuzla
- Istanbul Branch - Istoc Auto Center
- Ankara Branch - Esenboğa

Partner





From left to right: ERCÜMENT İNANÇ,
Chief Operational Officer
MURAT ERKMEN, *Executive Committee*
Member - EME Turkey Director / ÖZGÜR
GÜNAYDIN, *Country Director for Kazakhstan,*
/ ÖMER METİ, Executive Committee Member
- Customer Support Director
ASLAN HIÇSOLMAZ, *Executive Committee*
Member - Chief Financial Officer
/ TOLGA AKAR, Executive Committee
Member - Power Systems Managing Director



Earth Moving Equipment

Strategic Positioning

- Operations in a wide geographical region: Turkey, Kazakhstan, Azerbaijan, Georgia and Kirghizstan
- Distributor of world leading brands, including Caterpillar, Metso, Mantsinen, Hoist, Bucyrus, Atlas Copco and Challenger
- The leader in Turkey's Earth Moving Equipment (EME) market since its inception
- Providing suitable solutions in the general construction segment for the increasing substructure needs of developing countries
- Providing products and services at global standards for the mining segment at each phase of growth
- Becoming one of the main players in the sector by focusing operations on the agricultural sector in Kazakhstan

2010 Highlights

- Many of the previous targets were surpassed as 953 new machines were sold in the Turkish earth-moving equipment market, while the rental fleet increased to 165 in volume.
- Secondhand sales in Turkey were also successfully increased last year, up to 350 units.
- Among distributors of machines of western origin, market leadership in Kazakhstan was maintained.

Our Determination to Succeed

- We signed long term growth agreements with our suppliers designed to ensure an increase in market share in the main product groups.
- We prepared action plans for various sub segments, including asphalt and industrial, in order to become a major player in every sub segment and strengthen our current position.
- In compliance with Caterpillar's worldwide "Contamination Control Program" all our facilities in Turkey have a five star level rating. Furthermore, our Varvarinskoe project facility in Kazakhstan also has the same rating and is currently the only one in the CIS countries to achieve such a high ranking. The ratings of our facilities in Almaty and Aktau were recently increased to the four star level.
- The ongoing engine and component renewal plant investment project in Kazakhstan is near completion.

Many of the previous targets were surpassed as 953 new machines were sold in the Turkish earth-moving equipment market, while the rental fleet increased to 165 in volume.



Power Systems

Strategic Positioning

Our strategy in the distribution of Caterpillar, MaK, and Olympian power system products to Turkey, Azerbaijan, Georgia, Kazakhstan and Kirghizstan is to offer:

- Diesel, gas generators, electric and cogeneration solutions to the renewable energy and electric power sectors
- Marine engines, generators and complete propulsion systems for every kind of ship production
- In addition to management and delivery systems for the petroleum and gas sectors,

comprehensive solutions are offered for all sectors in terms of turnkey projects, engineering, customer support, second hand rental and financing.

2010 Highlights

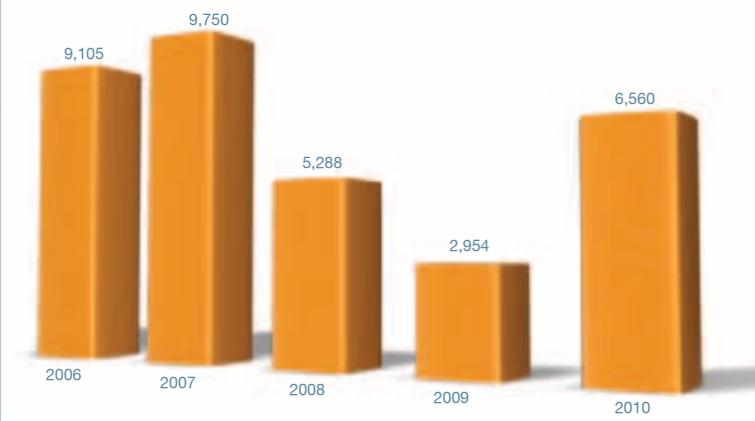
- Our leadership in the area of electric power systems was once again confirmed.
- The highest level of sales for the past few years was attained with the Caterpillar and Olympian brands.
- Success was accomplished in the marine market by working as a partner with manufacturers in the yacht and tugboat segments.
- By taking on the distributorship of MaK at the end of 2010 we began to offer a wider range of products for our customers in the transoceanic vessel sector.
- Sales revenues generated from the power systems market in Kazakhstan and Kirghizstan showed changes throughout the year. Rapid growth was achieved in particular by providing solutions to customers in the petroleum and gas sectors.
- Profitable growth was maintained with regard to power systems in Azerbaijan and Georgia mainly as a result of the long-term customer support agreement signed with BP.

Our Determination to Succeed

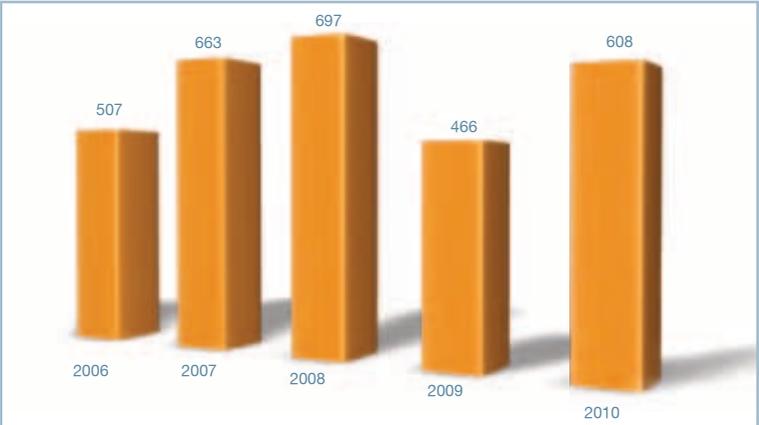
- By signing up for high revenue turnkey projects we paved the way towards attaining more comprehensive jobs in this area.
- In addition to the present CAT and Olympian products, we became the distributor for MaK (in the marine segment) and launched a line of uninterrupted power source products under own brand (Electric Power Systems segment) to offer a more comprehensive solutions package for our customers.
- By offering our clients an extended 10-year warranty agreement on all our products we achieved successful results, thereby becoming a model for all other countries in the European, Middle Eastern and African regions where Caterpillar is currently involved.
- In becoming more focused on our commitment services we made significant headway in our strategy to provide all services from a single point.
- In our 2011-2015 strategic plans we evaluated our segment-based competencies and determined what types of actions to take based on our expectations for the next five years.
- During 2011 we intend to increase our segment concentration and market share through the restructuring of the power systems organization in all our Central Asia locations.

Success was accomplished in the marine market by working as a partner with manufacturers in the yacht and tugboat segments.

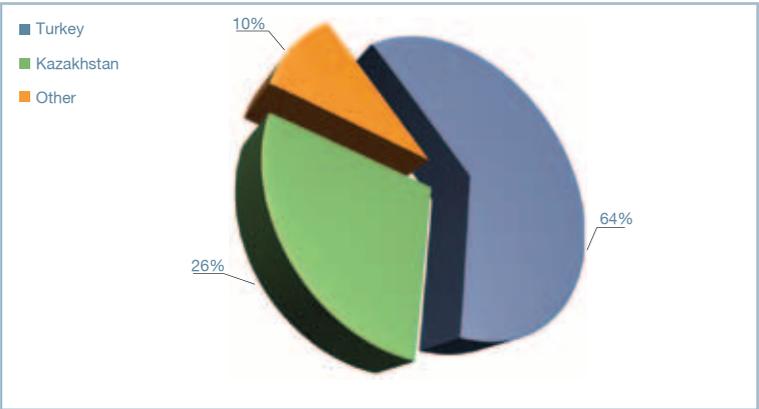
Domestic EME Market (Units)



CAT Group Sales (Millions US\$)



EME and Power System Group Sales by Region (%)





Borusan Makina ve Güç Sistemleri Corporate Information

Business Arena

- Distributor of Caterpillar in Turkey since 1994
- The sole distributor of Caterpillar in Azerbaijan, Georgia, Kazakhstan and Kyrgyzstan, as well as in Turkey
- Distributorships of brands, including diesel fuel and medium speed MaK marine engines and Olympian diesel and gas generator sets
- Representative of the Mantsinen material handling machines, the Metso Nordberg mobile crushing and screening plants, Hoist Liftruck cushion-tire forklifts, Atlas Copco hydraulic crushers and Exxon Mobil in Turkey.
- In addition to the brands represented both in Turkey and Kazakhstan, the Company is currently the representative in Kazakhstan of Challenger agricultural machines, as well as the Bucyrus and Paccar mining earth moving machinery.

Services

- Sales and after sales services for earth moving equipment
- Provide low cost and efficiency increase for customers by renting Caterpillar machines that range from brand new to two years old
- The Certified Used Concept supplies a unique warranty service for used equipment in Turkey
- Energy systems applications such as diesel and gas motor-cogeneration, mechanical power applications (pump stations, compressor systems, etc.) and emergency
- Biogas and landfill turnkey energy plants
- Marine system for main and auxiliary engines
- Used and rental generator business
- Static and dynamic UPS
- Presenting financing solutions for all segments

Distributorship / Earth Moving Equipment and Power Systems

Sectors Served

- General and heavy construction, mining and industrial sectors
- Textile, steel, chemistry, medicine, ceramic, wood, automotive, food and plastic sectors
- In the energy sector: business centers, hotels, airports, hospitals, universities and mass housing projects
- Marine sector-related solutions are offered to builders of towboats, mega-yachts, motor yachts, cargo ships, and sea busses

Service Locations

- The headquarters of Borusan Makina ve Güç Sistemleri is located in Istanbul. Our dealers, which provide sales and technical services in Antalya, Bursa, Diyarbakır, Trabzon and Trakya, are managed by regional offices in Adana, Ankara, Istanbul and Izmir.
- There a total of 27 service locations in Turkey and another 14 in Kazakhstan, Kyrgyzstan, Azerbaijan and Georgia.



Borusan Lojistik

Strategic Positioning

- A strategic business unit in the Borusan Group since 2000
- A rapidly growing and profitable business model
- Ideal supplier for important third party logistics projects in Turkey and abroad
- Ownership of a modern port in a strategic location

2010 Highlights

- The target growth rate after the economic crisis has been realised by maintaining the profitability level
- The revenue and EBITDA level generated by the port expansion investment was above the feasibility figures.
- Operational investments has been continued
- High corporate reputation and satisfaction levels per shareholders has been kept.

Our Determination to Succeed

- In 2010, with a flexible approach to the economic circumstances, the high profitability ratio has been maintained by effective resource and cost management while proceeding with the investments.
- International Transportation was positioned as a strategic business unit in 2010
- Maintained a growth over sector average.
- Customer and employee satisfaction levels continued to hover above the national and global averages.
- The 2011-2015 Strategic Planning process has been completed.

The revenue and EBITDA level generated by the port expansion investment was above the feasibility figures.

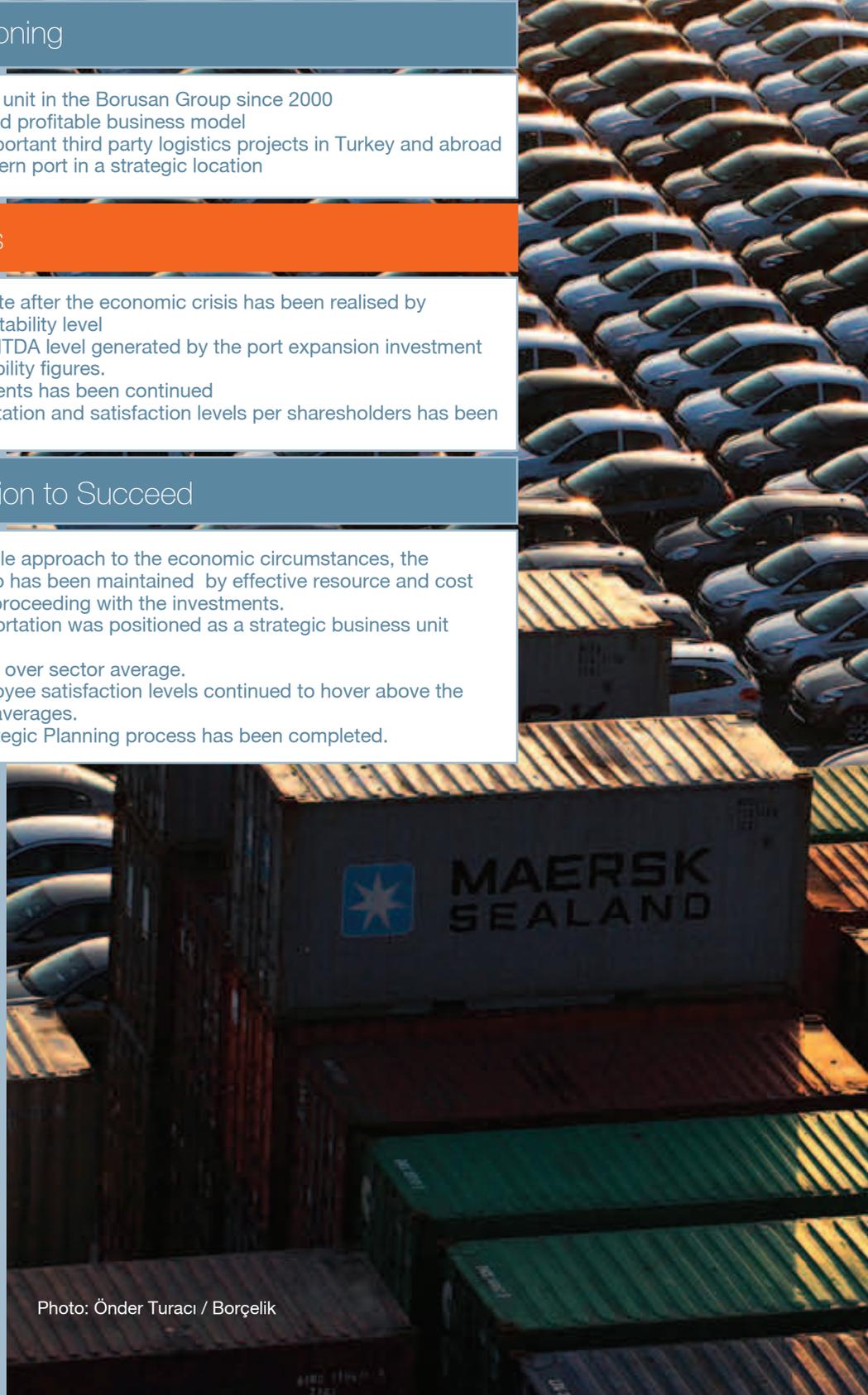
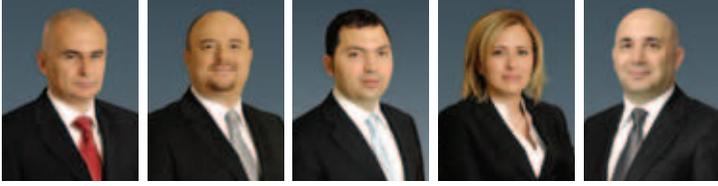


Photo: Önder Turacı / Borçelik

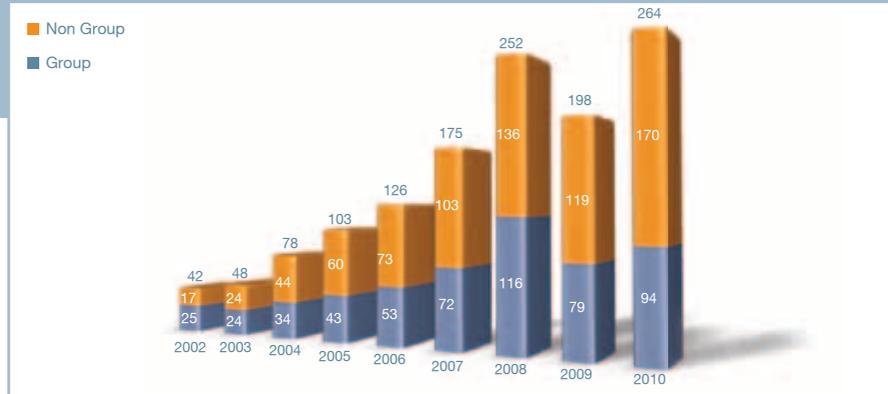


From left to right: KAAN GÜRGENÇ, *Managing Director* / İBRAHİM DÖLEN, *Director, Turkey Logistics* / ÖZGÜR SOY, *Director, Port Operations and International Transportation* / ELVAN HAMİDOĞLU, *Director, Finance* / MUSTAFA ÖÇALIR, *Director, Foreign Countries*



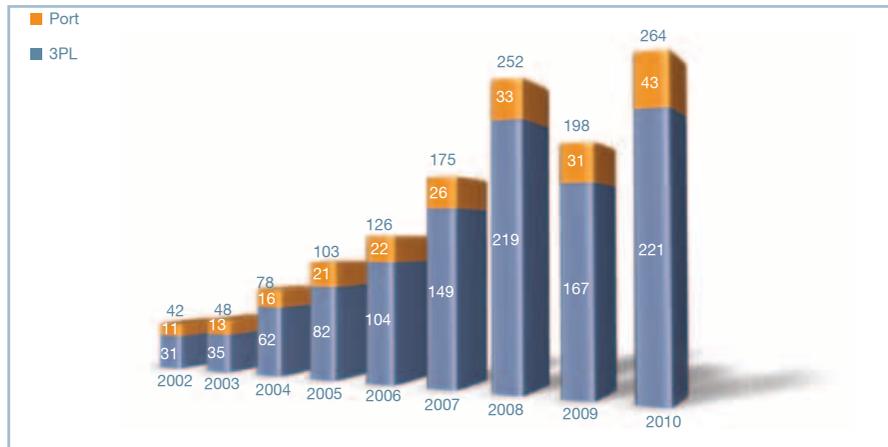
Logistics

Logistics Sales Growth (USD million)



Share of non-group services in sales has increased by 4% in 2010.

Logistics Sales by Service Lines (USD million)



The major revenue growth is observed in 3PL operations.



Corporate Information

Services

- Operates its port and 3PL (Third Party Logistics) businesses with a focus on creating synergy through service diversification, geographic scope and expertise.
- Besides subsidiaries founded in Northern Africa, Middle East, Europe and America, since 2006, the arrangements to found a new subsidiary in Kazakhstan in 2011 has been initiated.

Sectors Served

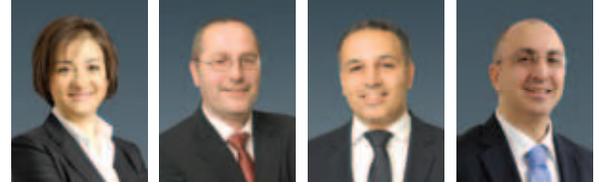
- Iron and steel, automotive and automotive parts, household appliances, FMCG, chemical industry, construction sectors and container lines

Service Locations

- Head office in İstanbul
- Port facilities at Gemlik
- Regional offices in İstanbul-Anadolu (2), İstanbul-Avrupa, Bursa, Ankara, İzmir
- Branch offices in Mersin and Ereğli
- Vehicle Logistics Center in İzmit / Köseköy
- Total warehousing capacity of 181.000 sqm

Borusan EnBW Energy

90% of the Yedigöl Aksu hydroelectric power plant construction with a total of 50 MW installed capacity was completed by the end of 2010.



From left to right: MEHTAP ANIK ZORBOZAN *Finance Director, Borusan EnBW Energy* / KURT KLEIN *Technical Director, Borusan EnBW Energy* / HÜSEYİN EVELEK *Business Development And Commercial Director, Borusan EnBW Energy* / MEHMET SALIH EROĞLU *Investments and Operations Assistant General Manager, Borusan EnBW Energy*

Strategic Positioning

- Aiming to become one of the 10 largest energy generation companies in Turkey
- Investment target of \$ 3 billion by 2020
- Goal of becoming one of Turkey's lowest cost electricity generators by aiming to:
 - Be the most efficient
 - Be flexible and reliable
 - Use cost cutting technologies
 - Integrate horizontally and vertically with the energy sector
- Focusing primarily and heavily on renewable resources
- Forming a large and flexible portfolio consisting of various energy resources
- Building our existing generation capacity to 1.000 MW by 2016 and 2.000 MW by 2020.
- Participating in outstanding privatisation tenders
- Establishing an efficient management relationship with local authorities and government legislators.

2010 Highlights

- 90% of the Yedigöl Aksu hydroelectric power plant construction with a total of 50 MW installed capacity was completed by the end of 2010.
- Temporary acceptance of additional 15 MW capacity of the Bandırma Wind Energy Power Plant was achieved and successful commercial operation commenced.
- Increased management and personnel to attain core organizational capabilities

Our Determination to Succeed

- By properly analyzing developments taking place in the energy markets and making projections, we are able to determine the most ideal composition of our portfolio. Through the implementation of a project renewal process that is continually revising itself we ensure that our portfolio is comprised of the most efficient projects.
- Since we have adopted the idea that the management of environmental and social effects at the implementation phases of the projects is one of the most important aspects of our job, we began the process of formulating the Company principles to which our employees and suppliers are expected to adhere.
- A company takeover process plan was completed. In light of determined needs a structuring of the primary company processes was initiated.
- Implementation of various projects pertaining to the operation of the Bandırma Wind Power Plant were started, including Power Curve Verification, Reporting Substructure, Documentation System, Fire Extinguishment System, and Enhancement of the Wind Prediction System Performance.
- Financial and management project tracking modules were designed to ensure the continuous monitoring of ongoing investments.
- The formation of ERP solutions were started in order to support operational as well as project related decisions and the necessary IT substructure investments needed to provide these services were also set in place.
- As a result of the developed information channels, web monitoring and updating system we have been able to obtain the necessary flexibility needed to adapt to the continuous changes and developments that are taking place in the energy markets.

The sectors to be served

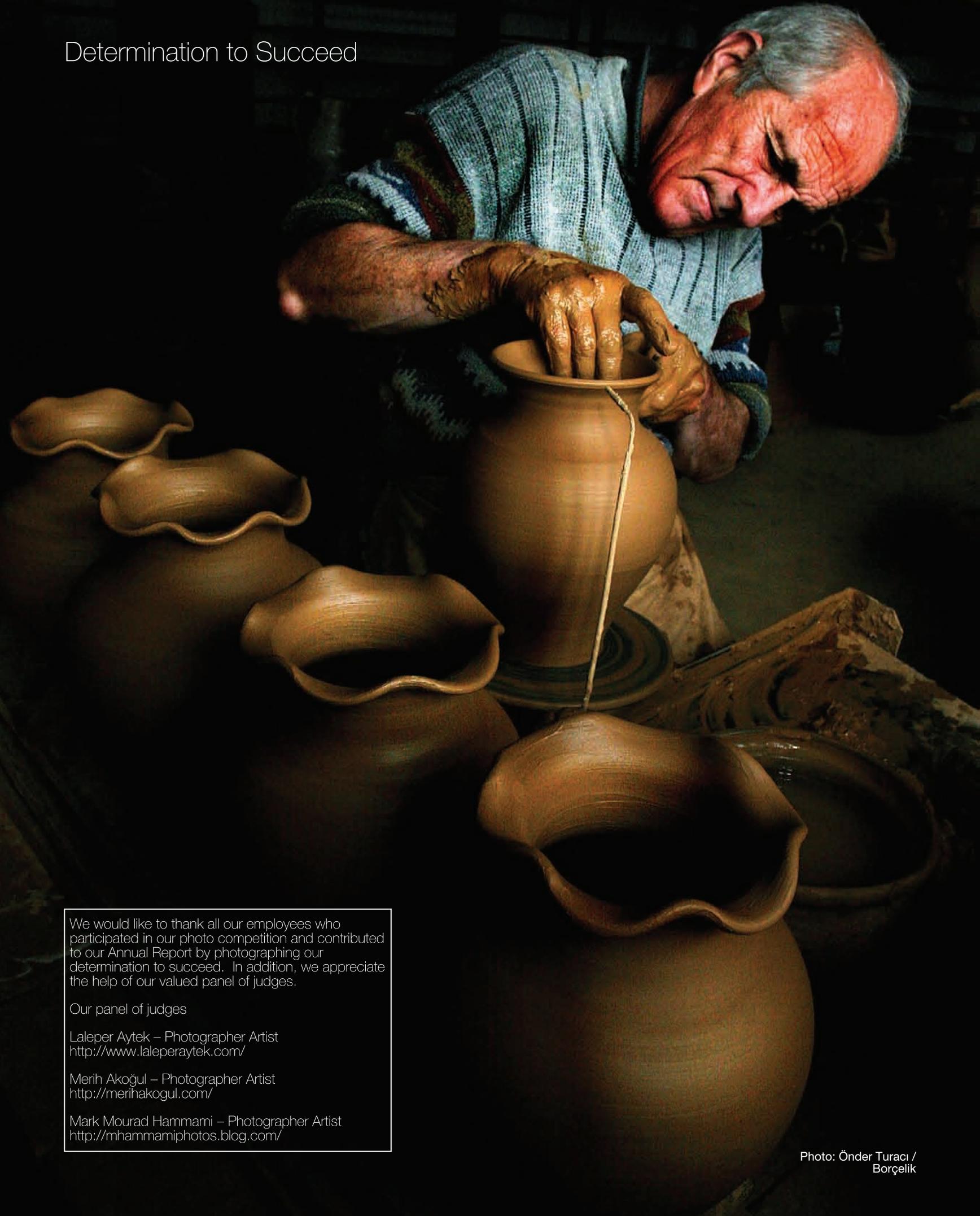
- Balancing power market
- Eligible consumers (industrial and commercial customers having consumption of 0.03 GWh/a)

Partner

EnBW



Determination to Succeed



We would like to thank all our employees who participated in our photo competition and contributed to our Annual Report by photographing our determination to succeed. In addition, we appreciate the help of our valued panel of judges.

Our panel of judges

Laleper Aytek – Photographer Artist
<http://www.laleperaytek.com/>

Merih Akoğul – Photographer Artist
<http://merihakogul.com/>

Mark Mourad Hammami – Photographer Artist
<http://mhammamiphotos.blog.com/>

Photo: Önder Turacı /
Borçelik



Kerem Bayram / Borusan Oto



Emin Yeniacun / Borusan Holding



Sinan Tarakcı / Borusan Mannesmann Boru



Armağan Ünal / Borusan Holding



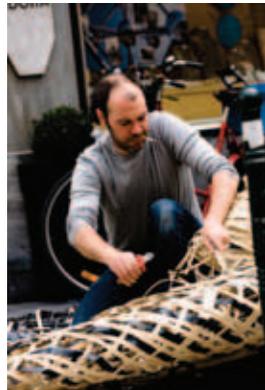
Derya Özkan / Borusan Mühendislik



Burak Cücü / Supsan



Ahmet Cemil Doğruer / Borusan Makina ve Güç Sistemleri



Emin Yeniacun / Borusan Holding



Önder Turacı / Borçelik



Kerem Bayram / Borusan Oto



Ahmet Cemil Doğruer / Borusan Makina ve Güç Sistemleri



Özgür Türkler Tunç / Borusan Holding



Ömür Güleş / Borusan Makina ve Güç Sistemleri



Serkan Yörenç / Borusan Makina ve Güç Sistemleri



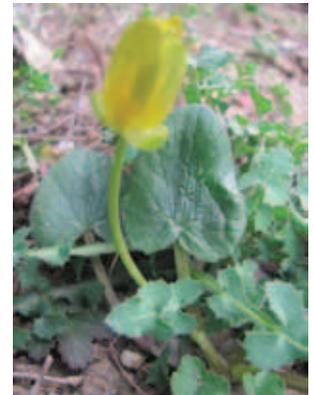
Önder Turacı / Borçelik



Sinan Kutlutan / Borusan Makina ve Güç Sistemleri



Türker Turgut / Borusan Oto



Burak Cücü / Supsan



Armağan Ünal / Borusan Holding



Sinan Tarakcı / Borusan Mannesmann Boru



Emin Yeniacun / Borusan Holding



Tayfun Erkuş / Borusan Oto



Türker Turgut / Borusan Oto



Ömür Güleş / Borusan Makina ve Güç Sistemleri



Tuğba Tuñç Eryılmaz / Borusan Holding



Özgür Türkler Tuñç / Borusan Holding



Tayfun Erkuş / Borusan Oto



A group of people, including men and women, are shown in a celebratory mood. They are clapping and smiling, surrounded by a dense shower of red, white, and black confetti. The background is dark, making the falling confetti stand out. The overall atmosphere is one of joy and achievement.

Our determination
to succeed always
propels us towards
a greater good

**BORUSAN HOLDİNG ANONİM ŐİRKETİ
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2010
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT

BORUSAN HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Table Of Contents

Page

Independent Auditor's Report	81
Consolidated Balance Sheet.....	82-83
Consolidated Statement of Comprehensive Income	84
Consolidated Statement of Changes in Equity	85
Consolidated Statement of Cash Flows.....	86
Notes to the Consolidated Financial Statements.....	87-151

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Borusan Holding Anonim Şirketi

We have audited the accompanying consolidated financial statements of Borusan Holding A.Ş. and its Subsidiaries (Borusan Holding and its Subsidiaries—together the “Group”), which comprise the consolidated balance sheet as at 31 December 2010 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory information, all expressed in US Dollars.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Borusan Holding A.Ş. and its Subsidiaries as of 31 December 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DRT Bağımsız Denetim ve ŞMMM A.Ş.

Istanbul, 18 March 2011

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

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010 (Currency-US Dollars)

ASSETS

	Notes	31 December 2010	31 December 2009
Current assets			
Cash and cash equivalents	6	240,391,249	258,588,432
Financial asset at fair value through profit or loss	7	45,446	20,441
Trade receivables	8	413,061,618	286,071,394
Inventories, net	9	462,423,875	435,967,531
Other receivables and assets	10	127,138,500	124,822,378
		1,243,060,688	1,105,470,176
Assets classified as held for sale	22	4,348,215	23,477,188
Total current assets		1,247,408,903	1,128,947,364
Non-current assets			
Trade receivables	8	312,770	887,261
Available-for-sale financial assets		2,200,177	2,183,650
Property, plant and equipment, net	12,27	1,235,797,587	1,215,082,043
Advances given for property, plant and equipment		17,542,207	12,067,443
Intangible assets	13	44,963,697	42,092,843
Goodwill	11	11,834,565	11,834,565
Deferred tax assets	18	5,717,966	9,173,120
Other receivables and assets	10	25,414,292	16,383,909
Total non-current assets		1,343,783,261	1,309,704,834
Total assets		2,591,192,164	2,438,652,198

The accompanying policies and explanatory notes on pages 87 through 151 form an integral part of the consolidated financial statements.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010 (Currency-US Dollars)

LIABILITIES AND EQUITY

	Notes	31 December 2010	31 December 2009
Current liabilities			
Trade payables, net	14	536,174,622	417,590,599
Short-term borrowings	15	293,285,790	452,194,313
Current portion of long-term debt	16	99,596,155	66,846,196
Income tax payable	18	19,044,661	10,088,790
Other payables and expense accruals	17	152,479,891	81,571,813
		1,100,581,119	1,028,291,711
Liabilities directly associated with assets classified as held for sale	22	367,919	25,668,432
Total current liabilities		1,100,949,038	1,053,960,143
Non-current liabilities			
Long term trade payables	14	13,291,576	1,964,831
Long-term debt	16	459,329,844	375,119,842
Employee benefits obligation	19	23,492,895	20,829,756
Deferred tax liability	18	40,121,986	36,715,924
Other payables and expense accruals	17	1,041,764	47,029
Total non-current liabilities		537,278,065	434,677,382
Total liabilities		1,638,227,103	1,488,637,525
Equity			
Paid-in share capital	20	46,044,080	46,044,080
Currency translation reserve	3	9,933,278	17,544,833
Revaluation reserve, net		152,223,259	156,309,199
Cash flow hedge reserve		(534,773)	14,667
Legal reserves and retained earnings	21	225,144,443	216,338,716
Equity attributable to equity holders of the parent		432,810,287	436,251,445
Non - controlling interest	3	520,154,774	513,763,178
Total equity		952,965,061	950,014,673
Total liabilities and equity		2,591,192,164	2,438,652,198

The accompanying policies and explanatory notes on pages 87 through 151 form an integral part of the consolidated financial statements.

BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010 (Currency - US Dollars unless otherwise indicated)

	Notes	1 January-31 December 2010	1 January-31 December 2009
Net sales	23	3,502,961,826	2,414,788,671
Cost of goods sold and services provided	24	(3,103,657,963)	(2,094,001,646)
Gross profit		399,303,863	320,787,025
Selling, general and administrative expenses	25	(240,717,177)	(194,907,274)
Other operating income, net	28	12,190,710	31,369,669
Financial income	29	12,925,893	22,012,944
Financial expense	29	(55,170,524)	(67,947,998)
Translation gain/(loss)		1,572,790	(5,901,526)
Profit before tax		130,105,555	105,412,840
Taxation on income		(40,358,453)	(22,053,521)
- Current (statutory)	18	(30,336,628)	(15,136,778)
- Deferred	18	(10,021,825)	(6,916,743)
Profit for the year from continuing operations		89,747,102	83,359,319
Loss for the year from discontinued operations	22	(2,257,068)	(1,053,649)
Profit for the year		87,490,034	82,305,670
Other comprehensive income:			
- Loss on cash flow hedge instruments net-off tax		(712,776)	(707,326)
- Gain on revaluation of property, plant and equipment net-off tax		1,989,411	238,030,912
- Currency translation reserve		(14,482,198)	1,414,453
Total comprehensive income for the year		74,284,471	321,043,709
Profit for the year			
Attributable to non-controlling interest	3	51,489,487	41,191,951
Attributable to equity holders of parent		36,000,547	41,113,719
Total comprehensive income for the year			
Attributable to non-controlling interest	3	45,503,969	152,613,978
Attributable to equity holders of parent		28,780,502	168,429,731

The accompanying policies and explanatory notes on pages 87 through 151 form an integral part of the consolidated financial statements.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010 (Currency - US Dollars unless otherwise indicated)

	Paid-in share capital	Currency translation reserve	Revaluation reserve	Cash flow hedge reserve	Legal reserves and retained earnings	Equity attributable to equity holders' of the parent	Non -controlling interest	Total equity
Balance at 31 December 2008	46,044,080	16,222,059	31,711,829	560,612	192,322,423	286,861,003	360,713,252	647,574,255
Total comprehensive income/(loss)	-	1,322,774	124,597,370	(545,945)	43,055,532	168,429,731	152,613,978	321,043,709
Change in non-controlling interests (Note 30)	-	-	-	-	(4,864,247)	(4,864,247)	4,744,963	(119,284)
Dividends paid	-	-	-	-	(14,174,992)	(14,174,992)	(4,309,015)	(18,484,007)
Balance at 31 December 2009	46,044,080	17,544,833	156,309,199	14,667	216,338,716	436,251,495	513,763,178	950,014,673
Capital increase in subsidiary	-	-	-	-	-	-	1,137,241	1,137,241
Total comprehensive income/(loss)	-	(7,611,555)	(5,821,456)	(549,440)	42,762,953	28,780,502	45,503,969	74,284,471
Change in non-controlling interest (Note 30)	-	-	1,735,516	-	(15,566,575)	(13,831,059)	(21,731,090)	(35,562,149)
Dividends paid	-	-	-	-	(18,390,651)	(18,390,651)	(18,518,524)	(36,909,175)
Balance at 31 December 2010	46,044,080	9,933,278	152,223,259	(534,773)	225,144,443	432,810,287	520,154,774	952,965,061

The accompanying policies and explanatory notes on pages 87 through 151 form an integral part of the consolidated financial statements.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010 (Currency - US Dollars unless otherwise indicated)

	Notes	1 January-31 December 2010	1 January-31 December 2009
Cash flows provided from operating activities:			
Profit before taxation on income, minority interest and discontinued operations		130,105,555	105,412,840
Loss before tax from discontinuing operation		(1,102,833)	(1,053,649)
Adjustments to reconcile profit before taxation to net cash provided by operating activities:			
Depreciation	27	72,853,546	63,001,506
Amortization of intangible assets	27	3,681,996	3,671,324
Interest income	29	(5,893,896)	(8,108,793)
Interest income from financial assets at fair value through profit or loss	29	-	(191,818)
Due date income, net	29	(7,031,997)	(13,712,333)
Interest expense	29	41,163,179	50,496,732
Impairment on inventory recognised in profit or loss	9	2,877,400	2,019,629
Reversal of prior year impairment on inventory	9	(208,943)	(67,570,442)
Provision for reserve for employee benefit obligations	19	6,055,583	4,852,018
Gain/(Loss) on sale of property, plant and equipment and intangibles	28	181,313	(1,124,511)
Net change in currency translation reserve		(8,521,274)	3,002,792
Provision for impairment of goodwill and licences	3, 28	-	15,657,634
Gain on sale of Telekom	31	(5,206,805)	(30,742,790)
Operating profit before working capital changes		228,952,824	125,610,139
Working capital changes			
Trade receivables		(127,647,219)	53,175,628
Inventories		(25,236,506)	188,826,061
Other current assets and liabilities – net		72,753,581	31,801,375
Trade payables		129,918,424	(117,444,121)
Other non-current assets and liabilities – net		(5,476,898)	(8,526,441)
Employee benefit obligations paid	19	(3,027,866)	(3,066,210)
Taxes paid	18	(24,837,579)	(15,347,871)
Net cash provided by operating activities		245,398,761	255,028,560
	Notes	1 January-31 December 2010	1 January-31 December 2009
Investing activities:			
Purchase of property, plant and equipment (*)		(144,117,381)	(225,375,128)
Purchase of intangible assets	13	(5,923,540)	(17,202,651)
Purchase of additional shares of controlled group companies		(35,562,149)	(4,382,825)
Proceeds from sale of property, plant and equipment and intangibles		17,719,512	38,871,002
Increase in share capital of Telekom		(12,000,000)	-
Increase in available for sale financial assets		-	(1,676,091)
Interest received		12,900,888	22,254,417
Cash acquired through partial sale of subsidiary shares	31	14,238,243	62,259,150
Net cash used in investing activities of continuing operations		(152,744,427)	(125,252,126)
Net cash provided by investing activities of discontinued operations		-	(8,474,932)
Net cash used in investing activities		(152,744,427)	(133,727,058)
Financing activities:			
Redemption of borrowings		(1,136,473,933)	(695,674,602)
Proceeds from borrowings		1,104,550,717	615,453,453
Change in financial receivables from non-consolidated related parties		(2,613,473)	(22,800,989)
Dividends paid (including dividends of non-controlling interests)		(36,909,175)	(18,484,007)
Interest paid		(40,542,894)	(36,123,358)
Increase in share capital of subsidiary		1,137,241	-
Net cash used in financing activities of continuing operations		(110,851,517)	(157,629,503)
Net decrease in cash and cash equivalents		(18,197,183)	(36,328,001)
Cash and cash equivalents at the beginning of the year		258,588,432	294,916,433
Cash and cash equivalents at the end of the year	6	240,391,249	258,588,432

(*) Decrease in "advances given for property, plant and equipment" amounting to USD 5,474,764 is included "purchase of property, plant and equipment" for the year ended 31 December 2010 (31 December 2009: USD 98,916,485 is net-off with).

The accompanying policies and explanatory notes on pages 87 through 151 form an integral part of the consolidated financial statements.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (Currency - US Dollars unless otherwise indicated)

1. CORPORATE INFORMATION

General

Borusan Holding A.Ş. and its Subsidiaries (hereafter referred to as “the Borusan Group” or “the Group”) commenced operations in 1944 as Borusan İstikbal Ticaret T.A.Ş., a company, trading steel products and exporting dried fruit.

Borusan Holding A.Ş. (“Borusan Holding” or the “Holding”) was established in December 1972 as a corporation to coordinate the activities of and liaise between companies operating in different fields including steel business (pipe and flat steel production), distributorship of leading brands (BMW, Land Rover and Caterpillar) and integrated logistics. Borusan Holding is registered in Turkey and owned by members of the Kocabıyık Family (see Note 20). The registered address of the Holding is as follows:

Meclisi- Mebusan Caddesi No: 35-37
Fındıklı – İstanbul – Turkey

Nature of Activities of the Group

The principal activities of Borusan Group comprise the following:

- manufacturing of steel pipes: longitudinally and spirally welded for sale in domestic and foreign markets;
- manufacturing of cold rolled coils, galvanized coils and metal sheets for sale in domestic and foreign markets;
- exclusive sales and after sales service of BMW, MINI, Land Rover and Aston Martin vehicles and car rental services in Turkey
- exclusive sales and after sales service of Caterpillar, earthmoving equipment and power systems, in Turkey and in Central Asia (Azerbaijan, Georgia, Kazakhstan , Kyrgyzstan) and Iran;
- providing integrated logistic services, shipping, port activities, warehousing and customs clearance services;
- manufacturing of engine valves for the automotive industry for sale in domestic and foreign markets;
- generation and wholesaling of electricity

Since September 1998, Borusan Holding has a controlling interest in a sub-holding company, Borusan Mannesmann Boru Yatırım Holding A.Ş., which was established to coordinate the activities of Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş., a listed company in the İstanbul Stock Exchange (ISE). In addition, Borusan Holding controls three investment companies; Borusan Yatırım ve Pazarlama A.Ş., a listed company in the ISE, Borusan İstikbal Ticaret T.A.Ş. and Borusan Teknolojik Yatırımlar Holding A.Ş.

The Group is organized mainly in Turkey into four main business segments:

- Steel segment
- Distributorship segment
- Energy segment
- Logistics segment

Other operations of the Group mainly comprise valves production and telecommunications up until March 2010. The Group disposed its operations in telecommunications segment as of 31 March 2010.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

1. CORPORATE INFORMATION (continued)

Borusan Holding has the following subsidiaries ("the Subsidiaries"). Business segments and the locations of Subsidiaries are as follows:

Business Segment	Subsidiary	Location/ Incorporated in
Flat Steel	Borçelik Çelik Sanayi Ticaret A.Ş. ("Borçelik")	Gemlik – Turkey
	Kerim Çelik Mamulleri İmalat ve Ticaret A.Ş. ("Kerim Çelik")	İstanbul – Turkey
	Borusan Paslanmaz Çelik Boru ve Profil Sanayi ve Ticaret A.Ş. ("Paslanmaz Boru")	Gebze-Turkey
Steel Pipe	Borusan Mannesmann Boru Sanayi ve Ticaret Anonim Şirketi ("Borusan Boru")	İstanbul – Turkey
	Borusan Mannesmann Boru Yatırım Holding A.Ş. ("BMBYH")	İstanbul – Turkey
	BM Vobarno Tubi S.p.A. ("Vobarno")	Italy
	Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş. ("Mühendislik")	Gemlik – Turkey
	Borusan İstikbal Ticaret T.A.Ş. ("İstikbal")	İstanbul – Turkey
Distributorship	Borusan Ankara İnşaat Malzemeleri Pazarlama A.Ş. ("Borusan Ankara") (1)	Ankara – Turkey
	Borusan Makina ve Güç Sistemleri Sanayi ve Ticaret A.Ş. ("BMGS") (2)	İstanbul – Turkey
	Machinery Intertrade Limited ("UK")	United Kingdom
	MIT Machine International Trade Limited ("MIT Machine")	Malta
	MIT Machine Holding Limited ("MIT Machine Holding")	Malta
	Machinery International Trade B.V. ("Machinery International")	Netherlands
	Borusan Makina Kazakhstan LLP ("Kazakhstan")	Kazakhstan
	Arya Heavy Machinery ("Arya - İran")	Iran
	BBM Machinery Limited ("BBM - İran")	United Kingdom
	Borusan Oto Servis ve Ticaret A.Ş. ("Borusan Oto")	İstanbul – Turkey
	Borusan Otomotiv İthalat ve Dağıtım A.Ş. ("Borusan Otomotiv")	İstanbul – Turkey
Borusan Oto Kıbrıs Limited ("Oto Kıbrıs")	TRNC	
Borusan Otomotiv Pazarlama ve Ticaret A.Ş.	İstanbul – Turkey	
Energy	Maya Enerji Yatırımları A.Ş. ("Maya Enerji")	İstanbul – Turkey
	Yedigöller Hidroelektrik Üretim ve Tic. A.Ş. ("Yedigöl")	İstanbul – Turkey
	Turkuaz Elektrik Üretim A.Ş. ("Turkuaz")	İstanbul – Turkey
	Hazal Hidroelektrik Üretim A.Ş. ("Hazal")	İstanbul – Turkey
	Van Elektrik Üretim San. ve Tic.A.Ş. ("Van")	İstanbul – Turkey
	Esentepe Enerji Yatırımları Üretim ve Tic.A.Ş. ("Esentepe")	İstanbul – Turkey
	Hidiv Elektrik Enerjisi Toptan Satış A.Ş. ("Hidiv")	İstanbul – Turkey
	Borusan Enerji Yatırımları ve Üretim A.Ş. ("Borusan Enerji")	İstanbul – Turkey
	Meltem Elektrik Üretim ve Ticaret A.Ş. ("Meltem")	İstanbul – Turkey
	Güney Rüzgarı Elektrik Üretim ve Ticaret A.Ş. ("Güney Rüzgarı")	İstanbul – Turkey
	Kuzey Rüzgarı Enerji Üretim ve Ticaret A.Ş. ("Kuzey Rüzgarı")	İstanbul – Turkey
	Dinç Enerji Madencilik Üretim ve Ticaret A.Ş. ("Dinç")	İstanbul – Turkey
	Tayfun Elektrik Üretim ve Ticaret A.Ş. ("Tayfun")	İstanbul – Turkey
	Vaniköy Enerji Yatırımları ve Üretim Ticaret A.Ş. ("Vaniköy")	İstanbul – Turkey
	Baltalimanı Enerji Yatırımları Üretim ve Ticaret A.Ş. ("Baltalimanı")	İstanbul – Turkey
	Beykoz Elektrik Sanayi ve Ticaret A.Ş. ("Beykoz")	İstanbul – Turkey
	Beylerbeyi Enerji Yatırımları Üretim ve Tic. A.Ş. ("Beylerbeyi")	İstanbul – Turkey
	Burgaz Enerji Yatırımları Üretim ve Ticaret A.Ş. ("Burgaz")	İstanbul – Turkey
	Dolmabahçe Enerji Üretim ve Ticaret A.Ş. ("Dolmabahçe") (3)	İstanbul – Turkey
	Eskoda Enerji Üretim Pazarlama İthalat ve İhracat A.Ş.	İstanbul – Turkey
	Gökçeada Enerji Yatırımları Üretim ve Tic. A.Ş. ("Gökçeada")	İstanbul – Turkey
	İntepe Elektrik Üretim ve Ticaret A.Ş. ("İntepe")	İstanbul – Turkey
	Maray Enerji Sanayi ve Ticaret Ltd. Şti. ("Maray")	İstanbul – Turkey
Başkent Gölbaşı Maden Kömür Elektrik Üretim ve Tic.Ltd. Şti. ("Başkent")	İstanbul – Turkey	
Borasco Enerji ve Kimya Sanayi Ticaret A.Ş. ("Borasco")	İstanbul – Turkey	
Doğadan Enerji Üretim Pazarlama İthalat ve İhracat A.Ş. ("Doğadan")	İstanbul – Turkey	
Dönüşüm Enerji Üretim Pazarlama İthalat ve İhracat A.Ş. ("Dönüşüm")	İstanbul – Turkey	
Kasırğa Enerji Yatırımları ve Üretim A.Ş. ("Kasırğa")	İstanbul – Turkey	
Logistics	Borusan Lojistik Dağıtım Depolama Taşımacılık ve Ticaret A.Ş. ("Borusan Lojistik")	İstanbul – Turkey
	Borusan International Algeria SPA	Algeria
	Borusan International Pars Joint Stock Co	Iran
	Borusan International Gulf FZE	Dubai / United Arab Emirates
	Borusan International Netherlands Coop	Netherlands
Other	Borusan Elektronik Ticaret, İletişim ve Bilgi Hizmetleri A.Ş. ("Otomax")	İstanbul – Turkey
	Borusan Manheim Açık Arttırma ve Araç Pazarlama ve Tic. Ltd. Şti. ("Borusan Manheim")	İstanbul – Turkey
	Supsan Motor Supapları Sanayi ve Ticaret A.Ş. ("Supsan")	İstanbul – Turkey
	Borusan Teknolojik Yatırımlar Holding A.Ş. ("Borusan Teknoloji")	İstanbul – Turkey
	Borusan Telekom ve İletişim Hizmetleri A.Ş. ("Borusan Telekom") (4)	İstanbul – Turkey
	Borusan Birlik Danışmanlık ve Organizasyon Hizmetleri A.Ş. ("Birlik Danışmanlık")	İstanbul – Turkey
	Borusan Yatırım ve Pazarlama A.Ş. ("Borusan Yatırım")	İstanbul – Turkey

(1) This entity is in the liquidation process.

(2) Borusan Makina and Borusan Güç Sistemleri have merged under Borusan Makina ve Güç Sistemleri San. ve Tic. A.Ş. ("BMGS") in 2009.

(3) This entity is sold on 16 March 2010.

(4) This entity is sold on 31 March 2010.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards-Additional exemptions for First Time Adopters* effective 1 January 2010
- IFRS 2 *Share-based Payment: Group Cash-Settled Share-based Payment Transactions* effective 1 January 2010
- IFRS 3 *Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)* effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009
- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective 1 July 2009
- IFRIC 18 *Transfer of Assets from Customers* effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

The adoption of the standards or interpretations is described below:

IFRS 1 First-time Adoption of International Financial Reporting Standards-Additional exemptions for First Time Adopters

The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease. This standard has no effect on consolidated financial statements as the Group is an existing IFRS preparer.

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact of the financial position or performance of the Group. This standard has no effect on consolidated financial statements.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to a goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

2.1 New and amended standards and interpretations (continued)

The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively and had no material impact of earnings per share.

IAS 39 Financial Instruments: Recognition and Measurement –Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk of portion in particular situations.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or dividends. This interpretation has no effect on either, the financial position or performance of the Group.

IFRIC 18 Transfer of Assets from Customers

This interpretation addresses the accounting by recipients for transfers of property, plant and equipment from customers and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value at the date of the transfer, with the credit being recognized as revenue in accordance with IAS 18 *Revenue*.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

Issued in May 2008

- IFRS 5 Non-current Assets held for Sale and Discontinued Operations: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position nor financial performance of the Group.

Issued in April 2009

- IFRS 5 Non-current Assets held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

2.1 New and amended standards and interpretations (continued)

- IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 1 Presentation of Financial Statements: clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. This amendment has had no effect on the amounts reported in prior years because the Group has not previously issued instruments of this nature.
- IAS 7 Statement of Cash Flows: states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities. This amendment has no impact on the Group.
- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group.

2.2 Standards issued but not yet effective

Standards issued but not yet effective up to date of the issuance of the Group's financial statements are listed below. The listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IFRS 1 (amendments) First-time Adoption of IFRS – Additional Exemptions and Two Other Amendments

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December 2010, IFRS 1 is amended to;

- provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.
- provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

The amendment above will be effective for annual periods beginning on or after 1 July 2011. These amendments are not relevant to the Group, as it is an existing IFRS preparer.

IFRS 7 Financial Instruments: Disclosures

In October 2010, IFRS 7 Financial Instruments: Disclosures is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

2.2 Standards issued but not yet effective (continued)

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation-Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 12 Income Taxes

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be , be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the consolidated financial statements of the Group.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

2.2 Standards issued but not yet effective (continued)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at fair value. In case that cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvements to IFRSs (issued in May 2010)

The IASB issued improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:

- IFRS 1 *First-Time Adoption of International Financial Reporting Standards*
- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 34 *Interim Financial Reporting*
- IFRIC 13 *Customer Loyalty Programmes*

The Group, currently assesses the impact from the adoption of the amendments on its financial position or performance.

2.3 Comparatives and Restatement of Prior Periods' Financial Statements

The financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. The Group prepared its balance sheet at 31 December 2010 on a comparative basis with balance sheet at 31 December 2009; and statements of comprehensive income/(loss), cash flow and equity for the period between 1 January-31 December 2010 on a comparative basis with the financial statements for the period between 1 January - 31 December 2009.

Because of the financial statement items presentation and classifications changes the Group has reclassified prior period financial statement in order to provide comparability. There is no effect of these changes to prior period equity and net profit / (loss). These amendments are as follows:

In order to be consistent with current year presentation; cost associated with power grid line construction amounted to USD 1,223,445 that was accounted in "Property, Plant and Equipment" in the balance sheet at 31 December 2009 is classified to "Other Non-Current Assets"; since such assets will be transferred to TEİAŞ.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of Compliance

The consolidated financial statements of Borusan Holding A.Ş. and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3.2 Basis of Preparation

Borusan Holding A.Ş. and its Subsidiaries based in Turkey maintain their books of account and prepare their statutory financial statements ("statutory financial statements") in Turkish Lira (TL) in accordance with the Turkish Commercial Code ("TCC"), tax legislation and, starting from 1 January 1994, the Uniform Chart of Accounts issued by the Ministry of Finance and for Borusan Yatırım ve Pazarlama A.Ş. and Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş., companies listed in the ISE, accounting principles issued by the Turkish Capital Market Board ("CMB Principles").

The foreign subsidiaries; Machinery Intertrade Limited, Vobarno, MIT Machine, MIT Machine Holding Machinery International and Borusan International Netherland Coop., maintain their books of account in Euro, Borusan Makina Kazakhstan LLP in Kazakh Tenges, Arya, BBM and Borusan International Pars Joint Stock Co. in Iran Rial, Borusan International Algeria SPA in Dinar, Borusan International Gulf FZE in Dirham, in accordance with the accounting principles and regulations accepted in the United Kingdom, Italy, Malta, Netherlands, Kazakhstan, Iran, Algeria and United Arab Emirates respectively.

The consolidated financial statements have been prepared on a historical cost basis, except for land, buildings and machinery and equipment carried at revalued amounts (Note 12) and derivative financial instruments which are carried at fair values. The consolidated financial statements are presented in USD.

3.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Borusan Holding A.Ş. and its Subsidiaries as at 31 December 2010 on the basis set out below:

Subsidiaries in which the Holding, directly or indirectly, has power to exercise control over their operations, have been consolidated. Control is evidenced when the Holding owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity.

Control also exists when the Holding owns half or less of the voting power of an entity when there is:

- a) Power to govern the financial and operating policies of the entity under an agreement; or,
- b) Power to appoint or remove the majority of the members of the board of the directors or equivalent governing body; or,
- c) Power to cast the majority of votes at meetings of the board of directors or equivalent governing body.

The principles of consolidation followed in the preparation of the consolidated financial statements are as follows:

- (i) The balance sheets and statements of comprehensive income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Group is eliminated against the related equity accounts. Intercompany transactions and balances between the Group companies and unrealised gains or losses on transactions between the Group companies are eliminated. The investment cost and the dividends obtained from subsidiaries are eliminated from equity and income for the year, respectively.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Basis of Consolidation (continued)

(ii) Subsidiaries are fully consolidated from the date, being the date on which the Group obtains control and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(iii) Non-controlling interests' share in the net assets of the consolidated subsidiaries is separately classified in the consolidated equity and statements of comprehensive income as non-controlling interests. Kocabıyık Family members having interests in the share capital of the subsidiaries are treated as non-controlling interests and excluded from the Group's interests.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. Changes in the Group's ownership interests in subsidiaries, without a loss of control, are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between;

- i. the aggregate of the fair value of the consideration received and the fair value of any retained interest and,
- ii. the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

When assets of the subsidiary are carried at revalued amounts or fair values and the cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets. The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Basis of Consolidation (continued)

The following is a list of the operating subsidiaries at 31 December 2010 and 2009 detailing the Group's controlling interest by direct voting power and the Group's ultimate effective shareholding in such Subsidiaries' equity at those dates:

	Direct Shareholding By Borusan Holding		Indirect Shareholding Through Subsidiaries		Total Controlling Interest		Effective Shareholding by Borusan Holding	
	2010 (%)	2009 (%)	2010 (%)	2009 (%)	2010 (%)	2009 (%)	2010 (%)	2009 (%)
Steel								
Borçelik (1)	20,78	20,78	33,89	24,55	54,67	45,33	38,33	34,59
Borusan Boru	-	-	73,48	73,48	73,48	73,48	52,94	52,85
Kerim Çelik (1)	0,02	0,02	99,91	99,91	99,93	99,93	38,31	34,58
Borusan Ankara (2)	-	-	99,40	99,40	99,40	99,40	58,51	58,44
BMBYH	64,64	64,64	12,36	12,36	77,00	77,00	72,05	71,92
İstikbal	82,68	82,68	-	-	82,68	82,68	82,68	82,68
Vobarno	-	-	100,00	100,00	100,00	100,00	52,94	52,32
Paslanmaz Boru	70,00	70,00	-	-	70,00	70,00	70,00	70,00
Distributorship								
BMGS	61,78	61,78	18,80	18,80	80,58	80,58	73,05	72,85
Borusan Oto (1)	28,60	28,60	20,00	20,00	48,60	48,60	40,59	40,38
Borusan Otomotiv (1)	21,00	21,00	28,00	28,00	49,00	49,00	38,20	37,92
Borusan Oto Kıbrıs (1)	-	-	100,00	100,00	100,00	100,00	39,40	39,15
Borusan Otomotiv Pazarlama (1)	21,00	21,00	28,00	28,00	49,00	49,00	38,20	37,92
Energy								
Maya Enerji (6)	0,00	-	100,00	100,00	100,00	100,00	49,81	49,75
Yedigöl (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Türkuaz (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Hazal (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Van	99,96	99,96	0,04	0,04	100,00	100,00	99,99	99,99
Esentepe (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Hidiv (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Borusan Enerji	49,00	49,00	1,00	1,00	50,00	50,00	49,81	49,74
Meltem (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Güney Rüzgarı (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Kuzey Rüzgarı (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Eskoda (6)	-	-	100,00	100,00	100,00	100,00	49,82	49,75
Dinç (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Tayfun (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Vaniköy (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Baltalimanı (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Beykoz (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Beylerbeyi (6)	-	-	100,00	100,00	100,00	100,00	50,11	49,99
Burgaz (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Dolmabahçe (4)	-	99,00	-	1,00	-	100,00	-	99,74
Gökçeada (6)	-	-	-	100,00	100,00	100,00	50,11	49,99
İntepe (6)	0,01	-	99,99	100,00	100,00	100,00	49,83	49,76
Maray (6)	0,05	-	99,95	100,00	100,00	100,00	49,88	49,80
Başkent Gölbaşı	99,91	99,91	0,09	0,09	100,00	100,00	99,99	99,97
Borasco (6)	-	-	100,00	100,00	100,00	100,00	49,81	49,75
Doğadan (6)	-	-	100,00	100,00	100,00	100,00	49,82	49,75
Dönüşüm (6)	-	-	100,00	100,00	100,00	100,00	49,82	49,75
Kasırga (6)	-	-	100,00	100,00	100,00	100,00	50,11	49,99
Logistics								
Borusan Lojistik	57,59	57,59	30,58	30,58	88,17	88,17	78,76	78,56
Other								
Borusan Manheim (3)	40,50	40,50	9,50	9,50	50,00	50,00	46,20	46,09
Otomax	0,00	0,00	99,91	99,91	99,91	99,91	80,08	79,60
Supsan	1,96	1,96	50,02	50,02	51,98	51,98	41,03	40,93
Borusan Teknoloji	83,09	83,09	16,74	16,74	99,83	99,83	93,44	93,28
Borusan Telekom (5)	0,00	0,19	-	99,81	-	100,00	-	93,28
Birlik Danışmanlık	93,78	68,89	-	-	93,78	68,89	93,78	68,89
Borusan Mühendislik	-	-	96,94	96,94	96,94	96,94	51,32	51,23
Borusan Yatırım	33,63	32,56	32,00	32,00	65,63	64,56	59,96	58,88

(1) These subsidiaries are consolidated on the basis set below:

- power to govern the financial and operating policies of the entity under an agreement; or,
- power to appoint or remove the majority of the members of the board of the directors or equivalent governing body; or,
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body.

(2) This entity is in liquidation process.

(3) Borusan Manheim is a joint-venture interest, and is consolidated using proportionate consolidation method.

(4) This entity is sold on 16 March 2010.

(5) This entity is sold on 31 March 2010.

(6) Those entities are consolidated to Borusan Enerji. Borusan Enerji is consolidated using proportionate consolidation method.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Foreign Currency Translation

The consolidated financial statements are presented in USD, which is also the Holding's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The USD is used to a significant extent, or has a significant impact on the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group. Therefore, the Group companies mainly use USD as functional currency. All currencies other than the functional currency selected for measuring items in the financial statements are treated as foreign currencies.

Based on the economic substance of the underlying events and circumstances relevant to the Group, the functional currency of certain subsidiaries of the Group has been determined to be USD as defined by IAS 21, due to the following reasons:

- The purchase and sales prices of the Group companies and the main services and products are mainly quoted in USD,
- A significant part of the financing and related finance costs of the Group is denominated in USD.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to translation gain / (loss) in the consolidated income statement. Non-monetary items and equity balances (excluding profit or loss) that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The functional currency of the Subsidiaries, Borusan Oto, Borusan Otomotiv, Borusan Makina Güç Sistemleri, Supsan, Vobarno, Borusan International Netherlands Coop and Paslanmaz Boru is Euro. The functional currency of Borusan Makina Kazakhstan is Kazakh Tenges, Arya Iran and Borusan International Pars Joint Stock Co. is Iran Rial. The functional currency of Borusan International Gulf FZE is Dirham. The functional currency of Borusan International Algeria SPA is Dinar. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of Borusan Holding A.Ş. (USD) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year.

The exchange differences arising on the translation are taken directly to a separate component of other comprehensive income as currency translation reserve. On disposal of such subsidiaries, the deferred cumulative amount recognised in other comprehensive income relating to that particular subsidiary is recognised in the statement of comprehensive income.

The Turkish countrywide wholesale price index (WPI) published by State Institute of Statistics and TL exchange rates for the purchases of USD announced by the Central Bank of the Republic of Turkey for the last three years were as follows:

Year	Year End TL/USD Exchange Rates	%	
		TL/USD Rate Annual Change	Inflation Rates (WPI)
2008	1,5123	29,84	8,11
2009	1,5057	(0,44)	5,93
2010	1,5460	2,68	8,87

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic, financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

3.6 Business Combinations and Goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Business Combinations and Goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms a part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations before 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the acquisition method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

3.7 Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise of cash at banks and in hand, short-term deposits, reverse repurchase agreements and other liquid assets. Other liquid assets mainly comprise of checks and notes maturing before balance sheet date. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, with an original maturity of three months or less.

3.8 Trade and Other Receivables

Trade receivables which generally have approximately 50 day terms (2009 - 49 day terms) are carried at amortized cost less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Related Parties

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party

(i) controls, is controlled by, or is under common control with the Group (this includes parent, subsidiaries and fellow subsidiaries);

(ii) has an interest in the Group that gives it significant influence over the Group; or

(iii) has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is member of the key management personnel of the Group as its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

A related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

Disclosures regarding related party transactions and outstanding balances are given in Note 35.

3.10 Inventories

Inventories are valued at the lower of cost or net realizable value ("NRV") after provision for obsolete items. Cost is determined using the monthly weighted average method or specific identification method depending on nature of production or actual cost for trading goods. Cost of work in progress and finished goods inventories include materials, direct labor and an appropriate portion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Unrealizable inventory has been fully written off.

3.11 Property, Plant and Equipment

Property, plant and equipment (PP&E) is initially stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such costs which are initially recognized include the cost of replacing part of such property, plant and equipment when that cost is incurred if the recognition criteria are met. Following initial recognition at cost, land, buildings and machinery and equipment are carried at revalued amounts, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Property, Plant and Equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the consolidated income statement. However, the decrease in the carrying value of an asset is debited to the equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or has decreased. The reversal is recorded in consolidated statement of comprehensive income.

For items of property, plant and equipment carried at revalued amount, valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve included in the statement of comprehensive income.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The cost or revalued amount of depreciable assets is depreciated at rates based on the estimated useful lives of assets. The estimated useful lives and the methods of depreciation are as follows:

	Years	Method
Buildings	6 - 50	Straight-line
Machinery and equipment	5 - 40	Straight-line
Furniture and fixtures	3 - 5	Straight-line
Motor vehicles	3 - 8	Straight-line
Other tangible assets	5 - 10	Straight-line
Leasehold improvements	over the leasehold period	Straight-line

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Intangible Assets

Intangible assets, which mainly comprise computer software, energy licenses and license applications, are measured initially at cost. Intangible assets are recognized, if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. Following initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets excluding development costs created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight line basis over the best estimate of their useful lives (3-15 years). Energy licenses are amortized between 10-49 years. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible asset with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

As of 31 December 2010 and 2009, there are no intangible assets with indefinite useful lives.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

3.13 Non-current Assets Held For Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying value and fair value less costs to sell if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sales, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non- controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

3.15 Investments and Other Financial Assets

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

Financial assets within the scope of IAS 39 are classified as 'financial assets at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) 'financial assets', 'loans and receivables' or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Investments and Other Financial Assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealized gains or losses being recognized as a separate component of other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the statement of income.

Available-for-sale financial assets of the Group are equity instruments that are not publicly traded. For investments where there is no active market and where reasonable estimate of the fair value could not be determined since other methods are inappropriate and impractical, they are stated at cost.

Financial Assets at Fair Value through Profit or Loss

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

3.16 Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognised in net profit or loss when the liabilities are derecognised, as well as through the amortization process.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.18 Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversed date.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Impairment of Financial Assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

3.19 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

3.20 Trade Payables

Trade payables which generally have an average of 98 days (2009 - 62 days) term are carried at amortized cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Group.

3.21 Offsetting

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

3.22 Research and Development Costs

Research and development costs are expensed as incurred.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Taxation and Deferred Income Taxes

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

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Employee Benefits

(a) Defined Benefit Plan:

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service with the Group companies.

Such defined benefit plan is unfunded. The cost of providing benefits under the defined benefit is determined using the "Projected Unit Credit Method" based upon estimates of the Group's obligations to personnel terminating their services and being eligible to receive such benefits, discounting using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses are recognised in the other comprehensive income as incurred.

(b) Defined Contribution Plan:

The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

3.25 Revenue Recognition

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Sales are recognised upon delivery of products and customer acceptance, if any, or on the performance of services. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Sale of goods

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

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

Rendering of Services

Revenue from rendering of services is recognized by reference to the stage of completion when it can be measured reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue Recognition (continued)

Interest revenue

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

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

3.26 Borrowing Costs

Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

Borrowing costs are capitalized until the assets are substantially ready for intended use.

3.27 Contingent Assets and Liabilities

Contingent liabilities are not recognised but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3.28 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

3.29 Subsequent Events

Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3.30 Forward Foreign Exchange Contracts

The Group uses derivative financial instrument such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. The Group is exposed to foreign currency rate risk on purchases and borrowings that are denominated in a currency other than the USD. The currencies giving rise to this risk are Euro and Turkish Liras. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.30 Forward Foreign Exchange Contracts (continued)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

3.31 Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. The reported amounts subject to significant management estimates are impairment of inventory, doubtful receivables, useful lives of property, plant and equipment, deferred tax assets, valuation of licenses, license applications and goodwill.

Doubtful receivables:

The Group makes provision for doubtful receivables for those are overdue and possible to create collection problem in future, by considering guarantees received related with these receivables.

Impairment of inventory:

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

Useful lives of property, plant and equipment:

Tangible and intangible assets are amortized over the useful lives determined by the management. The Group periodically reviews its useful lives estimates to ensure they reflect the actual use and expected remaining future benefits to be derived from the use of these property, plant and equipment.

Deferred taxes:

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors taken into consideration include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilise some portion of these deferred tax assets, therefore some portion of or all of the deferred tax assets are not recognised. The Group has not recognized deferred tax assets in certain entities because it is not probable that sufficient taxable profit will be available to recognise deferred tax assets in those entities. If market conditions improve and future results of operations exceed the Group's current expectations, the existing unrecognised deferred tax assets may be recognised, resulting in future tax benefits.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.31 Significant Accounting Judgments and Estimates (continued)

Valuation of licenses, license applications and goodwill recognized on business combination:

Valuation of the Group's licenses and license applications was based on discounted cash flows of each projects to determine the fair value of licenses and license applications. Valuation of the Group's licenses and license applications was conducted to serve as a basis for allocation of the purchase price to the various classes of assets acquired in accordance with IFRS 3 Business Combinations. For IFRS 3 purposes, fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties. In determining the fair value of the licenses and license applications, the Group adopted a "risk-weighted discounted cash flow" methodology whereby the discounted cash flows of each project, are adjusted by a risk factor. The risk factors are determined by the Group management following the due diligence conducted for each project, and take into account various criteria, including the status of the project, licensing status as well as perceived regulatory, environmental and feasibility risks.

4. CHANGES IN GROUP'S ORGANIZATION

The following transactions took place during 2010, which resulted in changes in Group's organization:

2010:

- Throughout the year 2010, Borusan Holding purchased additional shares of Borusan Yatırım for USD 1,757,708 from stock exchange increasing its direct shareholding from 32,56% to 33,63%. Such amount is recognized in other comprehensive income as it is a change in ownership interest and does not result in loss of control.
- In December 2009, the management of the Group agreed with a third party telecommunication company to sell 100% of Borusan Telekom shares. As of 31 March 2010, the shares have been transferred.
- As of 16 March 2010, the Group disposed 99,74% of the shares of Dolmabahçe.
- As of 4 November 2010, Kerim Çelik purchased 9,34% of shares of Borçelik with a total amount of USD 33,000,000. Excess money amounting to USD 20,187,217 is recognized in retained earnings as change in shareholding interest.

5. DIVIDENDS

In 2010, a dividend of USD 3,281 (2009: USD 2,529) per share in thousand (total USD 18,390,651) (2009: USD 14,174,992) was paid to shareholders.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

6. CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009
Banks		
-time deposits	171,729,582	200,872,180
-demand deposits	68,385,447	56,665,283
Cash on hand	243,575	171,963
Other liquid assets	32,645	879,006
	240,391,249	258,588,432

Effective interest rate of time deposits at 31 December 2010 is between 3%- 8% (2009: 5,65% - 15%) per annum for TL deposits and between 0,3%- 4% (2009: 0,5% - 4%) per annum for the currencies other than TL deposits.

Maturities of such deposits range from 1 day to 90 days (2009: 1 day to 81 days).

Currency breakdown of cash and cash equivalents is as follows:

Currency	31 December 2010		31 December 2009	
	Currency Amount	USD Equivalent	Currency Amount	USD Equivalent
USD	158,483,675	158,483,675	169,349,621	169,349,621
EUR	35,738,817	47,368,228	46,260,066	66,371,535
GBP	777,402	1,198,134	1,029,205	1,633,112
SFR	4,732	5,032	12,219	11,765
TENGE	466,189,212	3,164,037	347,992,811	2,351,303
Iran Rial	560,411,531	5,492,033	15,278,161,128	1,530,265
TL	35,891,405	23,214,561	26,110,089	17,340,831
DZD	107,659,230	1,465,549	-	-
		240,391,249		258,588,432



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2010	31 December 2009
Investment fund	45,446	20,441
	45,446	20,441

8. TRADE RECEIVABLES, net

	31 December 2010	31 December 2009
Current trade receivables		
Trade receivables	429,695,557	300,475,642
Trade receivables from related parties (Note 35)	198,027	441,370
Less: Allowance for doubtful receivables (-)	(16,831,966)	(14,845,618)
	413,061,618	286,071,394

As of 31 December 2010, trade receivables of USD 371,658,382 (2009: USD 255,624,467) were neither past due nor impaired. The average credit period on sales of goods and services provided is 50 days (2009: 49 days). Interest rates applied for amortized cost computation varies between 6,5% - 15% for TL (2009: 11% - 20%), 0,60% - 1,5% for EUR and 0,30% - 0,80% for USD (2009: 0,52% - 5,5% for EUR and 0,24% for USD) denominated receivables.

Collateral received in relation to trade receivables that are neither past due nor impaired is as follows:

	31 December 2010	31 December 2009
Letter of guarantee	46,555,549	72,589,067
Mortgages	8,008,611	11,948,746
Guarantee through direct debiting system	57,086,375	21,261,317
Letter of credit related to export receivables	23,575,805	13,395,983
Insured receivables	4,894,302	11,607,164
Other	2,385,924	-
Total	142,506,566	130,802,277

As of 31 December 2010, trade receivables of USD 40,850,240 (2009: USD 29,522,546) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	31 December 2010	31 December 2009
Up to 15 days	11,654,792	4,510,777
15 to 30 days	8,243,425	3,536,278
30 to 90 days	6,434,184	15,469,410
90 to 180 days	10,152,884	2,543,723
Over 180 days	4,364,184	3,462,358
	40,850,240	29,522,546

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

8. TRADE RECEIVABLES, net (continued)

The carrying amount of trade receivables that would otherwise be past due or impaired whose term have been renegotiated is USD 552,996 (2009: USD 924,381).

The provision for trade receivables is provided based on estimated irrecoverable amounts from the sales of goods and services provided, determined by reference to past default experience. As of 31 December 2010, USD 16,831,966 (2009: USD 14,845,618) were impaired and provided for. The aging of these receivables is as follows:

	31 December 2010	31 December 2009
Up to 90 days	2,794,736	1,483,118
90 to 180 days	409,129	141,254
Over 180 days	13,628,101	13,221,246
	16,831,966	14,845,618

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

	31 December 2010	31 December 2009
Letter of guarantee	3,988,483	4,119,930
Mortgages	1,197,435	-
Guarantee through direct debiting system	413,242	-
Insured receivables	1,260,286	1,131,131
Other	250,342	-
	7,109,788	5,251,061

Movement of allowance of trade receivables is as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
At the beginning of the year	14,845,618	14,078,064
Allowance provided during the year	6,548,404	6,518,745
Amounts written-off as uncollectable	(1,592,662)	-
Amounts recovered during the year	(2,325,986)	(5,725,902)
Currency translation reserve	(643,408)	(25,289)
At the end of the year	16,831,966	14,845,618

	31 December 2010	31 December 2009
Non - current trade receivable		
Trade receivables (net off discount)	-	848,155
Other trade receivables	312,770	39,106
	312,770	887,261

As of 31 December 2010, non-current trade receivables were neither past due nor impaired.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

8. TRADE RECEIVABLES, net (continued)

Currency breakdown of current and non - current trade receivables is as follows:

Currency	31 December 2010		31 December 2009	
	Currency	USD Equivalent	Currency	USD Equivalent
USD	110,964,952	110,964,952	102,270,737	102,270,737
EUR	163,216,686	216,327,395	69,778,904	100,115,140
GBP	15,013	23,700	2,347,273	3,724,583
İran Rial	726,570,612	7,120,392	140,990,740,876	14,121,669
TENGE	2,065,775,313	14,020,465	1,261,016,125	8,520,379
TL	100,061,848	64,723,058	87,640,996	58,206,147
DZD	14,282,534	194,426	-	-
		413,374,388		286,958,655

9. INVENTORIES, net

	31 December 2010	31 December 2009
Merchandise inventories (trading goods)	144,979,994	153,717,201
Goods in transit	88,225,368	88,897,827
Raw materials	96,396,480	87,344,880
Finished goods	76,275,139	57,977,102
Work in process (WIP)	34,566,226	30,130,530
Spare parts and operating supplies	29,560,993	23,229,782
Less : Allowance for NRV of Raw Materials	-	(46,266)
Less : Allowance for NRV of Trade Goods	(7,580,325)	(5,166,095)
Less : Allowance for NRV of Finished Goods	-	(117,430)
Total allowance for NRV	(7,580,325)	(5,329,791)
	462,423,875	435,967,531

Movement of allowance for NRV is as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
At the beginning of the year	5,329,791	70,794,010
Charge for the year	2,877,400	2,019,629
Provision released	(208,943)	(67,570,442)
Currency translation reserve	(417,923)	86,594
At the end of the year	7,580,325	5,329,791

Provision released during the year represents reversal of NRV impairment, due to the fact that the impaired inventory is sold during the year. Net realizable value of the inventories exposed to allowance in 2010 is USD 138,623,495 (2009: USD 145,844,325).

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

10. OTHER RECEIVABLES AND ASSETS

	31 December 2010	31 December 2009
Current asset		
Other receivables from non-consolidated related companies (*) (Note 35)	44,570,402	41,198,287
Value added tax (VAT) receivable	37,029,543	28,255,815
Income accruals (**)	15,089,419	20,435,141
Advances given	7,332,995	5,380,538
Prepaid expenses	6,840,413	8,120,756
Prepaid income tax	6,208,754	9,022,218
Due from personnel	3,017,708	4,138,596
Due from non-group companies (***)	-	6,122,445
Other	7,049,266	2,148,582
	127,138,500	124,822,378

(*) USD 39,395,000 (2009: USD 37,800,989) of this amount comprises USD denominated loans given to Kirpi Turizm A.Ş. (a non – group related party). Interest rate is charged over the loan at the market rate. Floating interest rate of the USD 30,525,000 amount of loan varies between Libor+2,00 – Libor+3,15 and the maturity of these loans varies between 14 January 2011 - 14 December 2011. Fixed interest rates of the loan amounting to USD 8,870,000 are between 2,7% and 3,7%. USD 3,650,000 (2009: nil) of this amount comprises USD denominated loans given to a non – group related party. Fixed interest rates of the loan amounting to USD 3,650,000 are 3,20%.

(**) USD 442,761 (2009: USD 628,554) of income accruals consists of warranty income accrual of Borusan Otomotiv since related warranty expenses are charged to BMW A.G.. USD 2,694,152 (2009: USD 3,212,902) of income accruals consists income accrual of Borusan Makina from Caterpillar Group. USD 4,466,801 (2009: nil) related with hedge income accrual. USD 3,761,754 (2009: nil) related with the income accrual of Borusan Makina from tax authorities. USD 1,221,903 related with the income accrual of services given (2009: 2,257,656), USD 527,384 (2009: USD 234,190) consists of the insurance claims and USD 1,974,664 (2009: USD 3,751,015) other income accruals.

(***) As of 31 December 2010, there is no receivable from ENBW (2009: USD 6,122,445).

	31 December 2010	31 December 2009
Non-current assets		
Deposits and advances given	9,384,453	5,452,750
VAT receivable	5,546,654	3,533,820
Receivable from government	3,612,663	1,223,445
Prepaid expense	2,236,740	3,660,609
Receivable from related parties (Note 35)	1,687,680	1,550,823
Other	2,946,102	962,462
	25,414,292	16,383,909



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

11. GOODWILL

The movement of goodwill during the years ended 31 December 2010 and 2009 is as follows:

	31 December 2010	31 December 2009
Opening balance	11,834,565	11,632,584
Addition	-	1,505,239
Impairment during the year	-	(280,360)
Disposal due to sale of 50% of Borusan Enerji shares	-	(1,022,898)
End of the year	11,834,565	11,834,565

As of 31 December 2010, there is no acquisition.

Additions in 2009, represent the goodwill arising from the acquisition of the remaining non-controlling shares in Yedigöl, Hazal, Van and Turkuaz on 6 March 2009.

The Group assesses goodwill for impairment annually or more frequently when there is an indication of impairment. Recoverable amount is determined by calculating the value in use. Principal estimates such as discount rate, growth rate, sale prices and direct costs during the period are taken into account in assessing the value in use. As of 31 December 2010, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's operations was not impaired. As of 31 December 2009, the impairment on goodwill is associated with Van, amounting to USD 280,360.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

12. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment, related accumulated depreciation and provision for impairment for the year ended 31 December 2010 is as follows:

	31 December 2009	Additions	Disposals (**)	Transfers (*)	Currency translation reserve	31 December 2010
Cost						
Land and buildings	588,384,914	9,065,451	(1,406,876)	16,199,027	(13,185,147)	599,057,369
Machinery and equipment	522,872,648	19,952,236	(14,324,301)	34,830,767	(5,839,255)	557,492,095
Motor vehicles	90,439,471	32,664,081	(12,793,925)	(1,810,625)	(3,244,491)	105,254,511
Furniture and fixtures	87,094,433	7,432,271	(1,601,135)	905,203	(2,929,854)	90,900,918
Leasehold improvements	48,989,029	5,955,582	(683,606)	51,389,169	(858,671)	104,791,503
Other tangible assets	976,011	1,762	-	-	(8,988)	968,785
Construction in progress	138,858,193	65,396,764	-	(108,915,518)	(1,460,842)	93,878,597
	1,477,614,699	140,468,147	(30,809,843)	(7,401,977)	(27,527,248)	1,552,343,778
Less: Accumulated Depreciation						
Buildings	(8,527,789)	(12,438,024)	430,478	(2,297,065)	995,777	(21,836,623)
Machinery and equipment	(88,266,967)	(39,576,529)	3,070,116	(1,658,245)	2,293,925	(124,137,700)
Motor vehicles	(54,600,243)	(9,500,720)	6,971,261	(1,530)	1,083,289	(56,047,943)
Furniture and fixtures	(61,325,809)	(6,541,940)	903,865	1,530	2,654,108	(64,308,246)
Leasehold improvements	(19,000,928)	(4,173,195)	440,235	2,277,781	1,074,259	(19,381,848)
Other tangible assets	(225,491)	(31,762)	-	(140)	8,991	(248,402)
	(231,947,227)	(72,262,170)	11,815,955	(1,677,669)	8,110,349	(285,960,762)
Less: Provision for impairment in the carrying amount of property, plant and equipment	(30,585,429)	-	-	-	-	(30,585,429)
Net book value	1,215,082,043	68,205,977	(18,993,888)	(9,079,646)	(19,416,899)	1,235,797,587

(*) As of 31 December 2010, USD 180,340 of transfer is made from construction in progress account to intangible asset, USD 2,695,607 of transfer is made from construction in progress account to other non-current assets, USD 4,526,030 of transfer is made from motor vehicles account to inventory and USD 1,677,669 of transfer is made from accumulated depreciation of property, plant and equipment to accumulated amortization of intangible assets.

(**) As of 31 December 2010, assets with a net book value of USD 1,095,133 transferred to assets classified as held for sale is included in disposals.

The amount of borrowing costs capitalized during the year is USD 4,077,369 (2009: USD 7,281,680). The rate used to determine the amount of borrowing costs eligible for capitalization was Libor+4%, which is the effective interest rate of the specific all borrowings.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Movement of property, plant and equipment, related accumulated depreciation and provision for impairment for the year ended 31 December 2009 is as follows:

	31 December 2008	Additions	Disposals	Transfers	Currency translation reserve	Revaluation fund	Net off accumulated depreciation	Disposal due to sale of 50% Borusan Enerji shares	31 December 2009
Cost									
Land and buildings	338,075,077	2,683,154	(2,495,474)	40,058,420	1,752,688	246,464,532	(38,153,483)	-	588,384,914
Machinery and equipment	539,883,848	17,670,024	(14,981,029)	163,573,579	951,789	16,946,959	(201,172,522)	-	522,872,648
Motor vehicles	89,501,191	23,497,767	(23,591,276)	438,996	592,793	-	-	-	90,439,471
Furniture and fixtures	78,059,779	3,693,321	(776,701)	5,569,548	593,946	-	-	(45,460)	87,094,433
Leasehold improvements	48,322,603	700,824	(426,845)	329,219	149,313	-	-	(86,085)	48,989,029
Other tangible assets	1,191,285	-	(216,849)	-	1,575	-	-	-	976,011
Construction in progress	142,843,938	276,046,523	(4,933,318)	(210,181,058)	83,246	-	-	(65,001,138)	138,858,193
	1,237,877,721	324,291,613	(47,421,492)	(211,296)	4,125,350	263,411,491	(239,326,005)	(65,132,683)	1,477,614,699
Less: Accumulated Depreciation									
Buildings	(39,177,642)	(9,097,881)	1,915,105	-	(320,854)	-	38,153,483	-	(8,527,789)
Machinery and equipment	(254,934,941)	(36,275,934)	2,256,662	-	(485,276)	-	201,172,522	-	(88,266,967)
Motor vehicles	(51,584,680)	(8,769,105)	5,891,987	-	(138,445)	-	-	-	(54,600,243)
Furniture and fixtures	(55,969,064)	(5,433,175)	492,188	-	(425,172)	-	-	9,414	(61,325,809)
Leasehold improvements	(15,304,683)	(3,918,616)	272,616	-	(68,639)	-	-	18,394	(19,000,928)
Other tangible assets	(414,017)	(3,191)	192,857	-	(1,140)	-	-	-	(225,491)
	(417,385,027)	(63,497,902)	11,021,415	-	(1,439,526)	-	239,326,005	27,808	(231,947,227)
Less: Provision for impairment in the carrying amount of property, plant and equipment	(27,138,208)	(3,447,221)	-	-	-	-	-	-	(30,585,429)
Net book value	793,354,486	257,346,490	(36,400,077)	(211,296)	2,685,824	263,411,491	-	(65,104,875)	1,215,082,043

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Market Valuation (fair value assessment)

Land, buildings and machinery and equipment of the Group and its Subsidiaries are revalued in January 2010 by independent professional valuer, Standart Gayrimenkul Değerleme Uygulamaları A.Ş., of which the effective date is 31 December 2009. Valuations for those assets were made on the basis of the market value. Initially, the book values of such assets were adjusted to the revalued amounts and the resultant initial surplus (reserve) net of deferred taxes was credited to revaluation reserve in equity. Accumulated depreciation of the revalued buildings and machinery and equipment have been eliminated against the gross carrying amounts of related assets as of 31 December 2009 and the net amount is restated to the revalued amount.

On disposal of revalued assets, amounts in revaluation reserves relating to that asset are transferred to retained earnings. Further, the depreciation difference realized from the revaluation surplus is transferred to retained earnings on annual basis as the asset is used by the Group.

Had the revalued assets been carried at cost less any accumulated depreciation and any accumulated impairment losses, the carrying amounts of land and buildings and machinery and equipment that would have been included in the consolidated financial statements as of 31 December 2010 and 2009 are as follows:

	31 December 2010	
	Land and Building	Machinery and Equipment
Cost	239,123,697	506,858,189
Accumulated Depreciation	(62,718,212)	(216,102,852)

	31 December 2009	
	Land and Building	Machinery and Equipment
Cost	250,944,316	491,453,323
Accumulated Depreciation	(54,102,638)	(186,668,180)

Movements in revaluation surplus of land, buildings, machinery and equipment before allocation of noncontrolling interest were as follows:

	1 January - 31 December 2010	1 January - 31 December 2009
At the beginning of the year	343,764,938	109,777,056
Current year addition revaluation adjustment	-	263,411,491
Change in tax rate of revaluation reserve	1,989,411	(25,380,579)
Transfer of depreciation difference (net of deferred tax) between the revalued and original value of assets realized from revaluation reserve into retained earnings pursuant to IAS 16	(11,701,192)	(4,043,030)
At the end of the year	334,053,157	343,764,938



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluation reserve included in the consolidated financial statements comprises the following:

	31 December 2010	31 December 2009
Revaluation reserve attributable to equity holders of the parent	152,223,259	156,309,199
Revaluation reserve attributable to non-controlling interest	181,829,898	187,455,739
	334,053,157	343,764,938

Finance (Capital) Leases

The Group recognised capital (finance) leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. The respective carrying value (net book values) of the leased assets, as reflected in the consolidated balance sheets, comprises the following:

	31 December 2010	31 December 2009
Machinery and equipment	6,510,408	11,088,211
Motor vehicles	1,299,998	1,299,998
Accumulated depreciation	(3,262,177)	(2,522,061)
Net book value	4,548,229	9,866,148

Future minimum lease payments for the finance leases are as follows:

	31 December 2010	31 December 2009
Next 1 year	2,998,999	2,401,391
1 year through 5 years	1,702,200	5,233,684
Total minimum lease obligations	4,701,199	7,635,075
Interest	(12,327)	(18,838)
Present value of minimum lease obligations	4,688,872	7,616,237
Finance lease obligation: (included in long-term and current portion of debt)		
- Current portion of long term debt (Note 16)	2,986,672	2,382,553
- Long term debt (Note 16)	1,702,200	5,233,684

The Group has purchase options for each single leasing agreement at nominal amounts.

Mortgages and Pledges on Assets

As of 31 December 2010, mortgages on property, plant and equipment amounting to EUR 20,000,000 (equivalent of 26,508,000 USD)(2009: EUR 20,000,000 - equivalent of USD 28,695,000) and USD 82,664,000 are given as guarantee for the liabilities already reflected in the consolidated balance sheet (2009: USD 82,664,000).

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

13. INTANGIBLE ASSETS, net

Movement of intangible assets during the year ended 31 December 2010 is as follows:

	Rights	Other Intangibles	Total
Cost at 1 January 2010	70,928,834	13,058,641	83,987,475
Additions	3,389,467	2,534,073	5,923,540
Disposals	-	(2,217)	(2,217)
Transfers	108,766	71,574	180,340
Currency translation reserve	(72,561)	(733,663)	(806,224)
Cost at 31 December 2010	74,354,506	14,928,408	89,282,914
Accumulated amortization at 1 January 2010	(30,307,787)	(11,586,845)	(41,894,632)
Charge for the year	(2,752,643)	(1,490,147)	(4,242,790)
Disposals	-	147	147
Currency translation reserve	51,254	89,135	140,389
Transfers	1,677,669	-	1,677,669
Accumulated amortization at 31 December 2010	(31,331,507)	(12,987,710)	(44,319,217)
Net book value at 31 December 2010	43,022,999	1,940,698	44,963,697

Movement of intangible assets during the year ended 31 December 2009 is as follows:

	Rights	Other Intangibles	Total
Cost at 1 January 2009	85,870,738	11,256,607	97,127,345
Additions	15,718,808	1,483,843	17,202,651
Disposals	(1,375,000)	-	(1,375,000)
Disposals due to sale of 50% of Borusan Enerji shares	(28,052,065)	-	(28,052,065)
Transfers	-	211,296	211,296
Currency translation reserve	16,353	106,895	123,248
Transfer to other current assets	(1,250,000)	-	(1,250,000)
Cost at 31 December 2009	70,928,834	13,058,641	83,987,475
Accumulated amortization at 1 January 2009	(15,875,711)	(10,166,999)	(26,042,710)
Charge for the year	(2,505,062)	(1,215,012)	(3,720,074)
Disposals	28,586	-	28,586
Disposals due to sale of 50% of Borusan Enerji shares	33,393	-	33,393
Currency translation reserve	(58,940)	(204,834)	(263,774)
Impairment during the year (*)	(11,930,053)	-	(11,930,053)
Accumulated amortization at 31 December 2009	(30,307,787)	(11,586,845)	(41,894,632)
Net book value at 31 December 2009	40,621,047	1,471,796	42,092,843

(*) It represents impairment on licences and licences applications of Van, Dolmabahçe, Başkent.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

14. TRADE PAYABLES, net

	31 December 2010	31 December 2009
Current trade payables		
Trade payables	534,883,360	417,572,477
Due to related parties (Note 35)	1,291,262	14,177
Other payables	-	3,945
	536,174,622	417,590,599

The average maturity of the trade payables is 98 days and average interest rate applied is 12,24 % (2009: interest rate applied is 3,04%, maturity 62 days).

	31 December 2010	31 December 2009
Non current trade payables		
Non-current trade payables	13,291,576	1,964,831
	13,291,576	1,964,831

Currency breakdown of current and non - current trade payables is as follows:

Currency	31 December 2010		31 December 2009	
	Currency Amount	USD Equivalent	Currency Amount	USD Equivalent
USD	361,835,143	361,835,143	253,210,042	253,210,042
EUR	104,912,858	139,053,646	85,070,991	122,055,430
GBP	7,675	12,115	11,019	17,484
SFR	95,995	102,072	-	-
Iran Rial	58,006,531	568,464	12,068,867,465	1,208,821
Tenge	82,412,124	559,333	90,302,697	610,153
TL	73,180,567	47,335,425	63,922,235	42,453,500
		549,466,198		419,555,430

15. SHORT-TERM BORROWINGS

	31 December 2010	31 December 2009
Unsecured borrowings	293,285,790	446,094,399
Factoring liabilities	-	6,099,914
	293,285,790	452,194,313

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

15. SHORT-TERM BORROWINGS (continued)

The interest rates for TL borrowings vary between 8%-16,5% (2009:8%-11%). Variable interest rates for EURO borrowings vary between Euribor+0,65%-Euribor+2,70 % (2009: Euribor+2,60%-Euribor+5,0%). Fixed interest rates for Euro borrowings vary between 1,64%-4,0% (2009: 1,37%-8,53%). For USD denominated borrowings, variable interest rates vary between Libor+1,07%-Libor+6,0% (2009:Libor+1,50%-6%). For USD denominated borrowings, fixed interest rates vary between 2,2%-3,75% (2009:1,90%-7,75%).

There are no secured short term borrowings as of 31 December 2010 and 2009.

Currency breakdown of short-term borrowings is as follows:

Currency	31 December 2010		31 December 2009	
	Currency Amount	USD Equivalent	Currency Amount	USD Equivalent
USD	184,705,552	184,705,552	172,131,190	172,131,190
EUR	49,739,768	65,926,105	171,909,379	246,646,630
TL	47,080,208	30,452,916	36,572,990	24,289,693
TENGE	1,353,452,863	9,185,916	1,354,000,000	9,126,800
AED	14,699,591	3,015,301	-	-
		293,285,790		452,194,313

16. LONG-TERM BORROWINGS

	31 December 2010					
	Fixed/Variable	Effective interest				
		USD		EUR		
		Min	Max	Min	Max	
Long - term Borrowings	554,237,127	Variable Libor+0,20	Libor+5,20	Euribor+1,40%	Euribor+3,0%	
Finance lease obligations	4,688,872	Fixed 2,6%	6,45%	2,30%	5,95%	
Total loans	558,925,999					
Less: Current portion of long-term borrowings (including interest accruals for long-term borrowings)	(96,609,483)					
Less: Current portion of lease obligations	(2,986,672)					
Total long-term borrowings, net of current portion	459,329,844					

USD 1,687,190 of long-term borrowings is secured (2009: USD 5,351,190 of long-term borrowings is secured).



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

16. LONG-TERM BORROWINGS (continued)

31 December 2009						
		Fixed/Variable	Effective interest rates p.a. (%)			
			USD		EUR	
			Min	Max	Min	Max
Long - term Borrowings	434,349,801	Variable	Libor(*)+0,2	Libor(*)+5,2	Euribor(*)+1,10%	Euribor(*)+2%
		Fixed	6,20%	6,85%	5,25%	5,25%
Finance lease obligations	7,616,237					
Total loans	441,966,038					
Less: Current portion of long-term borrowings (including interest accruals for long-term borrowings)	(64,463,643)					
Less: Current portion of lease obligations	(2,382,553)					
Total long-term borrowings, net of current portion	375,119,842					

(*) Annual (12 months) Libor and Euribor rates prevailing as of 31 December 2010 were 0,78094% and 1,4725% respectively (2009: 0,9843% and 1,2220%)

The redemption schedules of long-term borrowings and long-term financial lease obligations as at 31 December 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
Between 1-2 years	190,544,310	109,842,197
Between 2-3 years	110,868,487	81,533,115
Between 3-4 years	64,144,411	56,160,950
Between 4-5 years	47,336,292	55,177,153
More than 5 years	46,436,344	72,406,427
	459,329,844	375,119,842

Currency breakdown of long-term and current portion of long-term borrowings are as follows:

Currency	31 December 2010		31 December 2009	
	Currency Amount	USD Equivalent	Currency Amount	USD Equivalent
USD	457,409,130	457,409,130	412,447,099	412,447,099
EUR	74,599,415	98,875,589	20,572,299	29,516,064
DZD	188,822,340	2,550,419	-	-
TL	140,471	90,861	4,329	2,875
		558,925,999		441,966,038

Some of the Group's loans are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators, such as the net debt/EBITDA, EBITDA/financial expense and total liabilities/tangible net worth ratios.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

17. OTHER PAYABLES AND EXPENSE ACCRUALS

	31 December 2010	31 December 2009
Current payables and expenses accruals		
Accrued expenses	30,701,002	17,314,919
Advances received	32,609,681	18,206,666
Taxes and dues payable	27,226,749	17,721,489
Payable due to purchase of additional Borçelik shares	22,000,000	-
Other payables to non-group companies (*)	12,353,720	11,699,758
Provision for litigation	7,514,048	4,730,216
Accruals for personnel and board of directors (BOD) premiums	8,601,489	4,425,113
Deferred income	7,929,185	2,526,422
Due to personnel	1,709,345	1,811,853
Due to related parties (Note 35)	167,443	-
Other	1,667,229	3,135,377
	152,479,891	81,571,813

(*) Other payables to non-group companies represent payables to ENBW.

	31 December 2010	31 December 2009
Non - current payables and expense accruals		
Long term trade payables	963,809	-
Deferred income	77,955	47,029
	1,041,764	47,029

18. TAXES ON INCOME

a) Current Statutory Taxes

The Holding and the subsidiaries which are incorporated in Turkey are subject to taxation in accordance with the tax procedures and the legislation effective in Turkey.

In Turkey, the corporation tax rate for the fiscal year ended 31 December 2010 is 20% (2009: 20%). Corporate tax returns are required to be filed until the fifteenth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 15% commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

18. TAXES ON INCOME (continued)

a) Current Statutory Taxes (continued)

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Investment Incentives

The application of investment incentives is revoked commencing from 1 January 2006. However, companies are allowed to offset their carried forward outstanding allowances as of 31 December 2005 against the 2006, 2007 and 2008's taxable income in cases where they have insufficient taxable profits. Non-deductible investment incentives from the 2008's taxable income cannot be carried forward to following years.

Upon the resolution made by the Constitutional Court on 15 October 2009, the legal arrangement, which proposes to eliminate the vested rights was revoked on the basis of being contradictory to the constitution. Deadline of the investment incentive period is, thereby, ceased as of the reporting date. The related resolution was published in the Official Gazette on 8 January 2010.

Current statutory income tax payable for the years ended 31 December 2010 and 2009 are summarized as follows:

	31 December 2010	31 December 2009
Provision for current taxes as per statements of income		
- Turkey tax charge	24,905,091	11,416,409
- Kazakhstan tax charge	1,231,396	-
- United Kingdom tax charge	33,625	1,632,388
- Malta tax charge	3,225,684	970,851
- Iran tax charge	940,832	1,117,130
- Italy tax charge	-	-
Total statutory income tax charge for the year	30,336,628	15,136,778
Prepaid taxes	(14,748,789)	(7,126,155)
Currency translation reserve	(292,839)	(70,791)
Tax receivable (Malta)(*)	3,749,661	2,148,958
Income tax payable	19,044,661	10,088,790

(*) MIT Holding has a tax receivable amounting to USD 3,749,661 classified under current assets. (2009: USD 2,148,958)

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

18. TAXES ON INCOME (continued)

a) Current Statutory Taxes (continued)

The reconciliation of the “current statutory tax provision” as reflected in the consolidated statements of income can be summarized as follows:

	31 December 2010	31 December 2009
Statutory combined profit before taxes as per historical statutory financial statements (*)	136,303,571	43,563,561
Permanent non-tax deductible expenses and other additions	14,155,638	25,404,622
Permanent non-taxable income and tax loss carried forward utilized during the year	(25,933,753)	(11,813,441)
Taxable income per Turkish tax legislation	124,525,456	57,154,742
Corporation tax at 20%	24,905,091	11,416,409
Kazakhstan tax charge	1,231,396	-
United Kingdom tax charge	33,625	1,632,388
Iran tax charge	940,832	1,117,130
Malta tax charge	3,225,684	970,851
Provision for current statutory taxes on income	30,336,628	15,136,778

(*)In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, the companies which have incurred losses for the year ended 31 December 2010 have not been included in combined profit before taxes.

b) Deferred Taxes

The revised IAS 12 “Income Taxes” requires deferred taxation to be provided on the temporary differences which arise on the remeasurement of the non-monetary assets. Deferred taxes reflected in the consolidated balance sheets are summarized as follows:

	31 December 2010	31 December 2009
Deferred tax assets	5,717,966	9,173,120
Deferred tax liabilities	(40,121,986)	(36,715,924)
Deferred tax asset, net	(34,404,020)	(27,542,804)

Deferred tax assets and liabilities are based on temporary differences arising between the financial statements as reported for IFRS purposes and the statutory tax financial statements. Such temporary differences usually result in the recognition of income and expenses in different reporting periods for IFRS and tax purposes.

Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits to the extent that is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

18. TAXES ON INCOME (continued)

b) Deferred Taxes (continued)

The breakdown of deferred tax assets/ (liabilities) at 31 December 2010 and 2009 using the current effective tax rates, are as follows:

Entities that have net deferred tax asset position:

	Balance Sheet	
	31 December 2010	31 December 2009
Tax losses carried forward	15,079,756	4,228,359
Net difference between the tax base and the carrying value of inventories	4,319,970	2,356,561
Provision for employee benefits obligation	1,389,472	1,704,746
Other provisions and accruals	2,004,410	2,165,410
Net difference between the tax base and the carrying value of property, plant and equipment mainly arising from remeasurement pursuant to IAS 21	(7,547,459)	2,336,239
Other temporary differences	(816,506)	585,787
Total	14,429,643	13,377,102
Less: Allowance for deferred tax assets (*)	(8,711,677)	(4,203,982)
Deferred tax asset, net	5,717,966	9,173,120

(*) Deferred tax asset allowance is provided for specific subsidiaries since sufficient taxable profits will not be available in the foreseeable future. Allowance on deferred tax asset mainly arises due to tax losses amounting to USD 11,876,646 (2009: USD 11,596,619), provision for employee benefit obligation amounting to USD 71,719 (2009: USD 67,840), provisions and accruals amounting to USD (121,177) (2009: USD 97,555), net difference between the tax base and the carrying value of property, plant and equipment amounting to USD (321,299) (2009: USD (339,474)) and net difference between the tax base and carrying value of inventory amounting to USD (155,610) (2009: USD 223,773).

Entities that have net deferred tax liability position:

	Balance Sheet	
	31 December 2010	31 December 2009
Net difference between the tax base and the carrying value of inventories	(3,491,989)	1,843,960
Provision for employee benefits obligation	3,309,107	2,461,206
Tax losses carried forward	8,092,357	11,381,114
Other provisions and accruals	1,268,100	1,302,633
Net difference between the tax base and the carrying value of property, plant and equipment mainly arising from remeasurement pursuant to IAS 21	(45,893,539)	(46,098,683)
Other temporary differences	(767,420)	(163,823)
Total	(37,483,384)	(29,273,593)
Less: Allowance for deferred tax assets (*)	(2,638,602)	(7,442,331)
Deferred tax liability, net	(40,121,986)	(36,715,924)

BORUSAN HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

18. TAXES ON INCOME (continued)

Expiration schedule of carryforward tax losses is as follows:

	31 December 2010	31 December 2009
Expiring in 2010	-	10,555,430
Expiring in 2011	1,047,390	6,295,958
Expiring in 2012	752,744	10,195,650
Expiring in 2013	39,966,732	39,688,099
Expiring in 2014	18,709,187	11,312,228
Expiring in 2015	55,384,512	-
	115,860,565	78,047,365

Reconciliation of taxes by applying the effective tax rates to profit before tax provision as reflected in the statement of comprehensive income for the years ended 31 December 2010 and 2009 is as follows:

	31 December 2010	31 December 2009
Net income from ordinary activities before income tax	130,105,555	105,412,840
At statutory income tax rate at 20% (2009 – 20%)	(26,021,111)	(21,082,568)
Effect of: Disallowable expenses	(7,606,538)	(7,105,560)
Tax exempt income	9,923,281	20,488,475
Non tax deductible translation gain arising from remeasurement	(16,950,119)	(18,919,531)
Impairment provided for deferred tax asset	296,034	4,565,663
	(40,358,453)	(22,053,521)

Movements of deferred tax balances during the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
Beginning balance	(27,542,804)	5,191,515
Tax charge recognized in the statement of income	(10,021,825)	(6,916,743)
Tax credited/(charged) to revaluation reserve	1,989,411	(25,380,579)
Acquisition of subsidiary	-	488,558
Tax credited/(charged) to cash flow hedge reserve	218,993	-
Currency translation reserve	952,205	(925,555)
	(34,404,020)	(27,542,804)

Taxation on income for the years ended 31 December 2010 and 2009 are summarized as follows:

	2010	2009
Taxation per accompanying consolidated statements of income		
- Current statutory taxes	(24,905,091)	(11,416,409)
- Kazakhstan tax charge	(1,231,396)	-
- United Kingdom tax charge	(33,625)	(1,632,388)
- Iran tax charge	(940,832)	(1,117,130)
- Malta tax charge	(3,225,684)	(970,851)
- Deferred tax charge	(10,021,825)	(6,916,743)
Net tax charge – total	(40,358,453)	(22,053,521)



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

19. EMPLOYEE BENEFITS OBLIGATION

Under the Turkish Labor Law, the Group is required to pay termination benefits to each employee whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women), achieves the retirement age (58 for women and 60 for men) if the employee has completed one year of service. The amount payable consists of one month's salary limited to a maximum for each year of service at 31 December 2010 of TL 2,517,01 (USD 1,628,08) (2009: TL: 2,365,16 USD 1,570,8).

The maximum payment for retirement payment liability per year of employment is increased to TL 2,623,23 (USD 1,696,79) as of 1 January 2011.

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Accordingly, as at 31 December 2010 and 2009, the following actuarial assumptions were used in the calculation of the liability:

	31 December 2010	31 December 2009
Interest rate	10%	11%
Expected rates of salary/limit increases	5,1%	4,8%
Turnover rate to estimate the probability of retirement	98%	98%

Movements of the provision for employee benefits obligation during the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
Beginning of the year	20,829,756	19,027,302
Actuarial gain	1,454,684	415,740
Interest expense	970,667	1,126,416
Current service cost	3,630,232	3,309,862
Payments	(3,027,866)	(3,066,210)
Currency translation reserve	(364,578)	16,646
End of the year	23,492,895	20,829,756

Of the total charge of provision for employee benefits obligations, USD 1,971,998 is charged to cost of sales, (2009: USD 1,660,983 is credited) and USD 4,083,585 (2009: USD 3,191,035) is charged to marketing and general administrative expenses.

Average number of personnel for the year ended 31 December 2010 was 4,944 (2009: 4,616). During the year ended as of 31 December 2010, the average number of personnel working abroad was 667 (2009: 593), of which 496 (2009: 478) are located in Middle East and Central Asia, 1 (2009: 1) in the United Kingdom, 96 (2009: 81) in Italy and 61 (2009: 33) in Malta.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

20. SHARE CAPITAL

Holding's historical statutory share capital (authorized) consists of 5,605,333,000 shares with a par value of TL 0,01 each as of 31 December 2010 and 2009. The share groups and privileges assigned to each share group are as follows:

	Group	Privilege	2010		2009	
			TL	Share %	TL	Share %
Yeni Nesil Yönetim ve Danışmanlık A.Ş.	A	1,2,3	16,815,998	30,00%	16,815,998	30,00%
Ali Ahmet Kocabıyık	B	1,3	8,548,132	15,25%	8,548,132	15,25%
Ayşe Nükhet Özmen	B	1,3	8,407,999	15,00%	8,407,999	15,00%
Fatma Zeynep Hamedî	B	1,3	8,407,999	15,00%	8,407,999	15,00%
Asım Kocabıyık	B	1,3	8,407,958	15,00%	8,407,958	15,00%
Zehra Nurhan Kocabıyık	B	1,3	2,802,666	5,00%	2,802,666	5,00%
İsmail Sefa Batıbayı	B	1,3	2,634,506	4,70%	2,634,506	4,70%
Cemil Bülent Demircioğlu	B	1,3	28,027	0,05%	28,027	0,05%
Borusan İstikbal Ticaret T.A.Ş.	B	1,3	40	0,00%	40	0,00%
			56,053,325	100,00%	56,053,325	100,00%
USD equivalent			46,044,080		46,044,080	

1. Voting right.
2. Nomination of majority of board members.
3. Board membership nomination.

Common shares	2010		2009	
	Shares (Thousand)	Amount (TL)	Shares (Thousand)	Amount (TL)
At 1 January	5,605,333	56,053,325	5,605,333	56,053,325
31 December	5,605,333	56,053,325	5,605,333	56,053,325

21. RETAINED EARNINGS AND LEGAL RESERVES

Under Turkish Tax Law and Turkish Commercial Code (TCC), consolidated reporting for tax and statutory purposes is not recognised. Each company within the Group is treated as an individual tax paying and statutory entity. The ability of an individual company to distribute dividends to its direct shareholders is dependent on its statutory profits.

Retained earnings as per the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below:

The statutory legal reserves consist of first and second reserves, appropriated in accordance with TCC. TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the entity's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Dividend distributions are made in TL in accordance with its Articles of Association, after deducting taxes and setting aside the legal reserves as discussed above.

Revaluation fund from participations and special funds cannot be distributed to the shareholders, but can be added to the share capital.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

21. RETAINED EARNINGS AND LEGAL RESERVES (continued)

Listed companies (only applicable for Borusan Yatırım ve Pazarlama A.Ş. and Borusan Mannesmann Boru Sanayi ve Ticaret Anonim Şirketi) are subject to dividend requirements regulated by the Turkish Capital Market Board (CMB).

As of 31 December 2010 and 2009, general and legal reserves including inflation corrections (as per statutory financial statements of the Holding) are as follows (TL):

	31 December 2010	31 December 2009
Legal reserves	23,215,996	23,215,996
Revaluation fund from participations	13,884,623	13,884,623
Retained earnings	147,186,467	87,974,157
Special funds	14,516,111	14,516,111
Inflation adjustment on capital	47,501,810	47,501,810
Gain on sale of investment to be added onto capital	16,237,255	16,237,255

22. ASSETS CLASSIFIED AS HELD FOR SALE

In December 2010, the management of the Group initiated the negotiations to sell plastic operations of Borusan Mannesmann Boru to a third party. As of 31 December 2010 assets classified as held for sale and liabilities associated with assets classified as held for sale is related with plastic operations of Borusan Mannesmann Boru. In October 2007, the management of the Group initiated the negotiations to sell 100% of Borusan Telekom shares to a third party, the shares have been transferred to the acquirer in 2010. Accordingly, Borusan Telekom is presented as assets classified as held for sale in the accompanying consolidated balance sheet as of December 31, 2009. The details of assets classified as held for sale, liabilities and expenses associated with assets classified as held for sale are as follows:

	31 December 2010	31 December 2009
Cash and cash equivalents	-	94,666
Trade receivables, net	1,231,486	7,069,905
Inventories	1,055,658	553,188
Property, plant and equipment, and intangible assets, net	1,095,133	12,147,119
Other assets	965,938	3,612,310
Assets classified as held for sale	4,348,215	23,477,188
Trade payables, net	-	7,421,732
Borrowings	367,919	5,029,972
Other liabilities	-	13,216,728
Liabilities associated with assets classified as held for sale	367,919	25,668,432

For the year ended 31 December 2010, loss from discontinuing operations includes loss of Borusan Telekom and Dolmabahçe until 31 March 2010 and plastic operations of Borusan Mannesmann Boru in 2010. For the year ended 31 December 2009, loss from discontinuing operations includes Borusan Telekom and plastic operations of BMB.

	1 January - 31 December 2010	1 January - 31 December 2009
Revenue	22,508,809	63,049,457
Cost of goods sold and services provided	(20,361,583)	(53,087,708)
Selling, general and administrative expenses	(2,717,283)	(9,129,760)
Finance expense, net	(434,840)	(1,284,848)
Other expense, net	(872,564)	(600,790)
Loss from sale of Dolmabahçe	(379,607)	-
Loss for the year from discontinued operations	(2,257,068)	(1,053,649)

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

24. COST OF GOODS SOLD AND SERVICES PROVIDED

	1 January - 31 December 2010	1 January - 31 December 2009
Direct raw materials	1,408,431,105	1,129,483,035
Labor	72,543,347	74,221,682
Depreciation and amortization expenses	58,835,501	52,542,568
Other production overheads including utilities, repair, maintenance	124,701,415	90,313,480
Net changes in finished goods	(18,298,037)	51,278,257
Net changes in WIP inventories	(4,435,696)	(10,084,708)
Cost of merchandise inventories sold	1,155,384,498	592,554,554
Cost of services	254,927,990	171,620,934
Cost of other sales	48,899,383	7,622,657
Allowance / (Reversal of) for NRV	2,668,457	(65,550,813)
	3,103,657,963	2,094,001,646

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	1 January - 31 December 2010	1 January - 31 December 2009
Personnel expenses	100,166,417	87,620,790
Consulting, audit and legal fees	19,229,777	11,433,011
Depreciation and amortization expenses	17,700,041	14,130,262
Advertising expenses	13,674,928	10,257,084
Board of directors and personnel premium	7,603,278	4,425,113
Travel expenses	6,577,783	5,078,304
Donations sponsorship	6,408,251	3,823,486
Car rentals and other car expense	5,116,852	5,900,287
Provision for lawsuit expenses	4,941,940	3,735,263
Rent expenses	4,613,262	6,776,471
Provision for doubtful receivable, net of recoveries	4,222,418	792,843
Taxes	3,941,561	2,835,140
Energy	3,826,565	2,924,305
Entertainment	3,461,055	520,260
Insurance	3,362,384	3,338,409
Outsourcing expenses	3,320,136	3,914,469
Communication	2,602,925	3,119,182
Training	2,143,524	1,278,138
Representation and meeting	1,929,768	780,787
Repair and maintenance expenses	1,758,750	1,971,401
Food expenses	1,527,495	1,707,891
Stationary	925,640	654,105
Sales distribution expenses	603,123	1,863,790
Other	21,059,304	16,026,483
	240,717,177	194,907,274

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

26. PERSONNEL EXPENSES

	1 January - 31 December 2010	1 January - 31 December 2009
Wages, salaries and other social expenses	145,966,011	135,644,117
Cost of defined contribution plan (employer's share of social security premiums)	20,688,170	21,346,337
Termination benefits	6,055,583	4,852,018
	172,709,764	161,842,472

27. DEPRECIATION AND AMORTIZATION EXPENSES

	1 January - 31 December 2010	1 January - 31 December 2009
Cost of production	57,012,750	51,446,902
Selling, general and administrative expenses	15,840,796	11,554,604
Currency translation reserve	(591,376)	496,396
Sub-total depreciation expense	72,262,170	63,497,902
Cost of production	1,822,751	1,095,666
Selling, general and administrative expenses	1,859,245	2,575,658
Currency translation reserve	560,794	48,750
Sub-total amortization expenses	4,242,790	3,720,074
Total depreciation and amortization expenses	76,504,960	67,217,976

28. OTHER OPERATING INCOME, net

	1 January - 31 December 2010	1 January - 31 December 2009
Gain on sale of Telekom shares (Note 31)	5,206,805	-
Warranty income	4,160,435	5,106,730
Commission income	2,499,629	445,364
Scrap sales	1,043,111	157,353
Rent income	698,188	1,247,468
Commission expense	(4,569,469)	(1,528,128)
(Loss) / Gain on sale of property, plant and equipment	(181,313)	1,124,511
Gain on sale of 50% of Borusan Enerji shares (Note 31)	-	30,742,790
Impairment of licenses and goodwill	-	(15,657,634)
Other, net	3,333,324	9,731,215
	12,190,710	31,369,669



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

29. FINANCIAL EXPENSE, net

	1 January - 31 December 2010	1 January - 31 December 2009
Financial income:		
Interest income	5,893,896	8,108,793
Due date income, net	7,031,997	13,712,333
Interest income from marketable securities at fair value through profit or loss	-	191,818
Total financial income	12,925,893	22,012,944
Financial expense:		
Interest expense	(41,163,179)	(50,496,732)
Other financial expense (*)	(14,007,345)	(17,451,266)
Total financial expense	(55,170,524)	(67,947,998)
Financial expense, net	(42,244,631)	(45,935,054)

(*) Other financial expense mainly comprises factoring expenses, letter of guarantee expenses, bank and credit card commissions, certain bank expenses paid for the loans obtained and other bank expenses.

30. ACQUISITION OF SUBSIDIARY

2010:

As of 31 December 2010, there is no acquisition of subsidiary.

2009:

Throughout the year 2009, Borusan Holding purchased from the stock exchange additional shares of Borusan Yatırım for USD 2,458,356, increasing its direct shareholding rate from 29,50% to 32,56%, resulting in a negative goodwill of USD 1,534,973 which is recognized directly in statement of comprehensive income.

Shares of Yedigöl, Hazal, Van, Turkuaz held by Enya Enerji with nominal values of TL 600,000, TL 12,500, TL 50,000, TL 20,000, respectively, were acquired by the Group on 6 March 2009 at an amount of USD 1,924,469.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

31. DISPOSAL OF SUBSIDIARY

2010:

Dolmabahçe

As of 16 March 2010, the Group disposed 99,74% of the shares of Dolmabahçe.

	<u>16 March 2010</u>
<u>Book value of net assets disposed</u>	
Current assets	
Cash and cash equivalents	2,675
Other current assets	399,624
Current liabilities	
Trade payables	(7,656)
Other current liabilities	(15,050)
Net assets disposed	<u>379,593</u>
Loss on disposal	<u>(379,593)</u>
Consideration received in cash and cash equivalents	<u><u>-</u></u>



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

31. DISPOSAL OF SUBSIDIARY (continued)

Borusan Telekom

In December 2009, the management of the Group agreed with a third party telecommunication company to sell 100% of Borusan Telekom shares. As of 31 March 2010, the shares have been transferred.

<u>Book value of net assets disposed</u>	<u>31 March 2010</u>
Current assets	
Cash and cash equivalents	167,201
Trade receivables	7,258,298
Inventories	459,557
Other current assets	2,828,841
Non-current assets	
Property, plant and equipment	11,491,899
Intangible assets	1,896,702
Other non-current assets	180,405
Current liabilities	
Short term borrowings	(5,321,216)
Trade payables	(6,245,310)
Other current liabilities	(3,540,593)
Non-current liabilities	
Bank loans	(45,148)
Employee benefit obligations	(96,523)
Net assets disposed	9,034,113
Gain on disposal (Note 28)	5,206,805
	<u>14,240,918</u>
<u>Consideration:</u>	
Consideration received in cash and cash equivalents	14,240,918
	<u>14,240,918</u>
<u>Net cash inflow on disposal</u>	
Consideration received in cash and cash equivalents	14,240,918
Less: cash and cash equivalent balances disposed of	(167,201)
	<u>14,073,717</u>

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

31. DISPOSAL OF SUBSIDIARY (continued)

2009:

Borusan Enerji

On 3 March 2009, Borusan Holding signed a respective agreement of principle as strategic partnership to establish a joint venture with ENBW Energie Baden-Württemberg AG ("ENBW") by selling 50% of Borusan Enerji to ENBW by the end of April 2009. 50% of the shares of Borusan Enerji are transferred to ENBW effective from 31 July 2009. 50% of net assets disposed are as follows:

<u>Book value of net assets sold</u>	<u>31 July 2009</u>
Current assets	
Cash and cash equivalents	13,140,850
Trade receivables	1,288,509
Other current assets	4,484,159
Non-current assets	
Property, plant and equipment	65,104,875
Intangible assets	28,018,671
Goodwill on consolidation	1,022,898
Other non-current assets	7,407,049
Deferred tax asset	977,116
Current liabilities	
Bank loans	(33,546,134)
Shareholder loans	(21,452,015)
Trade payables	(700,813)
Other current liabilities	(298,314)
Non-current liabilities	
Bank loans	(23,785,817)
Employee benefit obligations	(3,824)
Net assets disposed	41,657,210
Gain on disposal	30,742,790
	<u>72,400,000</u>
<u>Consideration:</u>	
Consideration received in cash and cash equivalents	72,400,000
	<u>72,400,000</u>
<u>Net cash inflow on disposal:</u>	
Consideration received in cash and cash equivalents	72,400,000
Less cash and cash equivalent balances disposed of	(13,140,850)
	<u>59,259,150</u>

Borusan Makina

On 29 July 2009, Borusan Makina signed an agreement with EFI on sale of 20% of shares of Borusan Makina for an amount of USD 2,700,000. Net assets disposed amount to USD 8,225,082. Gain is recognized directly in other comprehensive income as the transfer of shares did not result in loss of control as of the transaction date.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

32. JOINT VENTURES

The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of Borusan Enerji and Manheim as of 31 December 2010 and 2009.

	31 December 2010		31 December 2009	
	Manheim	Borusan Enerji	Manheim	Borusan Enerji
Current assets	1,778,966	6,125,406	1,883,684	14,089,215
Non-current assets	2,437,544	139,846,552	2,808,783	115,231,856
Current liabilities	(2,775,138)	(54,653,532)	(4,701,016)	(57,282,806)
Non-current liabilities	(2,150,835)	(61,252,605)	(25,413)	(34,144,550)
	Year ended 31 December 2010		Year ended 31 December 2009	
Loss for the year	(675,207)	(7,827,895)	(1,160,766)	(11,073,165)

33. FINANCIAL RISK MANAGEMENT

(a) Capital risk management

Capital risk management of the Group aims to maximize the profitability through the optimization of the debt and equity balance, while maintaining the continuity of its business operations.

The capital structure of the Group includes of issued capital, reserves and equity items consisting of retained earnings disclosed in Notes 20 and 21, respectively.

The Group's cost of capital and capital risks associated with each capital item are assessed by the Board of Directors and the Management of the Holding. Decisions on the dividend payments or capital increase are made based on those assessments and Holding aims at balancing its capital structure by borrowing loans or settling its debt amounts.

The Group's overall strategy is determined in accordance with the financial risk management application framework issued on 10 August 2006.

(b) Significant accounting policies

The details of the Group's significant accounting policies in respect of financial instruments are disclosed in Note 3 "Summary of significant accounting policies" to the financial statements.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

33. FINANCIAL RISK MANAGEMENT (continued)

Categories of financial instruments

31 December 2010	Loans and receivables (including cash and cash equivalents)	Financial assets at fair value through profit or loss	Available for sale investments	Financial liabilities at amortized cost	Total	Note
Balance Sheet						
Financial Assets						
Cash and cash equivalents	240,391,249	-	-	-	240,391,249	6
Trade receivables	413,374,388	-	-	-	413,374,388	8
Other assets	49,275,790	-	-	-	49,275,790	10
Other financial assets	-	45,446	-	-	45,446	7
Available for sale investments	-	-	2,200,177	-	2,200,177	
	703,041,427	45,446	2,200,177	-	705,287,050	
Financial Liabilities						
Borrowings	-	-	-	852,211,789	852,211,789	15, 16
Trade payables	-	-	-	549,466,198	549,466,198	14
Other payables	-	-	-	36,230,508	36,230,508	17
	-	-	-	1,437,908,495	1,437,908,495	
31 December 2009	Loans and receivables (including cash and cash equivalents)	Financial assets at fair value through profit or loss	Available for sale investments	Financial liabilities at amortized cost	Total	Note
Balance Sheet						
Financial Assets						
Cash and cash equivalents	258,588,432	-	-	-	258,588,432	6
Trade receivables	286,958,655	-	-	-	286,958,655	8
Other assets	53,010,151	-	-	-	53,010,151	10
Other financial assets	-	20,441	-	-	20,441	7
Available for sale investments	-	-	2,183,650	-	2,183,650	
	598,557,238	20,441	2,183,650	-	600,761,329	
Financial Liabilities						
Borrowings	-	-	-	894,160,351	894,160,351	15, 16
Trade payables	-	-	-	419,555,430	419,555,430	14
Other payables	-	-	-	13,511,611	13,511,611	17
	-	-	-	1,327,227,392	1,327,227,392	

The carrying value of the financial instruments listed above approximate their fair values as of 31 December 2010 and 2009.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

33. FINANCIAL RISK MANAGEMENT (continued)

(d) Objectives of financial risk management

The Group's treasury is managed by finance departments of subsidiaries and the Holding's finance department, which is responsible for the control and coordination and the Group's finance functions are responsible for determining, assessing and managing the financial risks that the Group companies are exposed to using a proactive approach. This responsibility includes maintaining a systematical access to international and local markets as well as monitoring and managing the companies' risk exposure using the in-house reports which analyze the level and extent of risks. Such risks consist of market risk (including currency risk, interest rate risk and price risk), cash flow risk and liquidity risk.

Risks that are attributable to the Group companies are managed by using the Value-at Risk (VaR) method and policies that are approved by the Board of Directors of each company. Such policies prescribe the written procedures on the currency risk, interest risk and the use of derivative or non-derivative financial instruments and investments in excess of liquidity. Compliance with the policies and risk limits are monitored by the Holding's Finance Function on a daily basis. Idle liquidity is used to utilize alternative earnings via financial instruments within the limits specified by the BOD.

When appropriate, the Group uses forward agreements as derivative financial instruments to minimize and hedge its risks. The Group has no financial instruments (including derivative financial instruments) used for speculative purposes.

In order to minimize risk exposure, Borusan Holding Finance Department reports to Company's and Group's Management on a monthly basis, and reports to the Board of Directors of the Holding on a quarterly basis.

(*) VaR represents the amount of possible loss in one day, with a confidence level of 99%, considering the market volatility in foreign currency exchange rates, capital markets and interest rates.

(e) Market risk

At the subsidiary level, the Group uses VaR analyses, which is the estimation of maximum loss within a given confidence level (99% probability) over a given period of time.

Risk management is assessed based on the functional currency of each company. The overall Group monitoring is performed in USD which is the functional currency of the Group. Risk reports are reviewed on a daily, weekly and monthly basis in order to perform a proactive and efficient management.

(f) Foreign currency and interest risk management

The Group is exposed to foreign currency risk arising from a limited level of TL based trade receivables, tax and statutory liability payments caused by the operations of group companies and foreign currency positions held to benefit from higher yields within the limits determined by the BOD of Holding. The Group's Treasury Management manages and controls such risk by offsetting the foreign currency assets and liabilities within the Group as well as using forward transactions and options. Fixed/variable costs of current loans are managed using derivative instruments within the VaR limits by monitoring the global market interest movements, for hedging purposes.

According to VaR analysis performed by Group Management; the Group is primarily exposed to TL and EURO foreign currency risks. As a result of open position follow-up, as of 31 December 2010, the Group has short position in TL for a USD equivalent amount of USD 5,883,860 and short position in EUR for a USD equivalent amount of USD 102,094,119 (31 December 2009: the Group has short position in TL for a USD equivalent amount of USD 13,552,591 and long position in EUR for USD equivalent amount of USD 18,693,726).

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

33. FINANCIAL RISK MANAGEMENT (continued)

(f) Foreign currency and Interest risk management (continued)

If volatility in capital markets, interest rates and foreign exchange rates is increased by 10% against as of 31 December 2010 keeping all other variables constant, value-at risk amounting to USD 3,339,593 (2009 : USD 1,964,992) as of 31 December 2010 would have been higher by USD 2,514,355 (2009 : USD 2,251,072).

(g) Credit risk management

The Group's credit risk primarily arises from its trade receivables. Such credit risk is managed by limiting the risk through the collaterals received and insuring the receivables. In managing credit risk, the Group uses instruments such as; Direct Debit System, non-recourse factoring, letters of guarantee, credit insurances and mortgages. The Group monitors its customer risks on a consistent basis and creditworthiness of the customers are systematically assessed based on the financial position, past experience and other factors. Trade receivables are reviewed depending on the Group policies and procedures and they are carried at net amounts in the balance sheet subsequent to any provision for doubtful receivables (Note 8). As of 31 December 2010, trade receivables amounting to USD 6,154,588 (2009: USD 12,738,295) have been insured by the Group.

(h) Price risk

The Group is exposed to price risks arising from the impact of the price changes on the steel raw materials and trade inventories. The Group does not use commodity hedge instruments other than zinc swaps. The Group's Treasury Management uses derivative financial instruments to mitigate the risk of rising of only zinc prices. There are no global derivative instruments to be utilized against the adverse price changes on the sales margins. The Group optimizes inventory turnover rates by reviewing the sale-production-purchase balance on a consistent basis considering the price trend of the steel raw materials and trade goods for future periods and reflects the steel price to the selling prices.

(i) Liquidity risk management

The Group manages its liquidity risk by monitoring its expected and actual cash flows on a consistent basis considering its short, medium and long-time funding and liquidity requirements.

Liquidity risk tables

Conservative liquidity risk management requires maintaining sufficient cash on hand, availability of sufficient loan transactions and fund sources and ability to close market positions.

Funding risk on current and future potential loan requirements is managed by maintaining the availability of sufficient number of creditors with high quality.



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

33. FINANCIAL RISK MANAGEMENT (continued)

The below table shows the maturity analysis of the Group's non-derivative financial liabilities:

(j) Liquidity risk management (continued)

Liquidity risk tables (continued)

31 December 2010								
	Up to 1 Month	1 month - 3 Months	3 Months - 1 Year	1 Year - 5 Years	More than 5 Years	Adjustment (*)	Total	Notes
Borrowings	31,623,308	68,480,334	297,771,187	456,563,463	46,526,464	(48,752,967)	852,211,789	15, 16
Trade payables	189,943,865	173,699,771	176,136,246	13,329,947	-	(3,643,631)	549,466,198	14
Other payables	1,709,346	22,787,775	11,733,387	-	-	-	36,230,508	17
	223,276,519	264,967,880	485,640,820	469,893,410	46,526,464	(52,396,598)	1,437,908,495	
Derivative Instruments:								
FX forward	-	(29,428)	56,085	-	-	-	26,657	32
Zinc forward	(283,806)	(1,132,791)	(3,020,776)	-	-	-	(4,437,373)	
Other	-	662,886	-	(768,861)	-	-	(105,975)	
	(283,806)	(499,333)	(2,964,691)	(768,861)	-	-	(4,516,691)	

31 December 2009								
	Up to 1 Month	1 month - 3 Months	3 Months - 1 Year	1 Year - 5 Years	More than 5 Years	Adjustment (*)	Total	Notes
Borrowings	120,859,992	120,813,112	290,399,511	355,572,344	56,203,094	(49,687,702)	894,160,351	15, 16
Trade payables	157,010,282	129,316,626	136,227,397	2,008,650	-	(5,007,525)	419,555,430	14
Other payables	1,811,853	11,699,758	-	-	-	-	13,511,611	17
	279,682,127	261,829,496	426,626,908	357,580,994	56,203,094	(54,695,227)	1,327,227,392	
Derivative Instruments:								
FX forward	-	(14,617)	974,036	-	-	-	959,419	32
Zinc forward	-	-	(1,095,850)	-	-	-	(1,095,850)	
	-	(14,617)	(121,814)	-	-	-	(136,431)	

(*) The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

34. COMMITMENTS AND CONTINGENT LIABILITIES

Guarantee Letters

As at 31 December 2010, the Group is contingently liable for letters of guarantee given mainly to the Government offices, government bids and customers amounting to USD 115,725,189 (2009: USD 100,553,702).

Suretyships

Suretyship obtained from third parties for investment borrowings in Borçelik :

		2010	2009
Arcelor Finance	- suretyships (USD)	1,647,810	5,351,190

Forward Agreements

As at 31 December 2010 and 2009, the summary of nominal amounts of the forward transactions entered into with various local branches of the foreign banks that were outstanding are as follows:

Kerim Çelik

As of 31 December 2010, the outstanding forward transactions are as follows:

a) to sell 7,109,070 Eur and buy 9,457,895 USD with the maturities between 7 January 2011 and 24 June 2011 of which the average agreed rate is 1,3304,

b) to sell 37,535,000 USD and to buy 57,642,956 TL with the maturities 28 January 2011 and 26 April 2011 of which the average agreed rate is 1,5357,

As of 31 December 2009 the outstanding forward transactions are 11,126,000 USD with maturities between 14 January 2010 and 10 April 2010 of which the agreed rate is 1,5179.

Borusan Mannesmann Boru

As of 31 December 2010, the outstanding forward transaction is GBP 2,285,000 with the maturities between 28 February 2011 and 29 April 2011 of which the agreed exchange rate (GBP/USD) is 1,5782 (2009: GBP 800,000 with the maturities between 17 May 2010 of which the agreed exchange rate (GBP/USD) is 1,6335) and EUR 400,000 with a maturity of 27 May 2011 with an average exchange rate of 1,3238 (2009: None). The total agreed amount of such transactions is USD 4,135,771 (2009: USD 1,306,800).

Borusan Enerji

Borusan Enerji has two forward contracts. As mentioned contracts, Borusan Enerji has commitments to sell USD 6,150,000 and buy TL 9,508,630 with a maturity of 4 January 2011. As of December 31, 2009 Borusan Enerji has no outstanding forward contract.

Borçelik

Borçelik entered into a foreign currency forward contract as of 31 December 2010 to buy USD 830,980 in exchange for EUR 600,000 at an average rate of USD/EUR 1,38.

Borçelik entered into a foreign currency forward contract as of 31 December 2009 to buy USD 9,069,200 in exchange for EUR 7,000,000 at an average rate of USD/EUR 1,30.

Further, Borçelik has entered into a contract to purchase zinc. Based on the agreement, the sales will take place for 12,200 tons from January 2011 to December 2011 for the fixed price of USD 2,130 per ton.(2009: 10,850 tons between January 2010 to December 2010 for the fixed price of USD 2,477 per ton)



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

34. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Letter of Credit

The group has unused letter of credit amounting to EUR 1,066,750 (2009: USD 2,932,202), majorly in Borusan Enerji due to technical equipments that are related to purchase commitments listed below.

Purchase and service commitments:

The purchase and service commitments for the Group on Energy project basis in USD as of 31 December 2010 and 2009 are as follows:

Project		Terminates at	31 December 2010	Terminates at	31 December 2009
Yedigöl Aksu	Mechanical	2011	1,138,265	2010	1,696,533
Yedigöl Aksu	Construction	2011	4,733,145	2010	5,168,721
Yedigöl Aksu	Energy	2010	-	2010	2,155,023
Yedigöl Aksu	Other	2011	262,549	2010	2,135,436
Bandırma	Other	2011	140,143	2009	93,940
Bandırma	Maintenance	2011	70,689	2011	860,820
Hazal (Kaletepe Bozkaya)	Final Design	2011	1,829,390	2010	755,113
Other project	-		124,134		540,754
			8,298,315		13,406,340

Export Commitments

As of 31 December 2010, total amount of export commitments related to export incentives is USD 460,144,495 and is committed by Borçelik and Borusan Boru. (2009 - USD 147,049,575 committed by Borçelik and Borusan Boru).

Legal Proceedings

a) As of 31 December, 2010, Borusan Otomotiv, Borusan Oto and Borusan Pazarlama are defendants in certain cases against automobile and service customers whose monetary claims aggregate approximately to TRY 5,057,000 (2009:- TRY 5,676,629), USD 106,000 (2009:USD 276,058) and EUR 858,000 (2009:EUR 878,038) for Borusan Otomotiv; TRY 4,655,000 (2009:TRY 5,282,420), EUR 465,000 (2009: EUR 627,421) and USD 122,000 (2009: USD 276,058) for Borusan Oto; and TRY 132,000 (2009: nil) for Borusan Otomotiv Pazarlama. Against such claims, reserve amounting to EUR 1,748,000 (2009: EUR 1,650,038), EUR 3,277,000 (2009: EUR 1,713,471) and EUR 455,485 (2009: nil) has been provided in the accompanying consolidated financial statements for Borusan Oto, Borusan Otomotiv and Borusan Otomotiv Pazarlama, respectively as of 31 December 2010.

Further the management of Borusan Otomotiv stated that BMW AG and Land Rover Export Ltd. may compensate the company for such claims in accordance with manufacturer responsibilities.

Other commitment and contingencies

As of 31 December 2010 there are no other commitments and contingencies. As of 31 December 2009, pursuant to certain share purchase agreements signed with various parties and being subject to certain conditions the Group had outstanding contingent considerations to be paid for the acquisition of the subsidiaries, Borasco Enerji ve Kimya Sanayi Ticaret A.Ş., Başkent Gölbaşı Maden Enerji Kömür Elektrik Üretim Sanayi ve Ticaret Ltd.Şti., Eskoda Enerji Üretim Pazarlama İthalat ve İhracat A.Ş, Van Elektrik Üretim Sanayi ve Ticaret A.Ş, Doğadan Enerji Üretim Pazarlama İthalat ve İhracat A.Ş and Dolmabağçe Enerji Üretim ve Ticaret A.Ş. as of 31 December 2009.

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

35. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances with related parties

	Receivables				Payables	
	Current		Non Current		Current	
	Trade	Non Trade	Trade	Non Trade	Trade	Non Trade
31 December 2010						
Borusan Mannesman Espana S.A.	-	-	-	1,687,680	-	-
Borusan Sigorta	-	-	-	-	29	-
Borusan Gümrük Müşavirliği Hizmetleri A.Ş.	187,249	839,491	-	-	1,123,775	57,770
Kirpi Turizm	-	39,398,895	-	-	-	-
B&B Havacılık	193	3,650,000	-	-	-	-
Due from/due to personnel	5,498	614,687	-	-	-	109,673
Other	5,087	67,329	-	-	167,458	-
	198,027	44,570,402	-	1,687,680	1,291,262	167,443

	Receivables				Payables	
	Current		Non Current		Current	
	Trade	Non Trade	Trade	Non Trade	Trade	Non Trade
31 December 2009						
Borusan Mannesman Espana S.A.	-	-	-	1,550,823	-	-
Arya Heavy Machinery	3,867	50,032	-	-	-	-
B&B Havacılık	-	37,800,989	-	-	-	-
Due from personnel	-	2,476,214	-	-	-	-
Borusan Gümrük Müşavirliği Hizmetleri A.Ş.	437,503	871,052	-	-	-	-
Borusan Telekom	-	-	-	-	14,177	-
	441,370	41,198,287	-	1,550,823	14,177	-



BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

35. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

Transactions with related parties

1 January - 31 December 2010	Service obtained from related parties	Sales to related parties	Other expenses to related parties
Borusan Gümrük Müşavirliği Hizmetleri A.Ş.	4,594,946	3,640,830	-
Borusan Kültür ve Sanat Hizmetleri Yayıncılık Tic. A.Ş.	566,665	19,791	-
Sales to Personnel	-	1,727,069	-
Other	10,603	1,132	-
	5,172,214	5,388,822	-

1 January - 31 December 2009	Service obtained from related parties	Sales to related parties	Other expenses to related parties
Borusan Gümrük Müşavirliği Hizmetleri A.Ş.	847,785	69,501	-
Borusan Akademi	3,589	-	-
Borusan Kültür ve Sanat Hizmetleri Yayıncılık Tic. A.Ş.	-	-	450,000
Borusan Sigorta	-	-	76
Sales to Personnel	-	518,592	-
Other	771	-	-
	852,145	588,093	450,076

BORUSAN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued) (Currency - US Dollars unless otherwise indicated)

35. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

Compensation of Key Management Personnel

	2010	2009
Salaries and other short term benefits	13,580,007	10,197,076
	13,580,007	10,197,076

36. SUBSEQUENT EVENTS

As of 5 January 2011, Van Elektrik Üretim Sanayi ve Ticaret A.Ş has been sold for an amount of 3,250,000 USD.



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