OFFERING MEMORANDUM

US$200,000,000
Yüksel İnşaat A.Ş.

(a joint-stock company incorporated under the laws of the Republic of Turkey)

9.50% Senior Notes due 2015

Issue Price: 98.069%

Yüksel İnşaat A.Ş. (the "**Company**", "**Yüksel**" or the "**Issuer**") is offering US$200,000,000 of its 9.50% Senior Notes due 2015 (the "**Notes**"). Interest on the Notes will accrue from 10 November 2010 at a rate of 9.50% per annum on the outstanding principal amount of the Notes and will be payable semi-annually in arrears on 10 May and 10 November in each year, commencing on 10 May 2011. Unless previously redeemed or repurchased and cancelled as described herein under "*Description of the Notes*", the Notes will mature on 10 November 2015 (the "**Maturity Date**").

The Notes will be senior unsecured obligations of the Company and will rank *pari passu* in right of payment with all other existing and future senior unsecured obligations of the Company and senior in right of payment to all other existing and future subordinated indebtedness of the Company. The due and punctual payment of all amounts due at any time on or in respect of the Notes will be unconditionally and irrevocably guaranteed on a joint and several basis (each, a "**Guarantee**" and together, the "**Guarantees**") by certain of the subsidiaries of the Company (each, a "**Guarantor**" and together, the "**Guarantors**") pursuant to an Indenture (the "**Indenture**"), dated the Closing Date (as defined herein), among the Company, the Guarantors and Deutsche Trustee Company Limited, as trustee for the holders of the Notes (the "**Trustee**"). The Guarantees will be senior unsecured obligations of the Guarantors and will rank *pari passu* in right of payment with all other existing and future senior unsecured obligations of the Guarantors and senior in right of payment to all other existing and future subordinated indebtedness of the Guarantors. The Notes and the Guarantees will be effectively subordinated to all secured indebtedness of Yüksel and its subsidiaries to the extent of the value of the assets securing such indebtedness. The Notes will also be effectively junior to all obligations of Yüksel's subsidiaries that do not guarantee the Notes. In connection with this offering, the Company will enter into an escrow agreement pursuant to which the Company will agree that US$120.0 million of the net proceeds of this offering will be placed into an escrow account to be applied to the repayment of certain existing indebtedness.

The Company may, at its option, redeem the Notes in whole or in part at any time prior to 10 November 2013 at a redemption price equal to 100% of their principal amount, plus a "make-whole" premium and accrued and unpaid interest. On or after 10 November 2013, the Company may, at its option, redeem the Notes in whole or in part at any time by paying the redemption prices set forth in this offering memorandum. In addition, at any time on or prior to 10 November 2013, the Company may redeem up to 35.0% of the outstanding principal amount of the Notes with the net proceeds from one or more specified equity offerings. In the event of certain developments affecting taxation, the Company may redeem all, but not less than all, of the Notes. In addition, holders of the Notes may cause the Company to redeem the Notes at a redemption price equal to 101% of the outstanding principal amount thereof, plus accrued and unpaid interest, if the Company undergoes specific kinds of changes of control.

Application has been made to have the Notes admitted to listing on the official list of the Luxembourg Stock Exchange (the "**Official List**") and admitted to trading on the Euro MTF Market ("**Euro MTF**"). References in this offering memorandum to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and admitted to trading on the Euro MTF.

Investing in the Notes involves risks. You should carefully consider the Risk Factors beginning on page 17 of this offering memorandum before investing in the Notes.

The Notes and the Guarantees will be offered and sold in offshore transactions outside the United States by BNP Paribas and Standard Chartered Bank (together the "**Joint Bookrunning Lead Managers**" or the "**Managers**") in reliance on Regulation S under the US Securities Act of 1933, as amended (the "**Securities Act**").

The Notes and the related Guarantees have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

An application has been made to the Turkish Capital Markets Board (the "**CMB**") in its capacity as competent authority under Law No. 2499 of the Republic of Turkey ("**Turkey**") relating to Capital Markets (the "**Capital Markets Law**") for the registration of the Notes with the CMB and the issuance and sale of the Notes outside Turkey. The Notes cannot be sold outside Turkey before they are registered with the CMB. The Notes were registered with the CMB on 19 October 2010.

All payments in respect of the Notes by or on behalf of the Company shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined herein) imposed or levied by or on behalf of the relevant jurisdiction (as defined herein), unless the withholding or deduction of the Taxes is required by law. In that event, the Company will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of such withholding or deduction. Under the current Turkish tax law, a withholding tax regime is in effect with respect to interest or other income on the Notes (including OID) and the Issuer has undertaken to gross-up as provided above. *See "Description of the Notes—Additional Amounts"*. In the event that pursuant to any potential new tax regulations or legislation, some or all of the payments of income under the Notes will qualify for relief from Turkish withholding tax, the Company and the Guarantors will seek to apply such relief at source in accordance with the relevant regulations or law. In order to comply with any such provisions, the Company and the Guarantors may be required to make available to the Turkish tax authorities certain information and documents relating to the identity, tax residence and legal entity type of the beneficial owners of the Notes who receive interest payments or other income with respect to the Notes. The Company has arranged certain procedures with Acupay System LLC ("**Acupay**") to facilitate the collection of such information and documents. For a description of the required procedures in respect of the foregoing matters, *see "Tax Considerations—Provision of Beneficial Owner Information"* and Annexes A and B to this offering memorandum.

The Notes are expected to be rated B1 by Moody's Investors Service Inc. ("**Moody's**") and B by Fitch Ratings ("**Fitch**"). A rating is not a recommendation to buy, sell or hold securities and is subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes were issued in registered form in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof. The Notes will be represented by a single global note (the "**Global Note**"), without interest coupons, which were deposited on the Closing Date with, a common depositary for Euroclear and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Interests in the Global Note will be exchangeable for definitive Notes only in certain limited circumstances. *See "Book-Entry, Delivery and Form"*.

Issue Price: 98.069% plus accrued interest, if any, from 10 November 2010

Joint Bookrunning Lead Managers

BNP PARIBAS | **Standard Chartered Bank**

The date of this offering memorandum is 8 December 2010.

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IMPORTANT INFORMATION

This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes by or on behalf of the Issuer, the Guarantors or the Managers in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this offering memorandum and the offer or sale of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this offering memorandum comes are required by the Issuer, the Guarantors and the Managers to inform themselves about and to observe such restrictions. Further information in respect of restrictions on offers, sales and deliveries of the Notes and the distribution of this offering memorandum and any other offering material relating to the Notes and the Guarantees is set forth herein under "*Subscription and Sale*".

Each of the Managers is acting for the Issuer and the Guarantors and no one else in connection with the offering of the Notes and will not regard any other person (whether or not a recipient of this offering memorandum or any other offering material relating to the Notes and the Guarantees) as its client in relation to the offer, sale and delivery of the Notes. None of the Managers shall be responsible to anyone other than the Issuer and the Guarantors for providing the protections afforded to clients of the Managers, or for providing advice in relation to the offering of the Notes, the contents of this offering memorandum or any other offering material relating to the Notes and the Guarantees, or any transaction, arrangement or other matter referred to in this offering memorandum.

None of the Managers or the Trustee nor any of their respective directors, officers, affiliates, advisers or agents has made an independent verification of the information contained in this offering memorandum in connection with the offering of the Notes and no representation or warranty, express or implied, is made by any of the Managers or the Trustee or any of their respective directors, officers, affiliates, advisers or agents as to the accuracy or completeness of such information. Nothing contained in this offering memorandum is, to be construed as, or shall be relied on as a promise, warranty or representation, whether as to the past or future, by any of the Managers or the Trustee or any of their respective directors, officers, affiliates, advisers or agents in any respect. To the fullest extent permitted by law, neither of the Managers nor the Trustee accepts any responsibility whatsoever for the contents of this offering memorandum or for any other statement made or purported to be made by any of them or on their behalf in connection with the Issuer and the Guarantors or the offer, issue and sale of the Notes. Each of the Managers and the Trustee accordingly disclaims all and any liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this offering memorandum or any such statement. The contents of this offering memorandum are not to be construed as, and shall not be relied on as legal, business or tax advice, and each investor should consult its own legal, business, tax and other advisers for any such advice that may be relevant to such investor.

No person is authorised to give any information or to make any representation not contained in this offering memorandum in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantors, the Managers or the Trustee or any of their respective directors, officers, affiliates, advisers or agents. Neither the delivery of this offering memorandum nor the offer, issue and sale of the Notes shall, under any circumstances, imply that there has been no change in the affairs of Yüksel since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

This offering memorandum constitutes a prospectus for the purpose of Article 5 of the Luxembourg Act dated 10 July 2005 and for the purpose of giving information regarding the Issuer and the Guarantors.

The international offering of the Notes will only be registered with the CMB under the provisions of Article 15/b of Decree 32 on the Protection of the Value of the Turkish Currency (as issued in August 1989 and subsequently amended on various occasions, lastly in June 2009, "**Decree 32**"), the Capital Markets Law and Articles 4, 6 and 25 of Communiqué Serial No: II, No. 22 on the Principles on the Registration and Sale of Debt Instruments (the "**Communiqué**") for the purpose of the sale of the Notes outside Turkey. The Notes (or beneficial interests therein) will neither be offered nor sold to Turkish residents nor will the Notes be offered or sold within Turkey under current capital markets regulations. The Notes were registered with the CMB on 19 October 2010. However, according to Article 15(d)(ii) of Decree No.32, there is no restriction on the purchase or sale of the Notes by residents of the Republic of Turkey, provided that; they purchase or sell such Notes in the financial markets outside of the Republic of Turkey and such sale and purchase is made through banks, and/or licensed brokerage institutions in the Republic of Turkey.

In connection with the issue and sale of the Notes, each of the Managers and any of their respective affiliates acting as an investor for its own account may take up Notes and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or the Guarantors or related investments, and may offer or sell such securities or other investments otherwise than in connection with the issue and sale of the Notes. Accordingly, references in this offering memorandum to the Notes being offered, issued or sold should be read as including any offer, issue or sale of securities to the Managers and any of their affiliates acting in such capacity. The Managers do not intend to disclose the extent of any such transactions or investments otherwise than in accordance with any legal or regulatory obligation to do so.

In addition, certain of the Managers and their respective affiliates have performed, and may in the future perform, various financial advisory, investment banking and/or commercial banking services for, and may arrange loans and other non-public market financing for, and enter into derivative transactions with, the Issuer, the Guarantors and/or their respective affiliates, for which they have and may receive customary fees.

This offering memorandum may only be used for the purpose for which it has been published.

RESPONSIBILITY STATEMENT

This offering memorandum has been prepared for the purpose of giving information with regard to the Issuer and its subsidiaries, including the Guarantors (together the "**Group**"), the Notes and the Guarantees which, according to the particular nature of Yüksel, the Notes and the Guarantees, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of Yüksel and of the rights attaching to the Notes and the Guarantees.

The Issuer and the Guarantors accept responsibility for the information contained in this offering memorandum. To the best of the knowledge and belief of the Issuer and the Guarantors (which have taken all reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer and the Guarantors, having made all reasonable enquiries, confirm that this offering memorandum contains all information which is material in the context of the issuance and offering of the Notes and the Guarantees, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum or any of such information or the expression of any such opinions or intentions misleading in any material respect, and all reasonable enquiries have been made by the Issuer and the Guarantors to ascertain such facts and to verify the accuracy of all such information and statements.

STABILISATION

In connection with the offer, issue and sale of the Notes, BNP Paribas (the "Stabilising Manager") (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. There is no assurance, however, that the Stabilising Manager (or any person acting on behalf thereof) will undertake any such stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if begun, may be ended at any time, but must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf thereof) in accordance with all applicable laws and regulations.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements within the meaning of US securities laws. All statements other than statements of historical facts contained in this offering memorandum, including, without limitation, those regarding Yüksel's future financial position and results of operations, its strategy, plans, objectives, goals, targets and future developments in the markets in which it participates or is seeking to participate and any statements preceded by, followed by or that include the words "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "aims", "intends", "will", "may", "plan", "should" or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause Yüksel's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Yüksel's present and future business strategies and the environment in which it will operate in the future. Important factors that could cause Yüksel's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others:

- changes in governmental investment in the construction of infrastructures and superstructures in the markets in which Yüksel operates;
- changes in political, social, legal or economic conditions in the markets in which Yüksel operates;
- effects of, and changes in, laws, regulations or governmental policy affecting Yüksel's business activities in the markets in which it operates;
- Yüksel's ability to obtain and maintain necessary regulatory approvals and licences for its projects;
- reduction in, or loss of, business with one or more of its customers;
- effects of competition in the geographic and market segments in which Yüksel operates;
- changes in the nature of key strategic relationships with partners and joint ventures;
- cost and availability of fuel, oil and other energy resources used in its projects;
- cost and availability of raw materials, machinery and equipment;
- cost and availability of skilled labour or any labour interruptions;
- Yüksel's ability to fund necessary capital expenditures and service existing indebtedness;
- inflation, interest rate and exchange rate fluctuations and Yüksel's ability to reduce foreign currency exposure; and
- Yüksel's ability to successfully implement its business strategies.

These and other factors are discussed in "*Risk Factors*" and elsewhere in this offering memorandum.

Because the risk factors referred to in this offering memorandum, and other factors, could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this offering memorandum by the Company or on its behalf, you should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for the Company to predict which factors they will be. In addition, the Company cannot assess the effect of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

CERTAIN DEFINITIONS

For the purposes of this offering memorandum, references to "**Yüksel**", the "**Company**" and the "**Issuer**" are to Yüksel İnşaat A.Ş., the Issuer of the Notes, and references to "**Yüksel Holding**" are to Yüksel Holding A.Ş.

The term "**Guarantors**" refers to Sasel Elektromekanik Sanayi ve Ticaret A.Ş. and Yüksel Yapı Elemanları A.Ş. The term "**Group**" refers to Yüksel and its subsidiaries including the Guarantors. "**Shareholders**" refers to investors that beneficially hold ordinary shares of Yüksel.

In this offering memorandum certain terms are used, and a brief description of these are:

- "**EBITDA**" means earnings before interest expense, income tax expense, depreciation and amortisation, as set forth on the face of Yüksel's income statement;
- "**EU**" refers to the European Union;
- "**Euro**" and "**€**" means the single currency of the participating member states in the Third Stage of European Economic and Monetary Union in the Treaty Establishing the European Community, as amended from time to time;
- "**IFRS**" refers to International Financial Reporting Standards;
- "**Turkey**" refers to the Republic of Turkey;
- "**Turkish lira**" or "**TL**" means the currency of Turkey;
- "**UAE**" means the United Arab Emirates;
- "**UK**" or "**United Kingdom**" refers to the United Kingdom of Great Britain and Northern Ireland;
- "**United States**" or "**US**" refers to the United States of America; and
- "**US dollars**" and "**US$**" means the currency of the United States.

INDUSTRY AND MARKET DATA

This offering memorandum contains information about Yüksel's markets and its competitive position therein, including the size of the overall construction market in Turkey and Yüksel's market share of this market. The information about these markets included in this offering memorandum has been compiled from the following sources:

- information relating to the growth and general developments of the Turkish construction industry is based upon market data published by the Turkish Statistical Institute ("**TURKSTAT**"), Deloitte's Business Guide to Turkey as published by the Turkish Foreign Economic Relations Board ("**DEIK**") and Business Monitor International ("**BMI**");
- information about the geographical spread of the work undertaken by Turkish contractors is based upon information published by the Undersecretariat of Foreign Trade, MEED (an independent market research company providing Middle East business intelligence), Engineering News Record ("**ENR**") magazine and other publicly available information;
- information about the macroeconomic fundamentals of Turkey, Saudi Arabia, Qatar and Libya is based upon market data published by the International Monetary Fund (the "**IMF**");
- information relating to construction contracts awarded and due to be awarded in the Middle East generally and, more specifically, in Saudi Arabia and Qatar, is based upon reports published by MEED;
- information about the top government construction and infrastructure clients in the Middle East is based upon information provided by MEED;
- information on contract award statistics have been taken from the MEED Project Database; and
- any other information about Turkey and the Turkish construction industry generally is based upon, *inter alia*, reports published by the World Market Intelligence ("**WMI**") (an independent market research company), the Turkish Contractors Association ("**TMB**") and the Oxford Business Group (an independent publishing company).

While Yüksel has compiled, extracted and reproduced market or other industry data from external sources which it believes is reliable, including third party or industry or general publications, neither Yüksel nor the Managers have independently verified all of such data. Yüksel believes that the market data contained in the offering memorandum provides fair and adequate estimates of the size of its markets and fairly reflects its competitive position within these markets. However, Yüksel cannot guarantee you that a third party using different methods to assemble, analyse or compute market size and market share information would obtain or generate the same results. In addition, Yüksel's competitors may define Yüksel's markets differently.

PRESENTATION OF FINANCIAL INFORMATION

General

In this offering memorandum, management present and discuss Yüksel's audited consolidated financial statements prepared in accordance with IFRS for the years ended 31 December 2009 and 2008. The financial statements include, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly Yüksel's financial results for the years ended 31 December 2009 and 2008.

The audited consolidated financial statements included in this offering memorandum have been audited by Eren Bağımsız Denetim ve Y.M.M.A.Ş., a member of Grant Thornton International, Yüksel's independent auditors. References to "2009" and "2008" in this offering memorandum are to Yüksel's financial years ended 31 December 2009 and 2008, respectively.

Yüksel also presents in this offering memorandum its unaudited consolidated financial statements for the six months ended 30 June 2010, prepared in accordance with IFRS. These unaudited consolidated financial statements include, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly Yüksel's financial results for the periods presented. The interim results are not necessarily indicative of the results that may be expected for any other interim period or for the full financial year.

Rounding adjustments have been made in calculating some of the financial information included in this offering memorandum. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

The financial statements included in this offering memorandum are presented in Turkish lira. Certain *pro forma* financial information and amounts included under "*Capitalisation*" have been translated at the forward exchange rate of US$1.00 = TL1.5747 as of 30 June 2010. You should not view such translations as a representation that such US dollar or Turkish lira amounts could be or could have been converted into Turkish lira or US dollars, respectively, at the rates indicated or at any other rates. *See "Exchange Rates".*

Financial Statements for the year ended 31 December 2007

The consolidated financial statements for the financial year ended 31 December 2007 included in this offering memorandum were prepared in accordance with IFRS but have not been audited. They are included in the audited consolidated financial statements for the financial years ended 31 December 2009 and 2008 set forth at pages F-56 to F-110 of this offering memorandum for comparative purposes in accordance with IAS 1 ("*Presentation of Financial Statements*").

Non-IFRS financial measures

In this offering memorandum, Yüksel presents certain measures that are not IFRS measures, including EBITDA, in describing its operating results.

EBITDA is not a measure of Yüksel's financial performance or liquidity and should not be considered as an alternative to net profit, operating profit or any other performance measure derived in accordance with IFRS, or as an alternative to cash flow from operating activities as a measure of Yüksel's liquidity. EBITDA has further limitations as an analytical tool, and you should not consider this item in isolation from, or as a substitute for an analysis of Yüksel's operating results as reported under IFRS. Some of these limitations are:

- it does not reflect Yüksel's cash expenditures or future requirements for capital expenditures or contractual commitments;

- it does not reflect changes in, or cash requirements for, Yüksel's working capital needs;
- it does not reflect the significant interest expense or cash requirements necessary to service interest or principal payments on Yüksel's debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements;
- it is not adjusted for all non-cash income or expense items that are reflected in the statements of cash flows; and
- other companies in the industry may calculate EBITDA differently than Yüksel does, limiting its usefulness as a comparative measure.

Due to these limitations, EBITDA should not be considered as a measure of discretionary cash available to Yüksel to invest in the growth of its business. Yüksel relies primarily on its results of operations prepared in accordance with IFRS, using EBITDA only as a supplemental performance measure.

For an explanation of how Yüksel calculates EBITDA and a reconciliation of operating profit to EBITDA, *see* note (4) to "*Summary Historical Financial Information*". *See also "Management's Discussion and Analysis of Financial Condition and Results of Operations".*

Other

The financial information included in this offering memorandum is not intended to comply with US Securities and Exchange Commission requirements. Compliance with such requirements would require, among other things, the presentation of financial information in accordance with accounting principles generally accepted in the United States ("**US GAAP**") (or the reconciliation of Yüksel's financial information to US GAAP) and the exclusion of certain non-GAAP financial measures.

EXCHANGE RATES

Turkish Lira—Euro Exchange Rate

The following table sets forth, for the period from January 2005 through 7 December 2010, the Bloomberg Composite Rate expressed as Turkish lira per €1.00. The Bloomberg Composite Rate is a "best market" calculation. At any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications. The ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. Yüksel does not represent that the Turkish lira amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate."

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or during any shorter period, as the case may be.

	Period End	Average	High	Low
Year				
2005	1.5964	1.6777	1.8554	1.5870
2006	1.8692	1.8082	2.1392	1.5590
2007	1.7239	1.7864	1.9098	1.6715
2008	2.1450	1.9078	2.1940	1.7055
2009	2.1373	2.1618	2.3311	2.0385
Month				
January 2010	2.0720	2.1033	2.1500	2.0720
February 2010	2.1028	2.0781	2.1111	2.0560
March 2010	2.0560	2.0816	2.1060	2.0500
April 2010	1.9766	2.0023	2.0586	1.9652
May 2010	1.9308	1.9486	1.9937	1.9080
June 2010	1.9356	1.9281	1.9489	1.9070
July 2010	1.9663	1.9681	1.9920	1.9565
August 2010	1.9372	1.9486	1.9828	1.9289
September 2010	1.9718	1.9525	1.9887	1.9164
October 2010	1.9936	1.9798	1.9936	1.9612
November 2010	1.9611	1.9710	1.9838	1.9520
December 2010 (through 7 December 2010)	1.9681	1.9662	1.9743	1.9566

The Bloomberg Composite Rate for the euro on 7 December 2010 was €1.00 = TL 1.9681.

Turkish Lira—US Dollar Exchange Rate

The following table sets forth, for the period from January 2005 through 7 December 2010, the Bloomberg Composite Rate expressed as Turkish lira per US$1.00. The Bloomberg Composite Rate is a "best market" calculation. At any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications. The ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rates and the lowest ask rate. Yüksel does not represent that the Turkish lira amounts referred to below could be or could have been converted into US dollars at any particular rate indicated or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or during any shorter period, as the case may be.

	Period End	Average	High	Low
Year				
2005	1.3497	1.3474	1.4020	1.2590
2006	1.4169	1.4375	1.7077	1.3055
2007	1.1716	1.3057	1.4508	1.1693
2008	1.5374	1.3054	1.7225	1.1512
2009	1.4932	1.5544	1.8066	1.4445
Month				
January 2010	1.4924	1.4737	1.5018	1.4516
February 2010	1.5469	1.5195	1.5612	1.4861
March 2010	1.5197	1.5340	1.5502	1.5120
April 2010	1.4893	1.4923	1.5175	1.4718
May 2010	1.5735	1.5529	1.6002	1.4952
June 2010	1.5792	1.5784	1.6035	1.5550
July 2010	1.5071	1.5389	1.5838	1.5071
August 2010	1.5267	1.5108	1.5300	1.4908
September 2010	1.4478	1.4922	1.5168	1.4478
October 2010	1.4327	1.4248	1.4538	1.4058
November 2010	1.5039	1.4457	1.5060	1.3959
December 2010 (through 7 December 2010)	1.4798	1.4829	1.4903	1.4759

The Bloomberg Composite Rate for the US dollar on 7 December 2010 was US$1.00 = TL 1.4798.

SUMMARY

This summary highlights information from this offering memorandum. It is not complete and does not contain all of the information that you should consider before investing in the Notes. You should read this offering memorandum carefully in its entirety, including the "Risk Factors" section, the financial statements provided and the notes to those financial statements.

Overview

Yüksel is one of the leading construction companies in Turkey specialising in infrastructure and superstructure construction and undertaking projects of various complexities ranging in value from US$1 million to US$600 million in Turkey, the Middle East, North Africa, Central Asia and Eastern Europe, almost exclusively through contracts with governmental state-owned companies. As of 30 June 2010, Yüksel had 35 ongoing construction project contracts worth over US$3.88 billion, with Yüksel's share constituting over US$2.69 billion in the following countries: Turkey, Qatar, Saudi Arabia, Libya, Afghanistan, Iraq, Uzbekistan and Jordan. Additionally, Yüksel has also completed project contracts in Kazakhstan, the UAE, Romania, Georgia and Ukraine. For the year ended 31 December 2009, Yüksel generated consolidated revenues of US$779.5 million and consolidated EBITDA of US$68.9 million, and for the six months ended 30 June 2010, Yüksel generated consolidated revenues of US$406.7 million and consolidated EBITDA of US$44.5 million. Yüksel's consolidated revenue and EBITDA for the last twelve months ended 30 June 2010 was US$835.2 million and US$93.7 million, respectively.

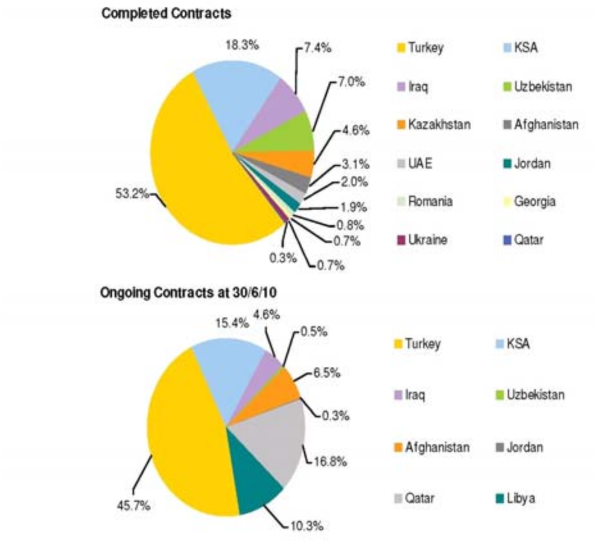
The Company is the main component of Yüksel Holding Group, a prominent Turkish industrial and trade group principally engaged in construction, contracting, trade, tourism, land development and energy investment in Turkey and/or overseas. The Company's core business is infrastructure construction, providing domestic and international general contracting services for projects predominantly in certain market segments including transportation, buildings, power, dams and industrial, pipelines, environmental, material supply and marine structures. The Company's construction contracts cover a wide range of projects including roads, motorways, highways, bridges, dams, piers, ports, airports, hydro-electric power plants, subways, energy plants, factory buildings, schools, mass housing complexes, holiday villages, tourist resorts, hospitals, universities and industrial sites. Since 2003, Yüksel has worked on a number of contracts for the US Government and NATO in Afghanistan and Iraq. More recently, Yüksel has also been involved with projects relating to land development and energy investment. Yüksel is also a member of the Union of International Contractors.

Many of Yüksel's construction projects are undertaken through partnerships. Approximately 22% of the Group's revenues over the past three years have resulted from projects undertaken either through a joint venture or a consortium of large, multinational construction companies. One notable strategic partnership is comprised of five Turkish and one Italian contractor for the Gebze-İzmir Motorway and İzmit Bay Crossing build, operate and transfer ("**BOT**") concession in Turkey. This project is expected to be the largest motorway concession in the region and the largest infrastructure project in Turkey to date. The İzmit Bay Crossing is expected to be the second longest suspension bridge in the world upon its completion.

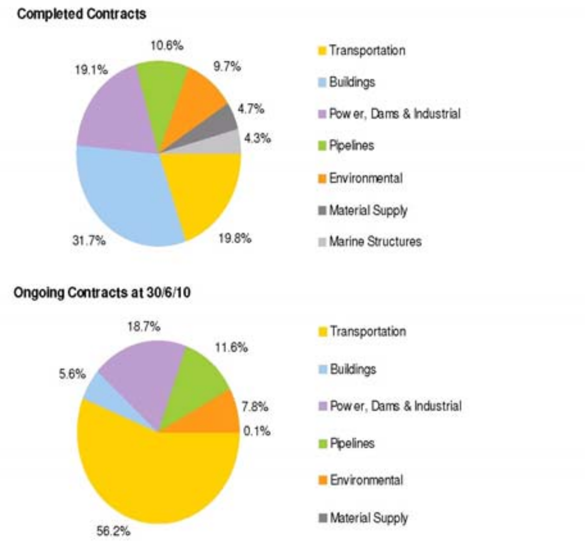
According to ENR's 30 August 2010 report (entitled "*Top 225 International Contractors*"), Yüksel is in the top ten of Turkish international construction companies, based on the Company's international revenues.

The charts below demonstrate Yüksel's diversified geographic and market segment portfolio:

Yüksel's spread across geographies



Diversification of portfolio by project segments



Competitive Strengths

Yüksel believes that it has a number of competitive strengths, including the following:

Strategic geographic and segmental diversification

Yüksel holds a strong position domestically in the Turkish infrastructure construction market and is also increasing its geographic and segmental diversification. As of 30 June 2010, Yüksel's geographic diversification of its ongoing projects spanned the Middle East, North Africa, Central Asia and Eastern Europe with percentages of total contract value in certain countries consisting of Turkey (45.7%), Qatar (16.8%), Saudi Arabia (15.4%), Libya (10.3%) and Afghanistan (6.5%). Yüksel has diversified its business geographically due to the Turkish government's reduction of infrastructure and superstructure investments from 2001. The Company's decision to enter new geographic markets is the result of careful market analysis of the proposed country locations, choosing new markets based on oil and gas revenues, aspirations for the development of infrastructure and high visibility projects and, in certain markets, such as Iraq and Afghanistan, high profit margins in prospective markets. Yüksel's geographic diversification strategy has proven to be successful as it has enabled the Company to reduce risk and protect itself from the full effects of the global economic downturn.

In addition to implementing its geographic diversification strategy, Yüksel has also increased the segmental diversification of its construction business. Despite the global economic downturn, Yüksel has a significant current portfolio of ongoing projects worth over US$3.88 billion (US$2.69 billion of which constitutes Yüksel's share) covering a wide variety of market segments. As of 30 June 2010, percentages of total contract value for Yüksel's ongoing projects included transportation (56.2%), buildings (5.6%), power, dams and industrial (18.7%), pipelines (11.6%), environmental (7.8%) and material supply (0.1%). To complement its construction business, the Company has also recently expanded into a number of land development and energy investment projects.

Strong and well-established, primarily state-owned client base with low counterparty risk

Yüksel maintains strong, long-standing relationships with its customers who are primarily governmental entities and several repeat customers. Approximately 84% of Yüksel's customers as of 30 June 2010 were governments or state-owned companies. The Company undertakes major construction projects for its sovereign-related clients who tend to be relatively immune to macroeconomic risks and much more so than non-governmental private sector clients. As of 30 June 2010, Yüksel had current contracts for projects worth approximately US$3.88 billion (US$2.69 billion of which constitutes Yüksel's share), primarily consisting of public sector infrastructure and superstructure projects.

Outside of Turkey, some of Yüksel's key governmental clients and repeat customers include the US Government and NATO (in Afghanistan and Iraq), Qatar's Public Works Authority ("**ASHGHAL**"), the Saline Water Conversion Corporation ("**SWCC**") of Saudi Arabia and the Jordanian Ministry of Defence. For example, as of 30 June 2010, Yüksel had completed 69 contracts for the US Government for projects worth approximately US$1.22 billion (100% of which constituted Yüksel's share) and eight contracts for NATO for projects worth approximately US$36.1 million (100% of which constituted Yüksel's share). Due in part to its track record of repeat work from its existing client base, Yüksel believes that it is well-positioned to capture additional opportunities from key governmental clients in Afghanistan and Iraq from the significant rebuilding programmes currently underway in those countries.

Leading market player in the region with strong track record of timely and efficient project execution in accordance with international quality and safety standards

Yüksel believes it has a strong reputation in the construction industry with a track record of almost 50 years completing various construction projects in Turkey and internationally on schedule and in accordance with international quality and safety standards. It is among the top 10 contractors by revenues in Turkey and is well established in the Middle East, Afghanistan, Kazakhstan, Uzbekistan and Libya. The Company believes one of its greatest intangible assets is its reputation, which is a result of its strong engineering capabilities and construction experience, quality, customer service and safety, a large fleet of modern equipment, financial strength and the high calibre of its construction managers, engineers and craftsmen. Yüksel's reputation has helped it sell its products and services, generate repeat business, recruit new talented employees and attract business partners.

Yüksel believes that it has achieved a sustainable competitive advantage in its markets based on its successful record of timely and efficient execution of large and sophisticated projects. It has consistently completed large, complex and demanding projects on schedule, reducing the downside risk of projects by utilising lump sum and/or unit rate contracts usually with escalation clauses. Yüksel promotes efficient project management by utilising effective business processes and control systems. It also bolsters its reputation by partnering with partners and subcontractors, many of which provide significant local expertise in order to facilitate timely and efficient project execution. Additionally, Yüksel's management team is able to enhance timely and efficient project execution by its quick and efficient decision making process once new projects are undertaken.

Yüksel also tailors its services and solutions to the specific needs of each customer and partner and is committed to develop and deliver high quality and cost effective solutions according to their specifications. Yüksel utilises certified procedures as well as other close monitoring, planning and scheduling mechanisms in order to measure and control efficiency and the quality of its business operations. The Company holds ISO 9001 Quality Reassurance System Certificates, OHSAS 18001 Occupational Health and Safety Management System Certificates and ISO 14001 Environmental Management System Certificates to demonstrate its commitment to quality and safety. Yüksel is also a signatory to the United Nations' Global Compact and follows the Equator Principles. Yüksel believes that its success in creating and maintaining a positive reputation in the minds of its customers, partners, suppliers, subcontractors and employees also reinforces its competitive position.

Large contract backlog and strong revenue visibility

Management estimates that contract backlog (which refers to the expected future revenues under signed contracts which the Company believes are likely to be performed) has, since the beginning of 2008, accounted for approximately 1.4 to 1.9 times the Company's annual sales revenues generated within the following 12 month period. The Company's historical contracted backlog is calculated at the beginning of each financial year and has varied consistently around US$1 billion to

US$1.35 billion since the beginning of 2008. As of 30 June 2010, the Company's contracted backlog was over US$1 billion with an expected weighted average life of approximately 2 years (if no additional contracts are awarded to the Company). The Company expects to sign an additional contract before the end of 2010 which, if signed, will bring an additional US$1 billion to its contract backlog. Based on its historical backlog and the Company's proven ability to win new contracts, Yüksel has been able to maintain its project backlog consistently around US$1 billion since 2008 and all of which has been realised to date. Yüksel has not had to cancel any projects on its contract backlog. Management therefore believes that the strength of Yüksel's current backlog provides it with longer term visibility of its future revenues.

Moreover, the inherent difficulty in obtaining project contracts with entities that have stringent requirements such as the US Government and NATO, the need for specialised expertise and Yüksel's success in completing various projects for such entities provide clear reasons in favour of the Company's position to maintain its contract backlog and future revenue visibility.

Flexible business model with the ability to share project execution risk

Yüksel has expanded its segmental diversification with a carefully targeted strategy of acquiring sector experience through participation as a subcontractor and/or joint venture partner in new business areas. Yüksel has used this strategy to progress up the value chain and is currently a leader in the region for infrastructure construction, typically acting as the main contractor for its projects or as a joint venture partner or consortium member in larger projects. When acting as the main contractor, Yüksel is able to reduce its project execution risk and liabilities by engaging subcontractors on terms which mirror the main contract and also meet Yüksel's strict selection criteria. By engaging subcontractors, Yüksel is provided further flexibility regarding its resource allocation and the use of its in-house skill set which allows the Company to engage in larger more complicated projects. Subcontractors are selected according to certain established rules based on, among other things, qualification, experience and cost, which are utilised to review and rate subcontractors. Yüksel rates subcontractors after every project according to rules and procedures set forth within the Company's total quality management procedure. The Company also maintains a preferred subcontractor list for each type of construction project.

Furthermore, many of Yüksel's construction projects are undertaken through partnerships, many of which provide significant local expertise in order to facilitate timely and efficient project execution. Approximately 22% of the Group's revenues over the past three years have resulted from projects undertaken either through a joint venture or a consortium of large, multinational construction companies.

Highly qualified and experienced management team and employees

Yüksel's long-serving senior management team has extensive experience in the construction industry, with over 194 years of combined experience in the industry, and a track record of completing large, complex and demanding construction projects in the region. The Company's experienced management team implements the Company's corporate strategy with risk management and business ethics practices. The Company also has a stable shareholding structure which has ensured continuity in corporate strategy and relationships with business partners and customers. Its shareholders have a long-standing reputation in the construction industry and are committed to the business with daily operations run by professional management.

In addition, Yüksel believes that prospective customers consider the quality of its employees to be an important factor when contracting for its products or services. Yüksel believes that it has been able to attract, motivate and retain knowledgeable and experienced employees due to its reputation, business ethics and leadership style, as well as due to its partnerships with industry leaders, which offer employees exposure to high profile projects and advanced technologies. Yüksel believes that its qualified and experienced management team and employees put it in a strong position to successfully implement its business strategy.

Strategy

Yüksel's vision is to solidify its position as one of the leading engineering, procurement, construction and project management companies in its target markets. Yüksel intends to expand operations in its established businesses and create new opportunities in its core market segments. Yüksel intends to pursue and realise these objectives through the following strategies:

Pursue further strategic geographic expansion

Yüksel intends to further expand its geographic reach by pursuing selected international construction projects in emerging and developing countries in order to continue to reduce its dependence on its Turkish market. Although the Company already provides services in some of these countries, its targeted geographic expansion is divided into three stages: short term (focusing on Afghanistan and Iraq), medium term (focusing on Turkey, Qatar, Saudi Arabia and Libya) and long term (focusing on other growing emerging markets). Yüksel is also focusing on an expanded presence in the Gulf region, viewing Saudi Arabia and Qatar as key markets. Yüksel intends its continued strategic geographic expansion to enter two or three new markets over the next five years and will focus on overseas infrastructure and superstructure projects in targeted countries with attractive growth opportunities. Yüksel intends to select its target countries based upon the country's ability to spend on infrastructure and superstructure projects with income from substantial oil and/or natural gas reserves and sustained energy prices. Moreover, the prospects for increased infrastructure and superstructure spending in its target markets are positive given the increasing focus on economic diversification by the governments of these target markets.

Before entering a new market, Yüksel undertakes rigorous internal research and analysis of its new potential target market in order to assess all the relevant political, economic, regulatory and social risks associated with the market. In addition to forming partnerships and joint ventures with established local and international players as necessary, Yüksel also focuses on geographical markets with close cultural and operational similarity to the Turkish market in order to leverage its experience and expertise gained in its domestic market. Yüksel believes that its opportunistic approach to entering new markets, combined with its experience in successfully entering new markets to date, will enable it to successfully execute future strategic geographic expansion.

Diversification of services and segments within core construction business

Within its construction business, Yüksel intends to diversify its services and segments by moving into less competitive segments of the construction market by undertaking more value-added services such as Engineering, Procurement and Construction ("**EPC**"), as well as BOT and Public-Private Partnerships ("**PPP**") type projects which provide a recurring income stream. Yüksel believes this diversification within its core construction business will allow Yüksel to decrease its revenue volatility by increasing profit margins and recurring income during the concession period in these types of projects.

While being selective and focusing on projects in which the Company has natural advantages, Yüksel intends to broaden its current construction projects base by targeting private energy investments, real estate developments, BOT and PPP projects and EPC and other projects for the US Government and NATO. In order to implement this diversification, Yüksel may expand its business units to create a programme manager for EPC projects and also to create an operator for concessions and/or investments through BOT/PPP type contracts. Both of these units as well as its classical business units will utilise its core competence and expertise in the construction business. New BOT/PPP type projects may require the creation of new special purpose vehicles conducted primarily through joint ventures and strategic investments, such as for the Gebze-İzmir Motorway project, and Yüksel expects its new strategic partnerships will be an important component of its segmental expansion strategy.

Leverage core construction competence to diversify into selective related businesses

Yüksel intends to leverage its core construction competence to diversify into selective related businesses while maintaining construction services as its primary revenue driver. Yüksel's diversification outside of the construction sector will be an extension of its core construction capability and will target prudent and selective expansion into the energy and real estate development sectors. The aim of this diversification is to diversify its business risks and to create recurrent income streams for the Group through electricity sales, real estate sales and rental income.

Establish and leverage strategic partnerships and joint ventures and position the Company as a specialised operator in the market

By working in partnership with domestic and international industry leaders, Yüksel has been able to expand its market segments, increase its success rate in winning new projects, heighten its reputation for its products and services, obtain access to advanced technologies, know-how and management experience to minimise project risks and ensure the reliable, cost-effective delivery of its services to its customers. These strategic partnerships have enabled the Company to participate in some of Turkey and the Gulf region's larger construction projects and maintain its strong market position among local construction companies in Turkey. Yüksel intends to maintain its relationships with its existing strategic partners and develop new partnerships with other industry leaders to strengthen and expand its geographic and market segments. Currently, the consortium for Gebze-İzmir Motorway and İzmit Bay Crossing with Astaldi, Nurol İnşaat, Özaltın İnşaat, Makyol İnşaat and Göçay İnşaat is the most significant strategic partnership.

Additionally, Yüksel's strategic partnerships and joint ventures enable the Company to position itself as a more highly specialised operator within its core construction business. Yüksel differentiates itself from the majority of its competitors in the domestic Turkish market through higher levels of expertise and the diversification of its business. Gaining expertise in undertaking more specialised construction projects allows Yüksel to further differentiate itself from its competitors, both domestically and internationally. For example, Yüksel's projects for the US Government and NATO in Afghanistan and Iraq involve specialised expertise to complete these projects on an accelerated time frame, particularly since they involve very specific requirements. Contracts with these governmental entities are difficult to obtain given their stringent requirements yet Yüksel has developed a good relationship and familiarity with these clients and has been awarded numerous contracts with each of them. As of 30 June 2010, Yüksel had completed 69 contracts for the US Government for projects worth approximately US$1.22 billion (100% of which constitutes Yüksel's share) and eight contracts for NATO for projects worth approximately US$36.1 million (100% of which constitutes Yüksel's share) and currently has several ongoing contracts with the US Government and NATO.

Continued commitment to quality, safety and ethical business practices

Yüksel aims to offer superior products and services that are compliant with international quality and safety standards and that exceed customer specifications and expectations. Yüksel has continually worked to improve its business operations using the highest ethical standards and most effective and efficient systems and technologies in an effort to continue to meet customers' ever changing needs. The Company's commitment to quality and safety is driven by its belief that customers consider these key factors when contracting for products and services. The Company intends to continue to implement and strengthen its quality control mechanisms to ensure the consistent delivery of high-quality products and services and maintains various industry certifications to strengthen its position when bidding for projects to assure customers that the Company operates in accordance with international quality and safety standards. Yüksel also views personnel training, activity planning and subcontractor selection as essential for accident prevention and successful execution of its projects and intends to continue developing these aspects. Yüksel aims to highlight its commitment to quality and safety and its success in minimising accidents as important factors for successfully marketing its products and services to its new and existing clients.

Recent Developments

Gebze-İzmir Motorway and İzmit Bay Crossing Concession

The most significant project that the Company is currently involved in is the BOT concession for the Gebze-İzmir Motorway and İzmit Bay Crossing in Turkey, a contract with the General Directorate of Highways ("**TCK**") worth approximately US$6.3 billion. The Company anticipates receiving US$750 million in construction revenues from the Gebze-İzmir Motorway during the term of the Notes. In June 2009, the Company, together with a consortium of international and local construction and infrastructure companies Astaldi, Nurol İnşaat, Özaltın İnşaat, Makyol İnşaat and Göçay İnşaat, were awarded a 22 year and 4 month BOT concession for the Gebze-İzmir Motorway which will stretch for 421 kilometres between İzmir and Gebze, just east of İstanbul. The BOT concession will be the first project to be operated and maintained by a private entity and includes a minimum traffic guarantee calculated according to a formula by the Turkish government of approximately US$690 million per year upon completion. The project will be the largest motorway concession in the region and the largest and most ambitious infrastructure project in Turkey to date. The project will include the construction of the 3 kilometre İzmit Bay Crossing which will link the two sides of the Gulf of İzmit. The İzmit Bay Crossing is expected to be the second longest suspension bridge in the world and is expected to be completed and to start generating revenue before the end of 2014. Overall construction is expected to be completed by 2017.

In September 2010, the Otoyol Yatırım ve İşletme A.Ş. SPV ("**Otoyol**") was officially established to implement the project. The consortium members own the following shares of Otoyol: Nurol İnşaat and Makyol İnşaat each owns 18.50% and each of Yüksel, Astaldi, Özaltın İnşaat and Göçay İnşaat owns 15.75%. The consortium members expect to finalise and allocate construction responsibilities for the project in early 2011.

Bank Intesa, Citi Bank and Akbank have been mandated as the financial advisors for the project financing. The financial advisors are currently in discussions with several multilateral agencies to act as potential lenders as well as Export Credit Agencies which are expected to take a role in the delivery of certain project segments. The project financing plan is expected to be finalised during 2011.

Çubuklu Valley Project

The first phase of the Çubuklu Valley Project consists of the construction of 120 high-end villas on 53.75 acres of land and was completed in July 2010. As of 5 November 2010, Fiba Yüksel Uluslararası Proje Geliştirme A.Ş. (one of Yüksel's primary subsidiaries) has sold all of the units generating sales of US$94.4 million. The second phase of the project (which is planned to be realised by Yüksel) is a "green project" which involves the construction of a private development of modern homes, recreation areas, hotel, shopping centre and business centre to be constructed by Yüksel. The Company owns the 425 acres of land, which is situated in a prime location in the Beykoz District of İstanbul having wide views of the Black Sea of the Bosphorus and with close proximity to the city centre. The land has already been zoned for development, and the Company expects they will receive construction permits in the second half of 2011.

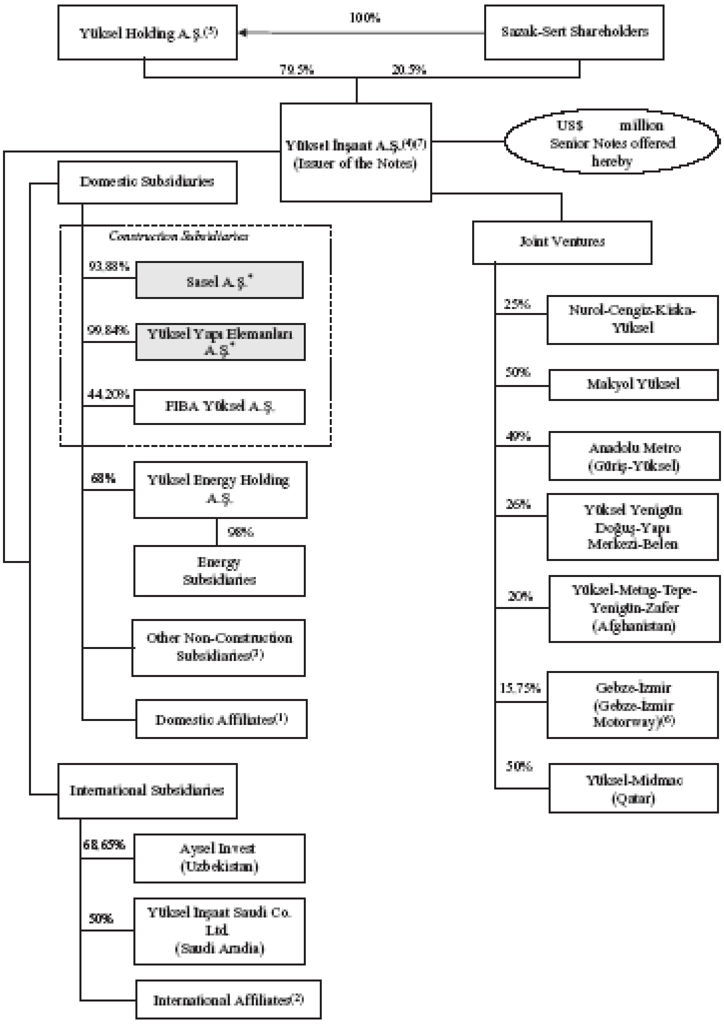
CH2M HILL—Yüksel Joint Venture

On 1 October 2010, Yüksel formed an international joint venture with CH2M HILL, a global provider of engineering, planning, consulting, construction and operations. The aim of the joint venture will be to deliver quality engineering and construction projects for the US Army Corps of Engineers ("**USACE**") for the US Central Command Area of Responsibility ("**CENTCOM AOR**"), which includes the following twenty countries: Kuwait, Qatar, UAE, Yemen, Saudi Arabia, Egypt, Kazakhstan, Lebanon, Oman, Pakistan, Turkmenistan, Kyrgyzstan, Syria, Jordan, Iran, Bahrain, Uzbekistan, Tajikistan, Afghanistan and Iraq.

The joint venture is expecting to bid for the construction and design-build of multiple projects and facilities in the CENTCOM AOR set out above for the USACE, Transatlantic Division and Middle East District. It is envisaged that 72% of these projects will be performed in Afghanistan or Iraq for construction and design-build projects required by US military customers. Also, the US Government is proposing to award a target of ten multiple indefinite delivery/indefinite quantity contracts, under which task orders will be firm-fixed price. The awarded contracts will share a programmatic capacity of US$3.8 billion and the period of performance is a two-year base period with three one-year option periods for a total of up to five years. The interest shares of CH2M HILL and Yüksel in the joint venture are 55% and 45% respectively.

Summary Corporate and Financing Structure

The following is a simplified summary of Yüksel's corporate and financing structure after giving effect to the offering of the Notes.



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* Guarantor of the Notes.

(1) The Company's "domestic affiliates" are its Turkish branches located in Melen, Ünye, Karkamış, Borçka, Hacınınoğlu, Sarıgüzel and Kandil.

(2) The Company's "international affiliates" are its overseas branches located in Libya, Dubai, Qatar, Afghanistan, Jordan, Uzbekistan and Iraq.

(3) The Company's non-construction subsidiaries are engaged in the following activities: information technologies, insurance brokerage, yachting rentals, financial brokerage, certain energy investments and defence industries. For a description of the Company's non-construction businesses, *see "Business—Yüksel's Primary Subsidiaries"*.

(4) 20.5% of the Company is owned by the Sazak and Sert families and 79.5% is owned by Yüksel Holding.

(5) Yüksel Holding's shareholders are as follows: Sert Family: 25%, Güven Sazak and his family: 25%, Süleyman Sazak and his family: 25%, Emin Sazak and his family: 25%.

(6) Otoyol has been formed to implement the Gebze-İzmir Motorway Project. Otoyol is composed of six companies including Yüksel, Nurol İnşaat, Özaltın İnşaat, Makyol İnşaat, Astaldi and Göçay İnşaat.

(7) At closing, after giving effect to the repayment of existing indebtedness within 120 days following the Closing Date with proceeds from the issuance of the Notes, to be deposited in an escrow account as described under "*Description of the Notes—Escrow Arrangement*", Yüksel expects to have direct obligations of US$130.4 million of drawn cash lines.

THE OFFERING

The following overview of the offering of the Notes is derived from, and should be read in conjunction with, the full text of the "*Description of the Notes*" included elsewhere in this offering memorandum, which description shall prevail to the extent of any inconsistency with this overview. Capitalised terms used but not otherwise defined herein have the respective meanings given to such terms under "*Description of the Notes*".

The Offering	US$200 million 9.50% Senior Notes due 10 November 2015.
Issuer	Yüksel İnşaat A.Ş., a joint-stock company incorporated under the laws of the Republic of Turkey.
Guarantors	Sasel Elektromekanik Sanayi ve Ticaret A.Ş. and Yüksel Yapı Elemanları A.Ş.
Joint Bookrunning Lead Managers	BNP Paribas and Standard Chartered Bank.
Issue amount.............................	US$200 million.
Issue price	98.069%.
Maturity date............................	Unless previously redeemed or repurchased and cancelled as described herein under "*Description of the Notes*", the Notes will mature on 10 November 2015.
Interest	Interest on the Notes will accrue from 10 November 2010 (the issue date of the Notes) at a rate of 9.50% per annum on the outstanding principal amount of the Notes and will be payable semi-annually in arrears on 10 May and 10 November in each year, commencing on 10 May 2011.
Use of proceeds.........................	The net proceeds received by the Issuer from the sale of the Notes will be applied to repay certain existing indebtedness and for general corporate purposes. *See* "*Use of Proceeds*".
Escrow Arrangement...............	In connection with this offering, the Company entered into an escrow agreement (the "**Escrow Agreement**"), dated on the issue date of the Notes, pursuant to which the Company agreed that US$120.0 million of the net proceeds of this offering was to be placed into an escrow account (the "**Escrow Account**") to be applied to the repayment of certain existing indebtedness. *See* "*Description of Notes—Escrow Arrangement*".
Early redemption	The Company may, at its option, redeem the Notes in whole or in part at any time prior to 10 November 2013 at a redemption price equal to 100% of their principal amount, plus Applicable Premium and accrued and unpaid interest and Additional Amounts, if any.
Optional redemption................	On or after 10 November 2013, the Company may, at its option, redeem the Notes in whole or in part at any time by paying the redemption prices set forth under "*Description of the Notes—Optional Redemption*".

Redemption in connection with specified equity offerings................................ At any time prior to 10 November 2013 the Company may redeem up to 35.0% of the outstanding principal amount of the Notes with the net proceeds from one or more specified equity offerings.

Withholding taxes and payment of additional amounts .... All payments on or in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes imposed or levied by or on behalf of the relevant jurisdiction. Under current Turkish tax law and bilateral tax treaties, withholding tax on interest applies to the Notes (currently at a rate of 10.0% except with respect to financial institutions and government-related entities in Singapore, for which rates of 7.5% and 0% apply, respectively) and the Issuer and the Guarantors will undertake to gross-up any and all payments thereon or in respect thereof. *See "Description of the Notes—Additional Amounts"*.

Status of the Notes.................... The Notes will be senior unsecured obligations of the Issuer and will rank *pari passu* in right of payment with all other existing and future senior unsecured obligations of the Issuer, and senior in right of payment to all other existing and future subordinated indebtedness of the Issuer. The Notes are being issued and sold outside Turkey pursuant to the Capital Markets Law and the Communiqué. *See "Description of the Notes—Brief Description of the Notes and the Note Guarantees"*.

Status of the Guarantees .... The due and punctual payment of all amounts due at any time on or in respect of the Notes will be unconditionally and irrevocably guaranteed on a joint and several basis by the Guarantors pursuant to the Guarantees. The Guarantees will be senior unsecured obligations of the Guarantors and will rank *pari passu* in right of payment with all other existing and future senior unsecured obligations of the Guarantors, and senior in right of payment to all other existing and future subordinated indebtedness of the Guarantors. *See "Description of the Notes—Brief Description of the Notes and the Note Guarantees"*.

Change of control..................... Upon the occurrence of an event treated as a "**change of control**," the Issuer will be required to offer to repurchase the Notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to the date of the purchase. For a summary of what constitutes a change of control, *see "Description of the Notes—Repurchase at the Option of Holders—Change of Control"*.

Certain covenants.................... The indenture governing the Notes contains covenants limiting, among other things, the Issuer's ability and the ability of the Issuer's restricted subsidiaries (including the Guarantors) to:

- incur additional debt;
- pay dividends or distributions on, redeem or repurchase their capital stock;
- make certain restricted payments;
- create certain liens;

- transfer or sell assets;
- engage in sale and leaseback transactions;
- merge or consolidate with other entities;
- change the nature of their businesses; and
- enter into transactions with affiliates.

Events of default....................... For a description of certain events of default that will permit acceleration of the principal amount of the Notes together with accrued but unpaid interest thereon, along with any other amounts due in respect of the Notes, *see "Description of the Notes—Events of Default and Remedies"*.

Listing .... Application has been made to admit the Notes to listing on the Official list of the Luxembourg Stock Exchange and to trading on Euro MTF.

Payment and settlement .... The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

Form and denomination.......... The Notes will be issued in registered form in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof. The Notes will be represented by a single global note, without interest coupons, which will be registered in the name of a nominee for, and deposited on or about the Closing Date with, a common depositary for Euroclear and Clearstream Luxembourg. Interests in the global note will be exchangeable for definitive Notes only in certain limited circumstances. *See "Book-Entry, Delivery and Form"*.

Disclosure of identity of beneficial owners .... In the event that, pursuant to any potential new Turkish tax law, some or all of the payments on or in respect of the Notes qualify for relief from Turkish withholding tax, the Issuer and the Guarantors will seek to apply relief at source in accordance with applicable law. In order to comply with any such applicable law, the Issuer and the Guarantors may be required to make available to Turkish tax authorities certain information and documents relating to the identity, tax residence and legal entity type of beneficial owners of the Notes who receive interest payments thereon. The Issuer has arranged certain procedures with Acupay to facilitate the collection of such information and documents. The Issuer and Acupay, as tax certification agent, will enter into the Tax Certification Agency Agreement pursuant to which they will agree, for so long as any Notes remain outstanding, to comply with the procedures set forth in Annexes A and B to this offering memorandum in order to facilitate the collection of information and documents concerning the identity, tax residence and legal entity type of beneficial owners of the Notes. For a further description of required procedures in respect of the foregoing matters, *see "Tax Considerations—Provision of Beneficial Owner Information"* and Annexes A and B to this offering memorandum.

Selling restrictions	The Notes and the Guarantees have not been and will not be registered under the Securities Act. The Notes and the Guarantees are being offered and sold outside the United States by the Managers in accordance with Regulation S, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. An application has been made to the CMB in its capacity as competent authority under the Capital Markets Law for the registration of the Notes with the CMB and the issuance and sale of the Notes outside Turkey. The Notes cannot be sold outside Turkey before they are registered with the CMB. The Notes were registered with the CMB on 19 October 2010. *See "Subscription and Sale—Turkey"*.
Trustee	Deutsche Trustee Company Limited.
Escrow Agent	Deutsche Bank AG, London Branch.
Registrar	Deutsche Bank Luxembourg S.A.
Principal Paying Agent	Deutsche Bank AG, London Branch.
Listing Agent	Deutsche Bank Luxembourg S.A.
Security codes	ISIN: XS0558618384
	Common Code: 055861838
Governing law	The Notes, the Guarantees and the Indenture will be governed by and construed in accordance with New York law. The New York courts will have jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Guarantees or the Indenture.

Risk Factors

Investing in the Notes offered hereby involves certain risks. *See "Risk Factors"* beginning on page 17 of this offering memorandum for a description of some of the risks you should consider before investing in the Notes.

Yüksel İnşaat A.Ş. is an incorporated company (*Anonim Şirket*) organised under the laws of Turkey on 3 November 1972 with registration number 25160. Yüksel's principal executive office is located at Söğütözü Cad. No: 14/A-B, 06560 Beştepeler, Ankara. The Company's telephone number at its principal executive office is +90 312 284 2545. The Company maintains an internet website at *www.yüksel.net*. Information on the Company's internet website is not part of this offering memorandum.

Summary Historical Financial Information

In this offering memorandum, management present and discuss the audited consolidated financial statements of the Issuer prepared in accordance with IFRS for the years ended 31 December 2009 and 2008. The financial statements include, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly Yüksel's financial results for the years ended 31 December 2009 and 2008.

The audited consolidated financial statements included in this offering memorandum have been audited by Eren Bağımsız Denetim ve Y.M.M.A.Ş., a member of Grant Thornton International, Yüksel's independent auditors.

Yüksel also presents in this offering memorandum its unaudited consolidated financial statements for the six months ended 30 June 2010 and 2009, prepared in accordance with IFRS. These unaudited consolidated financial statements include, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly Yüksel's financial results for the periods presented. The interim results are not necessarily indicative of the results that may be expected for any other interim period or for the full financial year.

You should read the summary historical financial information in conjunction with the information contained in "*Presentation of Financial Information*", "*Risk Factors*", "*Capitalisation*", "*Selected Historical Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", and Yüksel's consolidated financial statements, including the related notes, appearing elsewhere in this offering memorandum.

	Financial year ended 31 December		**Six months ended 30 June**		**Twelve month period ended 30 June**	
	2009	**2008**	**2010**	**2009**	**2010**	**2010**
	(TL in millions)				***(TL in millions)***	***(US$ in millions)***[(1)]
	(audited)		***(unaudited)***		***(unaudited)***	
Income statement data:						
Sales	1,173.7	1,110.2	640.5	560.4	1,253.8	835.2
Cost of sales	(1,035.3)	(1,008.7)	(567.1)	(509.7)	(1,092.6)	(727.9)
Gross profit	138.4	101.5	73.4	50.6	161.2	107.4
Operating expenses	(90.1)	(81.7)	(40.0)	(39.9)	(90.2)	(60.1)
Basic operating profit	58.1	26.1	41.0	14.3	84.7	56.4
Other income/(expense), net	1.0	1.3	(2.4)	2.5	(3.9)	(2.6)
Financial income/(expense), net	(17.7)	(1.5)	(9.7)	(3.2)	(24.2)	(16.1)
Profit before tax for the period	41.3	25.9	28.8	13.6	56.6	37.7
Tax	(2.8)	(2.6)	(0.3)	(0.07)	(3.1)	(2.01)
Deferred tax income/(charge)	(1.5)	(0.9)	(1.0)	(0.4)	(2.2)	(1.4)
Profit for the period from continuing operations	37.0	22.4	27.5	13.1	51.4	34.2
Minority interest	(0.1)	(2.2)	0.8	(0.4)	1.1	0.7
Net profit/(loss) for the period	36.9	20.2	28.3	12.7	52.4	34.9

	Financial year ended 31 December		**As of 30 June**	**As of 30 June**
	2009	**2008**	**2010**	**2010**
	(TL in millions)		***(TL in millions)***	***(US$ in millions)***[(1)]
	(audited)		***(unaudited)***	***(unaudited)***
Balance sheet data (at period end):				
Cash and cash equivalents	127.6	92.9	77.8	49.4
Total assets	1,673.1	1,456.0	1,775.1	1,127.2
Total liabilities	1,129.8	951.5	1,195.5	759.3
Total shareholders' equity[(2)]	543.3	504.4	579.6	368.1

	Financial year ended 31 December		Six months ended 30 June	Twelve month period ended 30 June	
	2009	2008	2010	2010	2010
	(TL in millions) *(audited)*		*(TL in millions)* *(unaudited)*	*(TL in millions)* *(unaudited)*	*(US$ in millions)*[(1)]
Cash flow data:					
Net cash flow from operating activities	25.5	3.4	(35.6)	(26.0)	(17.3)
Net cash flow from financing activities	71.5	69.0	37.2	80.4	53.6
Net cash flow from investing activities	(62.3)	(78.3)	(51.5)	(74.9)	(49.9)

	Financial year ended 31 December		Six months ended 30 June	As of and for twelve-month period ended 30 June	
	2009	2008	2010	2010	2010
	(TL in millions) *(audited)*		*(TL in millions)* *(unaudited)*	*(TL in millions)* *(unaudited)*	*(US$ in millions)*[(1)]
Other data:					
EBITDA[(3)]	103.8	61.4	70.0	140.6	93.7
Interest expense, net	17.7	25.6	14.8	19.9	13.3
Net capital expenditure[(4)]	60.6	120.4	53.0	74.3	
Total financial debt[(5)]	368.3	306.2	399.2		
Net financial debt[(6)]	240.6	213.3	321.6		

	As of and for twelve-month period ended 30 June	
	2010	2010
	(TL in millions) **(unaudited)**	**(US$ in millions)**[(1)]
***Pro forma* financial data:**[(7)]		
Pro forma total financial debt	519.2	329.7
Pro forma cash and cash equivalents	197.5	125.4
Pro forma net financial debt	321.5	204.2
Ratio of *pro forma* net financial debt to EBITDA		2.2x

(1) For your convenience, the Turkish lira balance sheet amounts presented in the columns "*Six months ended 30 June 2010*" and "*Twelve month period ended 30 June 2010*" have been translated into US dollars, using the Bloomberg Composite Rate of the US dollar on 30 June 2010, which was US$1.00 = TL 1.5747 and cash flow and income statement amounts are translated at the midpoint average exchange rate for each month during the twelve month period of US$1.00 = TL1.5011. You should not view such translations as a representation that such Turkish lira amounts actually represent such US dollar amounts, or could be or could have been converted into US dollars at the rate indicated or at any other rate. *See* "*Exchange Rates*".

(2) Total shareholders' equity consists of share capital, general reserves, net profit for the respective period and minority interests.

(3) Yüksel calculates EBITDA on the basis of operating profit plus depreciation and amortisation expenses. Yüksel believes that EBITDA serves as a useful supplementary financial indicator to investors because it is commonly reported and widely accepted by analysts and investors in measuring a company's ability to service its long term debt and other fixed obligations, to maintain its operations and to fund its continued growth. Further, EBITDA is a widely accepted indicator in comparing a company's underlying operating profitability with that of other companies in the same industry. EBITDA is not an IFRS measure and you should not consider EBITDA as an alternative to net profit, as an indicator of operating performance, as a measure of cash flow from operations or as an indicator of liquidity. Funds depicted by this measure may not be available for the Company's discretionary use (due to covenant restrictions, debt service payments and other commitments). You should note that EBITDA is not a uniform or standardised measure and the calculation of EBITDA, accordingly, may vary significantly from company to company. By itself, Yüksel's presentation and calculation of EBITDA may not be comparable to that of other companies.

A reconciliation of EBITDA to operating profit for the financial years ended 31 December 2009 and 2008 and for the six months ended 30 June 2010 and 2009 is presented below:

	Financial year ended 31 December		Six months ended 30 June	Twelve months ended 30 June
	2009	**2008**	**2010**	**2010**
		(TL in millions)		
	(audited)		*(unaudited)*	*(unaudited)*
Operating profit	58.0	26.1	41.0	84.7
Depreciation and amortisation expenses	45.8	35.3	29.0	55.9
EBITDA	**103.8**	**61.4**	**70.0**	**140.6**

(4) Net Capital expenditure represents acquisitions of tangible and intangible fixed assets net of proceeds from the sales of tangible and intangible fixed assets.

(5) Total financial debt represents financial liabilities with banks, financial lease liabilities and the notes.

(6) Net financial debt represents total financial debt minus cash and cash equivalents.

(7) *Pro forma* financial data and ratios reflect the issuance of the Notes and the use of proceeds therefrom, including giving effect to the payment of existing indebtedness to be repaid within 120 days following the Closing Date with proceeds from the issuance of the Notes which are deposited in an escrow account as described under "*Description of the Notes—Escrow Arrangement.*" For additional information on how we calculated *pro forma* financial data *see "Capitalisation*."

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully consider the following risks, together with other information provided to you in this offering memorandum, in deciding whether to invest in the Notes. The occurrence of any of the events discussed below could harm the Company. If any of these events occur, the trading prices of the Notes could decline and the Company may not be able to pay all or part of the interest on or principal of the Notes, and you may lose all or part of your investment. Additional risks not currently known to Yüksel or that it now deems immaterial may also harm the Company and affect your investment.

This offering memorandum contains "forward-looking" statements that involve risks and uncertainties. Yüksel's actual results may differ significantly from the results discussed in such forward- looking statements. Factors that might cause such differences include those discussed below. See "Information Regarding Forward-Looking Statements".

Risk Factors Related to Yüksel's Business and the Construction Industry

Yüksel relies on expenditures made by participants in the oil and gas industry and its government client base for its business.

As of 30 June 2010, approximately 84% of Yüksel's clients under its ongoing contracts were governments or state-owned companies. A large number of Yüksel's clients are also located in markets where oil and gas revenues are a major component of the national economy and with an emphasis on national infrastructure development. As a result, demand for Yüksel's services depends on the condition of the oil and gas industry and government investment in infrastructure.

Yüksel relies on its participation in infrastructure development programmes currently planned and being undertaken by the government in certain of its markets to generate a significant amount of its business. Yüksel may start a specific government project but due to the lack of government funding cannot complete the project within the original timeframe or at all. The Company's government clients are under no obligation to maintain funding at any specific level and funds for any program may even be eliminated. Any failure by these government clients to carry out current plans of infrastructure development, delay in the award of major projects or postponement of previously awarded projects could have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects.

Yüksel relies on a number of key customers and partners for its business and the loss of one or more of these customers or partners could have a material adverse effect on its business, financial condition, results of operations or prospects.

In 2009, approximately 72% of the revenues of Yüksel's business came from the following eight biggest customers for its business: the US Government in Afghanistan and Iraq, NATO in Afghanistan, the Qatari Public Works Authority, ODAC of Libya, the Libyan Roads and Bridges Authority, the SWCC of Saudi Arabia, the Ministry of Higher Education and the Ministry of Water and Electricity of Saudi Arabia. In addition, Yüksel relies on its close relationships with a number of partners with whom it works on projects in various countries. These key partners include, among others Midmac in Qatar CH2M HILL in Afghanistan, and Makyol İnşaat and Nurol İnşaat in Turkey. The loss of one or more of Yüksel's key customers or partners or a substantial decrease in demand by its key customers could result in a substantial loss of revenues which could, in turn, have a material adverse effect on its business, financial condition, results of operations or prospects.

Yüksel might experience delays or cancellation of projects included in its contract backlog.

As of 30 June 2010, Yüksel's contract backlog, or the uncompleted portion of its order book, was over US$1.0 billion. Contract backlog refers to expected future revenues under signed contracts which Yüksel has determined are likely to be performed. The amount of Yüksel's contract backlog does not necessarily indicate future earnings related to the work performed as the backlog is adjusted during the course of a project to take account of alterations to the scope of work under approved variation orders and contract extensions. In the past, all of Yüksel's contracts have been finalised within adjusted values. Although Yüksel only includes business that it considers to be firm in its contract backlog, the contract backlog may change as cancellations, delays or scope adjustments have occurred in the past and are likely to occur in the future. Due to factors outside Yüksel's control, such as changes in project scope and schedule, it cannot predict with certainty when or if contracts in the contract backlog will be performed.

Delays and/or defaults in customer payments could have a material adverse effect on the profitability of Yüksel's projects.

Because of the nature of Yüksel's contracts, at times it may have to commit significant funds and resources to projects prior to receiving advance, progress or other such payments from the customer in amounts sufficient to cover expenditures on projects as they are incurred. For example, there is always a risk that financial close will not be achieved after a letter of intent has been signed, even though Yüksel may have already invested money and time on a project. If a customer defaults in making its payments on a project on which Yüksel has devoted significant resources or if a project in which it has invested significant resources is delayed, cancelled or does not proceed to completion, it could have a material adverse effect on the profitability of Yüksel's projects. Furthermore, some of the contracts which the Company undertakes do not include a clause for the payment of interest in an event of default or late payment. Although Yüksel addresses this issue in negotiating contracts, there can be no assurance that it will be able to recover interest on late payments.

Yüksel depends on contractors and subcontractors to complete projects on schedule and to maintain a consistent standard of quality and failure of the contractors and subcontractors may result in delays.

Yüksel relies on contractors and subcontractors to construct some of its construction projects, who, in turn, rely on suppliers of construction materials. Failure of contractors and subcontractors to construct Yüksel's construction projects on schedule and in accordance with Yüksel's quality standards, or failure of suppliers to timely deliver adequate amounts of defect-free construction materials, could delay completion of projects or negatively affect the quality of the projects. The ability of contractors and subcontractors to perform their obligations is subject to numerous factors beyond the control of Yüksel, such as their ability to hire adequate labour and to otherwise manage their own businesses efficiently. In addition, the ability of suppliers of construction materials to perform their obligations is subject to periodic shortages and price volatility in raw materials. A failure to complete projects on time or to maintain a consistent standard of quality may lead to difficulties in marketing Yüksel's products, rescissions of sales contracts and increased liabilities pursuant to customer warranty claims, each of which could have a material adverse effect on Yüksel's business, financial condition and results of operations.

Yüksel may be liable to third parties for the failure of its joint venture partners to fulfil their obligations.

Yüksel enters into various joint ventures as part of its engineering, procurement, construction and project management businesses. The success of these joint ventures depends, in large part, on the satisfactory performance by Yüksel's joint venture partners of their joint venture obligations. If Yüksel's joint venture partners fail to satisfactorily perform their obligations as a result of financial or other difficulties, the joint venture may be unable to adequately perform or deliver its contracted services. In a number of projects, Yüksel is subject to joint and several liability as a member of the joint venture. The inability of a joint venture partner to continue with a project due to financial or legal difficulties could mean that Yüksel would bear increased and possibly sole responsibility for the completion of the project. In addition, although the joint venture agreements typically provide for a performance bond to be posted by each joint venture partner pursuant to the terms of the construction contract with the client and for the failing partner to continue to be liable for its proportionate share of any losses under the project, there can be no guarantee that such measures will be adequate in limiting Yüksel's losses from a specific project. There can be no assurance that Yüksel will be successful in choosing joint venture partners in the future with the ability to satisfactorily perform their joint venture obligations.

Yüksel's government contracts may be terminated if it does not comply with the terms and conditions specified in the respective contracts. As a result, it may be unable to enter into future government contracts.

Yüksel's client base consists primarily of government and government related entities. As of 30 June 2010, contracts with the Turkish government and other governments represented approximately 15% and 98%, respectively, of the value of Yüksel's contract backlog in Turkey and overseas. Government contracts are subject to various uncertainties, restrictions and regulations, including oversight audits by government representatives, changes in government policies and profit and cost controls. Government contracts are also exposed to uncertainties associated with government funding, as well as changes in regulation, such as the deregulation of the energy sector, especially in Turkey. In addition, government contracts are subject to specific procurement regulations and a variety of other socioeconomic requirements.

Yüksel must comply with these government regulations and requirements, as well as various statutes related to employment practices, environmental protection, recordkeeping and accounting. If it fails to comply with any of these regulations, requirements or statutes, its existing government contracts could ultimately be terminated, it may be pressured to give concessions on the contracts or it could be temporarily suspended from government contracting or subcontracting in the future.

In addition, governmental entities usually have wide termination rights if there are project delays or other defaults under the government contract. In government contracts with certain Middle Eastern and North African governmental entities there are often vague termination rights. Although Yüksel has not had a governmental contract terminated in this manner in the past, for example, a Libyan construction contract which states that the government can terminate the contract for the public benefit. If one or more of Yüksel's government contracts are terminated for any reason, or if it is suspended from performing government contract work, it could suffer a significant reduction in expected revenues from its contracting business.

The completion of Yüksel's current and future construction projects could be delayed.

Yüksel's timely completion of its construction projects is dependent on a number of factors, including:

- the ability to fund construction and development projects from cash from operations or external financings;
- the timing and receipt of necessary and unchallenged zoning, building, occupancy and other required governmental authorisations;
- the availability of construction materials and labour that meet Yüksel's standards;
- the ability of contractors, subcontractors and other third parties to complete their work on schedule and the quality of such parties' work; and
- clear and agreed project specifications provided by and the conduct of Yüksel's customers.

Failure to complete development projects on schedule could result in delays in generating revenues and unanticipated costs and could also have a negative effect on Yüksel's reputation in Turkey and the other markets in which it operates, any of which could have a material adverse effect on its business, financial condition, results of operations or prospects.

Yüksel's ongoing power plant construction projects may not be successful.

Yüksel is seeking to expand into the energy sector business through power plant development and construction for electricity generation in the fields of hydro-electricity and wind power. Yüksel currently has four ongoing hydro-electric power plant construction projects and has also future plans for wind power projects. The development and operation of power plants is subject to substantial risks, including various planning, engineering, construction, financing, shareholder, government and environmental risks, together with the risk of legal challenges. For each project several steps must be taken in order for the power plant to start operating, recover its costs and generate revenue. These include:

- conducting diligent feasibility studies;
- in case of a tender, submitting bids and acting in accordance with tender rules and regulations;
- executing construction contracts and long-term service agreements including with sub-contractors;
- purchasing necessary electricity generation equipment;
- obtaining the required Energy Markets Regulatory Authority ("**EMRA**") license and complying with ongoing requirements under such license;
- obtaining governmental permits and approvals, including environmental permits and approvals, such as approvals relating to environmental impact assessment, before commencement of operations;
- entering into fuel supply and transportation agreements at competitive prices;
- procuring sufficient equity capital and debt financing;
- entering into electricity transmission and distribution agreements; and
- obtaining water supply and wastewater discharge agreements or permits.

If Yüksel experiences these or other problems and is unable to complete the construction of power plants in a timely and adequate manner, or at all, Yüksel may not be able to recover its costs of investment, lose its licenses (as well as the ability to apply for future licenses) and not be able to generate electricity in amounts consistent with its expectations, which could have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects. There can be no assurance that Yüksel's pipeline projects will be completed in the anticipated timeframe or at all, or that projections or estimates relating to its pipeline projects will correspond with actual future installed capacity and, accordingly, its actual installed capacity in the future could differ from its own or third parties' current expectations.

Yüksel operates in very competitive markets, and if it fails to meet various competitive challenges, Yüksel could lose market share to competitors.

The contracting and construction markets in Turkey and other markets in which Yüksel operates are highly competitive and require substantial resources and capital investment in equipment, technology and skilled personnel. In each of its markets, Yüksel competes with large multinational companies, large publicly owned and private domestic companies, as well as smaller local companies. Many of Yüksel's international competitors are larger and have substantially greater financial, personnel, technical and marketing resources than Yüksel.

Competition also places downward pressure on contract prices and profit margins and may restrict growth. Intense competition is expected to continue in these markets, presenting significant challenges to the ability of Yüksel to maintain growth rates and acceptable profit margins. If Yüksel is unable to meet these competitive challenges, it could lose market share to competitors and experience an overall reduction in profits. For example, failure to maintain quality, health, safety and environmental standards, reliable service and cost-efficient construction or failure to win bids could lead to the loss of a leading position in relevant contracting and construction markets. Furthermore, if competitors change their pricing policies or their levels of investment in Turkey or in other countries in which Yüksel operates, its market share may be adversely affected or it may be required to lower prices or make increased expenditures to maintain market share.

Yüksel's failure to overcome the effects of heightened competition and to compete effectively and thus establish an economically viable presence in all or any one of its markets could have a material adverse effect on its business, financial condition, results of operations or prospects. *See "Business—Competition"*.

Bidding on large, long-term fixed-price projects exposes Yüksel's contracting business to risk of loss.

Most of Yüksel's contracting projects are large, long-term projects that usually take two to three years or longer to complete. In addition, a portion of Yüksel's projects is normally performed on a turn-key or lump-sum basis (meaning that Yüksel agrees to complete the project for a fixed price) and are awarded following a competitive bidding process. Yüksel may expend significant resources, both in management time as well as money, on bidding for projects that it is not awarded.

In addition, these fixed-price contracts are inherently risky because of the possibility of underbidding and the fact that Yüksel assumes substantially all of the risks associated with completing the project and the post-completion warranty obligations. The revenue, cost and gross profit realised on turn-key, lump-sum contracts can vary, sometimes substantially, from Yüksel's original projections because of changes in conditions, including but not limited to:

- delays caused by unexpected soil conditions;
- changes in the cost of materials and labour;
- delays caused by local weather conditions;
- unanticipated technical problems with the equipment being supplied or developed by Yüksel which may require that it spends its own money to remedy the problem;
- suppliers' or subcontractors' failure to perform; and
- if a project is not completed in accordance with client specifications.

These risks are exacerbated if the duration of the project is long-term because there is an increased risk that the circumstances will change and that costs will increase for Yüksel. In addition, Yüksel bears the risk of delays caused by any unexpected conditions or events. The contracts for turn-key, lump-sum projects often make Yüksel subject to penalties if it cannot complete portions of the projects in accordance with agreed-upon time limits. Therefore, losses can result from performing large, long-term projects on a lump-sum or turn-key basis.

The nature of Yüksel's contracting business exposes it to potential liability claims and contract disputes which may result in loss of revenues, increased expenses, or for which the liabilities may potentially exceed Yüksel's insurance coverage and contractual indemnity provisions.

Yüksel engages in engineering, procurement, construction and project management for large projects where design, construction or systems failures can result in substantial damage to or loss of property, suspension of operations or injury or death to personnel or third parties. The Company's operations are conducted in hazardous environments where accidents involving catastrophic damage or loss of life could result, and litigation arising from such an event may result in it being named a defendant in lawsuits asserting large claims. In addition, Yüksel may face significant claims for damages if a project suffers defects in the quality of its own or its subcontractors' construction, engineering or planning. Although Yüksel obtains contractor all-risk insurance for each project with a coverage that it believes to be in accordance with industry standards, there can be no assurance that such insurance will be sufficient to cover liabilities resulting from claims. Any liability in excess of insurance limits could result in significant claims, which may reduce profits. Faults in construction might also require substantial and expensive repair work, which may not be foreseen or covered by insurance. In addition, if there is a customer dispute regarding Yüksel's performance, the customer may decide to delay or withhold payment or make a demand for payment under a letter of guarantee. An inability to collect on these payments could have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects.

The construction and related industries are cyclical in nature and Yüksel's revenues may fluctuate.

Construction and related industries in Turkey and Yüksel's other markets are cyclical in nature and rely on levels of investments which may increase in times of expansion and contract during recessions. The level of business activity in Yüksel's construction business is closely correlated to economic conditions in Turkey in particular, and the Middle East and Libya in general. Yüksel's revenues may be subject to significant fluctuations as a result of economic cycles which could have a material adverse effect on its business, financial condition, results of operations or prospects.

Yüksel requires qualified personnel in order to complete its projects, and during periods of high demand for such employees, it incurs additional costs in employing the workforce required.

At any given time, up to 30% of Yüksel's white collar workforce and up to 70% of Yüksel's blue collar workforce is temporary, hired only to work on a particular project and dismissed when the project is complete. Yüksel's practice is generally where possible to keep together most of the crew members that it has hired for a particular project, moving this crew from project to project. It is Yüksel's responsibility to hire the labour force it needs for each project. Many of the services that it provides are complex and highly engineered and often must be performed in harsh conditions. Yüksel's continued success depends upon its ability to employ, retain and mobilise technical personnel with the ability to design, utilise and enhance these services. To date, it has not encountered problems finding sufficient numbers of workers with an adequate level of training or skills. However, there can be no assurance that shortages of appropriately qualified personnel or failures to mobilise in a timely manner will not arise in the future, including with respect to Yüksel's contemplated expansion of its business. Additionally, during periods of high demand for contracting projects, Yüksel is competing with many other companies in retaining qualified workers, such as welders, which increases its personnel costs. Any inability of Yüksel to hire and retain sufficient numbers of qualified personnel in order to complete its projects could have a material adverse effect on its business, financial condition and results of operations.

Yüksel relies on certain key personnel to operate its business.

Yüksel relies on the efforts, diligence, skill, network of business contacts and close supervision of its senior management team and other key personnel. If one or more members of Yüksel's senior management team or key personnel were to resign, the loss of such personnel could result in a failure or delay to achieve some or all of its business strategies and may require the diversion of management resources. In addition, Yüksel's future success as it expands its scope of operations will depend, in part, on its ability to attract, retain and motivate qualified personnel. Failure to retain current key personnel or to attract and retain additional qualified personnel could have a material adverse effect on its business, financial condition and results of operations.

Yüksel may be unable to fully execute its business strategy successfully.

Yüksel's business strategy contemplates growth through diversification within its core construction business and also diversification into selective related businesses. Its geographic and segmental business strategy may require substantial new capital to finance the future development and acquisition of assets, and Yüksel cannot assure you that it will be able to obtain the necessary financing. In addition, if its cost of capital is high, it may not be able to finance the construction or acquisition of assets necessary to implement its geographic and segmental business strategy. The Company may be unable to raise the necessary funds on satisfactory terms, if at all, which would impair its ability to execute its business diversification strategy.

Additionally, Yüksel may face other challenges in executing its strategy of geographic and industry diversification, more specifically in obtaining required permits and licenses for the development of its contemplated related businesses and hiring sufficient numbers of adequately trained staff in new geographic markets and new industry market segments. Any failure to successfully navigate the challenges of its geographic and industry diversification strategy could cause its rate of development to decline which could, in turn, have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects and may prevent it from fully executing its business strategy.

Yüksel may not be able to successfully manage the growth of the operations of its affiliates and subsidiaries.

The operations of Yüksel, as conducted by its affiliates and subsidiaries, have grown substantially in the last few years. As Yüksel continues to expand its business, it must take steps to ensure that its managerial, technical and operational knowledge are sufficient and that it continues to effectively allocate resources as well as implement an effective management information system. In order to fund its ongoing operations and future growth, Yüksel will need to ensure that it has sufficient internal sources of liquidity or access to additional financing from external sources. Yüksel will be required to manage relationships with a greater number of clients, suppliers, contractors, service providers, lenders and other third parties. Further, it will need to continue to strengthen its internal control and compliance functions to ensure that it will be able to comply with its legal and contractual obligations and minimise its operational and compliance risks.

There can be no assurance that Yüksel will not suffer from capital constraints, operational difficulties or difficulties in expanding existing construction business and operations, and training an increasing number of personnel to manage and operate the expanded business. Further, there can be no assurance that it will be able to successfully manage its growth, or that its expansion plans will not adversely affect its existing operations and thereby have a material adverse effect on its business, financial condition, results of operations or prospects.

Yüksel's involvement in the Gebze-İzmir Motorway and İzmit Bay Crossing Project could expose the Company to significant project execution and other risks if the project is unsuccessful or there are disagreements or disputes amongst the consortium members which could have a material adverse effect on its business, financial condition, results of operations or prospects.

Yüksel is currently a consortium member for a BOT concession for the Gebze-İzmir Motorway and İzmit Bay Crossing in Turkey, with a contract worth approximately US$6.3 billion. The project is one of the largest motorway concessions in the region and the largest and most ambitious infrastructure project to date in Turkey. Although Yüksel has extensive experience in this type of motorway construction project, it has not previously been involved with a project of this magnitude and as such, could be exposed to significant project execution and other risks as a result of a number of potential factors. If the Company did face significant project execution difficulties, Yüksel has the option to sell its shares in the joint venture to its other joint venture partners. Although provisions of the concession agreement provide that the TCK will provide a minimum traffic guarantee calculated according to a formula of approximately US$690 million per year upon completion, Yüksel may still face other risks related to this project including amongst others, obtaining appropriate financing for the project (and on reasonable market terms), meeting minimum equity funding requirements, the failure of other consortium members to meet their obligations and the impact of high cost overruns. The impact of any or all of such potential factors could have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects.

Yüksel could be adversely affected by changes in supply and price levels of certain raw materials which are essential for its projects.

The main raw materials utilised by Yüksel in its projects are aggregate (stone and sand), bitumen, cement, reinforcing bars, steel, stainless steel, iron and copper. Yüksel's main suppliers of basic construction materials vary from market to market due to Yüksel's geographically diversified construction activities and also due to the different requirements of construction projects from market to market. Although Yüksel includes cost estimates for raw materials in its overall estimate provided during the tender process, there can be no assurances that it will not face price volatility in the market for its key raw materials. There can also be no assurance that Yüksel will be able to pass on all or any part of the increased raw material costs to its customers. Yüksel believes that it takes necessary measures to maintain an adequate supply of essential raw materials required for its projects, however, there can be no assurances that supply of all essential raw materials will not be delayed or interrupted, which interruption could result in project delays and increased costs if alternative suppliers may not provide such raw materials at competitive prices or at all.

For example, before the effects of the global economic crisis caused the construction industry in certain markets to slow, Yüksel and other construction industry companies experienced a shortage of iron reinforcing bars, a key raw material which Yüksel usually does not source locally, due to extremely high demand and prices of iron reinforcing bars increased by approximately 2.5 times. Although the demand for and price of iron reinforcing bars has since normalised, there can be no assurance that Yüksel will not face similar adverse price and supply changes as the global construction market recovers. A significant increase in the cost of, or an extended interruption in, the supply of essential raw materials to Yüksel's construction projects could have a material adverse effect on its business, financial condition, results of operations or prospects.

Yüksel's international operations exposes it to changes in foreign regulations and other risks inherent to international business, any of which could affect its results of operations.

Yüksel's international operations are mainly performed in emerging markets such as Qatar, Saudi Arabia, Libya, Afghanistan, Iraq, Uzbekistan and Jordan as well as Kazakhstan, the UAE, Russia, Romania, Georgia and Ukraine, which may expose Yüksel to greater risks than those associated with more developed markets. In total, these markets accounted for 80% and 73% of its operating revenue in 2009 and 2008, respectively. Operations in these emerging markets present certain risks to Yüksel, including:

- economic instability, which could make it difficult for it to anticipate future business conditions in these markets;
- political instability, which could discourage investment and complicate its dealings with governments;
- uncertainty of local contractual terms and of enforcing terms in disputes before local courts, including against governments or state agencies;
- boycotts and embargoes that may be imposed by the international community on countries in which it operates;
- requirements imposed by local governments upon local suppliers or subcontractors that Yüksel utilises which may not be able to perform as required;
- labour unrest;
- disruptions due to civil war, election outcomes, shortages of commodities, power interruptions or inflation;
- the imposition of unexpected taxes or other payments on revenues in these markets;

- the introduction of exchange controls and other restrictions by foreign governments; and
- the imposition of regulatory requirements by local governments in an unexpected and rapid manner.

To manage these risks, Yüksel seeks to form joint ventures and/or strategic partnerships with local private and/or governmental entities. Local partners provide it with local market knowledge and, in some cases, helps it to reduce its tax liability. However, there can be no assurance that changes in conditions or regulations in the future will not affect Yüksel's profitability or ability to operate in such markets.

Yüksel's international operations in certain markets, such as Iraq and Afghanistan, expose it to social instability, terrorism and acts of war which could impact its business in these markets.

Certain countries in the Middle East where Yüksel undertakes construction projects, such as Iraq and Afghanistan, have experienced in the recent past, or are currently experiencing, political, social and economic instability, extremism, terrorism and/or war. In addition, within Iraq and Afghanistan, extremists have previously engaged in campaigns against companies doing business with the US Government and the US Army active in these markets. Although Yüksel hires security contractors for its personnel and projects in these markets, civil unrest and local security concerns have in the past and could in the future threaten the safe operation of its facilities, transport of its products and the safety of its personnel. Although its employees in these market are covered by personnel insurance, insurance to compensate for other terrorism- related losses is not available. If such risks materialise, they could result in injuries and disruption to Yüksel's business activities in these markets. The foregoing factors could have a materially negative impact on the ability of Yüksel to continue to grow its business in thee markets or could have a material adverse effect on its business, financial condition, results of operations or prospects, as well as its reputation.

Failure to obtain and comply with regulatory approvals could result in interruption or termination of Yüksel's construction projects.

Yüksel is required to obtain zoning, building, occupancy and certain other regulatory approvals for its construction and development projects in Turkey and the other markets in which it operates. There can be no assurances that all regulatory approvals in connection with existing or proposed construction or development projects will be obtained in a timely manner, or at all or that any of such permits will not be legally challenged within applicable statute of limitations. Furthermore, the terms of regulatory approvals could impose unanticipated conditions and costs on construction or development projects. In addition, violation of the terms of any such regulatory approvals may lead to their cancellation, withdrawal, suspension or the imposition of financial and/or non-financial penalties by relevant authorities. Any of the above factors may result in the interruption or termination of Yüksel's construction or development projects, which could have a material adverse effect on its business, financial condition, results of operations or prospects.

Yüksel's operations are subject to environmental laws and regulations in the countries in which it operates. Yüksel incurs costs to comply with such regulations and its ongoing operations may expose it to environmental liabilities.

Yüksel's operations are subject to extensive environmental protection laws and regulations adopted by Turkey and the governmental authorities in the jurisdictions where it operates. Production plants operated by Yüksel use and produce solvents, radioactive materials, metals, oils and related residues. In addition, when working on its projects in different locations, Yüksel handles oil and various other chemicals. These are considered to be hazardous substances in many jurisdictions in which it operates. Yüksel may be subject to liabilities for environmental contamination if it does not comply with applicable laws regulating such hazardous substances, and such liabilities can be substantial. All of Yüksel's operations are subject to ongoing compliance costs in respect of environmental matters and the associated capital expenditure requirements.

Turkey, after becoming a member of UN-FCCC (United Nations Framework Convention on Climate Change) has increased its efforts to reduce the emissions within several sectors including the construction sector. Increasing population and industrialisation in the country are triggering high demand for facilities to support its growing needs resulting in high emission levels. As and when Turkey joins the European Union, it will have to comply with the EU *acquis communautaire*, which has agreed to reduce its greenhouse gas emission by 20% at least by 2020. Changing emission norms by the Turkey government with regards to the methods, materials and equipments used in construction could have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects. Additionally, new methods to reduce the emission levels in construction could increase operating costs affecting the profitability margins.

Yüksel may be subject to significant fines and penalties in the future if it does not comply with environmental laws and regulations. Additionally, Yüksel may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Changes in the environmental laws and regulations, or claims for damages to persons, property, natural resources or the environment, could result in substantial costs and liabilities to Yüksel.

Yüksel's ability to bid for large contracts depends on its ability to obtain letters of guarantee from financial institutions.

In the normal course of Yüksel's business and in accordance with industry practice, Yüksel provides its project customers letters of guarantee issued by financial institutions. These letters of guarantee include bid bonds that are issued in connection with tenders, advance payment guarantees in projects where Yüksel guarantees the performance of its duties against the advance payments received from customers, performance guarantees to guarantee its satisfactory performance of the contract and retention money guarantees to allow it to receive full instalment payments from its customers. If Yüksel cannot obtain such a guarantee from a financial institution on reasonable terms, it could be prevented from bidding on or obtaining a contract or its costs would be higher, which would reduce the profitability of the contract. Financial institutions will consider its financial position in the guarantee approval process. In addition, in some projects Yüksel is required to obtain letters of guarantee from financial institutions with an investment grade credit rating. This increases its costs as Turkish banks, from which it generally obtains its letters of guarantee, currently are not rated as investment grade financial institutions. If Yüksel finds that it cannot obtain sufficient guarantees from financial institutions in the future, there could be a material adverse effect on its business, financial condition, results of operations or prospects.

Yüksel's business requires certain capital investment and there can be no assurance that necessary financing will be available.

Yüksel is engaged in a business that requires continuous access to short-term construction financing and debt financing in order to support the future growth of its business. It may not have sufficient liquidity at any time to satisfy its working capital requirements at levels required to support its business. *See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."*

Yüksel currently obtains financing for certain of its development and construction activities through external sources, principally through loans from local financial institutions. Yüksel's ability to obtain external financing and the cost of such financing are dependent on numerous factors, including general economic and capital markets conditions, credit ratings, financing costs, credit availability from banks or other lenders, the success of Yüksel's business and tax and securities laws that may be applicable to capital raising activities. There can be no assurances that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to Yüksel.

Yüksel may be unable to maintain or incur additional financing under its general credit agreements with Turkish banks.

Yüksel is party to various general credit agreements with Turkish banks on an uncomitted basis. These general credit agreements are standard form Turkish bank finance agreements. They include a facility limit which can be utilised as cash and/or non-cash loans. Under such agreements, the banks are unilaterally entitled to (i) open one or more than one current account for the Company, (ii) apply and unilaterally determine the rate of fees and commissions, (iii) determine the maturities of each facility made available under the agreement, (iv) increase or decrease the limit of each current account, (v) cut, stop or cancel the loan facilities in part or in whole in their discretion and (vi) decrease or increase the loan facility limits.

In accordance with Turkish market practice, banks are not under any obligation to make available the whole amount of the facility or to re-extend any amounts repaid by the Company and are entitled to cancel the facility limit and demand repayment upon demand. Also, the relevant bank may require any and all types of securities to be provided as additional credit support of the Company's obligations under such agreements. *See "Description of Certain Other Indebtedness*". There can be no assurance that Yüksel will be able to maintain such financing from local banks under such general credit agreements despite the lack of any payment default thereunder.

Difficult macroeconomic and financial market conditions have affected and could continue to materially adversely affect Yüksel's business, financial condition, results of operations or prospects.

Since the second half of 2007, disruptions in global capital and credit markets, coupled with the re-pricing of credit risk have created difficult conditions in financial markets. These conditions have resulted in historically high levels of volatility across many markets (including capital markets), volatile commodity prices, decreased or no liquidity, widening of credit spreads, lack of price transparency in certain markets and the failure of a number of financial institutions in the United States and Europe. In addition, in the first half of 2010, there has been a perceived increase in sovereign risk in certain countries in Europe.

In response to the global economic downturn, the government of the United States, a number of European governments and international monetary organisations have taken steps intended to help stabilise the financial system and increase the flow of credit in the global economy. There can be no assurance as to the actual impact that these measures and related actions will have on the financial markets and consumer and corporate confidence generally and on Yüksel specifically, including the levels of volatility and limited credit availability in wholesale markets that have recently characterised the financial markets. The failure of these measures and related actions to help stabilise the financial markets and a continuation or worsening of current financial market conditions could lead to further decreases in investor and consumer confidence, further market volatility and decline, further economic disruption and, as a result, could have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects.

Risk Factors Related to the Republic of Turkey

Even though in recent years Turkey has undergone significant political and economic transformation which has resulted in increased stability and economic growth, Turkey has been affected by the global economic downturn and is still generally considered by international investors to be an emerging market.

In general, investing in the securities of issuers that have operations primarily in emerging markets like Turkey involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the EU or other similar jurisdictions.

Summarised below are a number of risks relating to operating in Turkey. Additional risks and uncertainties relating to Turkey that do not currently exist or of which the Company is unaware may also become important factors that could have a material adverse effect on its business, financial condition, results of operations or prospects and your investment.

Economic instability in Turkey could have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects.

A considerable portion of Yüksel's operations are conducted, and a number of its customers are located, in Turkey. Accordingly, the success of Yüksel's operations is dependent on the economic conditions prevailing in Turkey, and any downturn in Turkey's economy in the future could have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects.

Since the mid-1980's, the Turkish economy has undergone a transformation from a highly protected and regulated system to a free market system. Although the Turkish economy has generally responded well to this transformation, it has continued to experience severe macroeconomic imbalances, including significant balance of payment deficits, substantial budget deficit, high rates of inflation, high rates of interest (which are nominal rates adjusted to remove the effects of inflation) and a considerable level of unemployment. After 15 years of such increases and adverse shocks, such as the Russian financial crisis of 1998, Turkey entered into a stand-by agreement with the IMF at the end of 1999, to stabilise its financial condition. However, liquidity crises in the banking sector in November 2000 and February 2001 triggered the most severe economic crises in Turkey since 1994 and led to increased interest rates on government borrowings. These factors contributed to a decline of 5.7% in Turkey's real Gross Domestic Product ("**GDP**") in 2001 compared to 2000. Following the almost 50.0% devaluation of the Turkish Lira on average in 2001, average inflation based on the Turkish wholesale price index rose to 61.6%, and year-end inflation was 88.6%. The combination of the significant depreciation of the Turkish Lira, high real interest rates and the high cost of the bank restructurings caused the ratio of net public debt to GDP to increase from 57.1% at the end of 2000 to 90.4% at the end of 2001.

In 2001, Turkey implemented a macroeconomic program, backed by a US$19.0 billion stand-by agreement with the IMF. The goal of this program was to improve the Turkish economy's resilience and reduce its volatility in the short term, as well as to achieve sustainable growth through fundamental structural reforms in the medium to long term. GDP grew by 5.3% in 2003, 9.4% in 2004, 8.4% in 2005, 6.9% in 2006, 4.7% in 2007 and 0.7% in 2008. Turkey was also negatively affected by the global economic downturn, which adversely affected GDP growth rates in 2008. GDP is expected to have contracted by more than 6.0% in 2009. It is believed that the restricted ability of Turkish businesses and individuals to access foreign capital financing was a major factor in this contraction. There can be no assurance that Turkey will be able to remain economically stable if the global economic downturn continues. Any downturn in Turkey's economy in the future could have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects.

Turkey remains vulnerable to both external and internal financial shocks, including escalating oil prices and terrorist activity, as well as potential domestic political uncertainty and changing investor sentiment. High government debt levels and a high current account deficit (US$14.0 billion in 2009, US$42.0 billion in 2008 and US$38.0 billion recorded in 2007) may also contribute to economic vulnerability.

The Turkish government signed another stand-by agreement with the IMF in 2005 which ended in 2008. The program set macroeconomic targets such as an annual economic growth rate of 5.0% during the three-year period, decreasing the ratio of net public debt stock to GDP to 28.6% in 2008 and decreasing the Consumer Price Index ("**CPI**") to 4% by the end of 2007 and 7.5% by the end of 2008. Although there were continuous negotiations in 2009 on the conditions of a new stand-by agreement between Turkey and the IMF, the negotiations were unsuccessful and the Turkish government has refrained from signing a new agreement with the IMF citing disagreement over issues such as funding for local government. There can be no assurance that Turkey and the IMF will reach a mutual understanding over new macroeconomic targets and, even if agreed upon, there can be no assurance that any such agreement would help Turkey to remain economically stable during any current or future macroeconomic imbalances or that IMF support for Turkey will continue. Future negative developments in the Turkish economy could impair Yüksel's business strategies and have a material adverse effect on its business, financial condition, results of operations or prospects.

The level of inflation and the state of the current account deficit ("CAD") in Turkey could have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects.

In the past, Turkey has experienced high rates of inflation. As a result of the financial crises in November 2000 and February 2001, the Wholesale Price Index ("**WPI**") increased to 88.6% at the end of 2001 from 32.7% at the end of 2000 and the CPI increased to 68.5% from 39.0%. Since 2001, pursuant to stand-by agreements with the IMF, the Turkish government has implemented measures to significantly reduce inflation. WPI decreased to 13.8% at the end of 2004. CPI decreased to 9.3% at the end of 2004 and 7.7% at the end of 2005. In January 2005, the WPI was replaced by the Producer Price Index ("**PPI**") which was approximately 2.7% at the end of 2005. Turkey's PPI and CPI for the December 2005 to December 2006 period was 11.58% and 9.65%, respectively, for the December 2006 to December 2007 period, 5.9% and 8.39%, respectively, for the December 2007 to December 2008 period, was 8.11% and 10.06%, respectively and for the December 2008 to December 2009 period, was 5.93% and 6.53%, respectively. In 2010, the CPI is expected to increase temporarily due to a rise in food and commodity prices and a base year effect, whereby previous periods of low inflation make even a modest increase in CPI appear significant. Though the Central Bank of Turkey has stated that current core inflation indicators remain in line with medium-term targets, and the rate of inflation has generally decreased since 2000, there can be no assurance that this trend will not reverse, particularly if the Turkish government fails to adhere strictly to current fiscal policies or due to other macroeconomic factors.

Prior to the economic downturn, the CAD widened considerably mainly due to the widening trade deficit. CAD increased from US$7.5 billion in 2003 (2.5% of GDP) to US$14.4 billion (3.7% of GDP) in 2004, US$22.2 billion (4.6% of GDP) in 2005, US$32.2 billion (6.1% of GDP) in 2006, US$38.3 billion (5.9% of GDP) in 2007, US$41.9 billion (5.7% of GDP) in 2008 and decreased to US$14.0 billion (2.3% of GDP) in 2009. From January to March 2010, the current account produced a deficit of US$10.0 billion, as compared to a deficit of approximately US$2.0 billion in the same period in 2009. Because of slowing economic activity and falling energy prices, imports decreased at a more rapid pace than exports and the foreign trade deficit was narrowing in 2009. However, trade deficit increased from US$4.4 billion in the first quarter 2009 to approximately US$12.0 billion in the first quarter of 2010 which in turn caused the CAD to increase over the same period.

Foreign direct investment in Turkey increased from US$2.8 billion in 2004 to US$10.0 billion in 2005 and continued to rise until it reached a record level of US$22.2 billion in 2007 before receding to US$18.0 billion in 2008 and to US$8.4 billion in 2009. The level of foreign direct investment in the first half of 2010 was US$1.6 billion. However, the level of foreign investment in Turkey is strongly linked to Turkey's prospects of entering the EU and any setback in its EU accession prospects could lead to certain problems typically associated with a high CAD.

There can be no assurance that inflation will not increase further in Turkey in the near future. In particular, recent increases in prices, such as food prices, could cause an increase in inflation. Furthermore, certain actions taken by the Turkish government to combat inflation could have negative effects on the Turkish economy. This could, in turn, limit Yüksel's access to credit markets and foreign financial markets and negatively impact its ability to comply with its financial obligations. There can be no assurance that inflation as well as government intervention that is harmful to Yüksel's interests will not occur in the future.

Political developments in Turkey could have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects.

Turkey has been a parliamentary democracy since 1923. Unstable coalition governments have been common, and in the 87 years since its formation, Turkey has had 60 governments, with political disagreements frequently resulting in early elections. Furthermore, the Turkish military establishment has, historically, played a significant role in Turkish government and politics, intervening in the political process, and there can be no assurance that the Turkish military establishment will not intervene in the political process in the future. The Adalet ve Kalkınma Partisi (Justice and Development Party) ("**AKP**") has been in power since 2002, and, with a parliamentary majority, has been able to govern without reliance upon a coalition partner.

In December 2009, the Constitutional Court of Turkey voted to dissolve the pro-Kurdish Democratic Society Party ("**DTP**"), ruling that the party had become a focal point for separatist activities on the basis of having a connection to the Kurdistan Workers' Party ("**PKK**"). The former members of the DTP, together with a number of mayors, formally joined the Peace and Democracy Party ("**BDP**") which they had already created prior to the dissolution of the DTP, thereby enfranchising a significant segment of the Turkish electorate. However, with the support of the EU, in September 2009 the Government announced an initiative to ease tensions with the Kurdish community by introducing a series of political reforms and through engaging in dialogue.

A referendum on a number of changes to the constitution was held in Turkey on 12 September 2010. Of the Turkish population that voted, 57.9% voted in favour of the constitutional changes and 42.1% voted against the constitutional changes. Furthermore, in the recent amendment to the Parliamentary Election Law, it was envisaged that the next general election would be held in July 2011. A change in government however effected could lead to a change in economic policies, including a change in the government's fiscal policy and the rules governing banks and capital markets. Any dramatic changes in the government or political environment, including the failure of the Turkish government to devise or implement required or appropriate economic programmes, may adversely affect the stability of the Turkish economy and, in turn, Yüksel's business, financial condition, results of operations or prospects.

Furthermore, increased popular unrest, particularly labour unrest, could result in political instability and adversely affect the Turkish economy, which in turn could adversely affect Yüksel's business, financial condition, results of operations or prospects.

The Turkish foreign exchange markets have historically been volatile, which could adversely affect Turkey's general economy as well as Yüksel's business, financial condition, results of operations or prospects.

As a result of the financial crises in Turkey in November 2000 and February 2001, the Turkish lira depreciated from TL 0.67500 per US dollar on 31 December 2000 to TL 1.44683 per US dollar on 31 December 2001 and then further depreciated to TL 1.63975 per US dollar on 31 December 2002. As the Turkish government began implementing economic and financial reforms, the value of the Turkish lira increased to TL 1.39328 per US dollar on 31 December 2003. The Turkish lira further appreciated to TL 1.3363 per US dollar on 31 December 2004 and was TL 1.3418 per US dollar on 31 December 2005, TL 1.4056 per US dollar on 29 December 2006, TL 1.1593 per US dollar on 31 December 2007, TL 1.5218 per US dollar on 31 December 2008 and TL 1.4873 per US dollar on 31 December 2009. Due to market volatility, the Turkish lira depreciated to TL 1.4159 per US dollar on 19 October 2010.

Future currency volatility could impair Yüksel's business strategies and have a material adverse effect on its business, financial condition or results of operations, particularly if Yüksel continues to access the international capital markets for funding. Amounts in Turkish lira with respect to periods before 2005 have been translated into New Turkish Lira at an exchange rate of TL1,000,000 = TL1.00.

Conflict and terrorism within Turkey or conflict and terrorism in neighbouring and nearby countries may have a material adverse effect on Yüksel's business, financial condition, results of operations or prospects.

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. Political uncertainty within Turkey and in certain neighbouring and nearby countries, such as Iran, Iraq, Georgia, Cyprus, Armenia and Syria has historically been one of the potential risks associated with an investment in Turkish securities. Political instability in the Middle East has increased since the terrorist attacks in the United States on 11 September 2001. The period since the commencement of military action by the United States and its allies in March 2003 has been characterised by frequent incidents of violence and sectarian conflict in Iraq and the heightened risk of terrorist acts against both the United States and its allies.

In recent years, Turkey has experienced a number of terrorist incidents, including four bombings in November 2003, a bombing in March 2004 in İstanbul, a series of bombings in 2006 which included bombings in each of İstanbul, Antalya and Marmaris, a bombing in Ankara in May 2007, bombings in İstanbul in July and December 2008 and two bombings in Ankara in April 2009. If additional attacks occur in the future, Turkey's capital markets, levels of tourism and foreign investment, among other things, may suffer, which could adversely affect Yüksel's business, financial condition or results of operations.

The market for Turkish securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries.

The market for securities issued by Turkish companies is influenced by economic and market conditions in Turkey, as well as, to varying degrees, market conditions in other emerging market countries, and the United States. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including Yüksel's, which could adversely affect the market price of Yüksel's securities.

Moreover, financial turmoil in any emerging market country tends to adversely affect the prices of equity and debt securities of all emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. There can be no assurance that investors' interest in Turkey will not be negatively affected by events in other emerging markets or the global economy in general.

Uncertainties relating to Turkey's accession to the EU may adversely affect the Turkish financial markets and result in greater volatility.

Turkey has been a candidate country for EU membership since the Helsinki European Council of December 1999. The EU resolved on 17 December 2004 to commence accession negotiations with Turkey and affirmed that Turkey's candidacy will be judged by the same twenty-eight criteria (or "**Chapters**") applied to other candidates. These criteria require a range of political, legislative and economic reforms to be implemented. Among these legislative reforms are, two new major laws: Turkish Commercial Code and Code of Obligations which will replace current Turkish Commercial Code No. 6762 and Code of Obligations No. 818, respectively. The new legislation is currently being considered by the Grand National Assembly of Turkey and is expected to be enacted but the timeline has not been determined yet.

In 1963, Turkey signed an association agreement with the predecessor of the EU and in 1970 a supplementary agreement was signed providing for a transitional second stage of Turkey's integration into the EU. Though Turkey has had a long relationship with the EU, that relationship has at times been strained. During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol dated July 2005 relating to the Customs Union and to the recognition of the Republic of Southern Cyprus. Following this, in December 2006, the EU decided that negotiations relating to eight Chapters should be suspended and that no Chapter be closed until the EU has verified that Turkey has fulfilled its commitments relating to the additional protocol. There can be no assurance that the EU will continue to maintain an open approach to Turkey's EU membership, nor that Turkey will be able to meet all the criteria applicable to becoming a member state, including the new Chapters opened in 2009 relating to taxation and the environment.

Turkey is located in a high-risk earthquake zone.

On 17 August 1999, an earthquake measuring 7.6 on the Richter scale struck the area surrounding İzmit. On 12 November 1999, another earthquake measuring 7.2 on the Richter scale occurred in the city of Düzce, between Ankara and İstanbul. More recently, on 8 March 2010, an earthquake measuring 6.0 on the Richter scale struck the eastern province of Elazığ. Almost 45% of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone (the zone with the highest level of risk of damage from earthquakes) and a number of Yüksel's properties and project sites in Turkey are located in high-risk earthquake zones.

Yüksel maintains earthquake insurance, but does not have wider business interruption insurance or insurance for loss of profits, which are not generally available in the construction industry. The occurrence of a severe earthquake could adversely affect one or more of Yüksel's facilities or project sites, causing an interruption in, and an adverse effect on, its business. In addition, a severe earthquake could harm the Turkish economy in general, which could adversely affect Yüksel's business, financial condition, results of operations or prospects.

Risk Factors Related to the Notes and the Guarantees

The Company's leverage may make it difficult for it to service its indebtedness, including the Notes, and to operate its business, and the Company may not be able to generate sufficient cash to meet its debt service obligations (including in respect of the Notes).

Upon the issuance of the Notes, the Company will have a substantial amount of outstanding indebtedness with significant debt service requirements. As of 30 June 2010, on a *pro forma* basis after giving effect to the issuance of the Notes and the application of the net proceeds therefrom as set forth herein under "*Use of Proceeds",* the Company's total financial indebtedness would have amounted to US$333.6 million, including the Notes, and its ratio of *pro forma* total financial debt to EBITDA would have been 3.6x. The Company's leverage could have important consequences for holders of the Notes, including:

- making it more difficult for the Company to satisfy its obligations with respect to the Notes and its other indebtedness and liabilities;
- requiring the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness (including the Notes), thus reducing the availability of its cash flow to fund internal growth through working capital and capital expenditures and for general corporate purposes;
- increasing the Company's vulnerability to a downturn in its business or economic or industry conditions;
- placing the Company at a competitive disadvantage as compared to its competitors that have less indebtedness in relation to cash flow;
- limiting the Company's flexibility in planning for or reacting to changes in its business and industry;
- restricting the Company from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, the Company's and its subsidiaries' (including the Guarantors) ability to borrow additional funds or raise equity capital in the future and potentially increasing the costs of such additional financings.

The Company's ability to service its indebtedness will depend on its future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond the Company's control. If the Company does not generate sufficient cash flow from operations or if potential future borrowings are not available to enable it to service its indebtedness (including the Notes) and meet its other obligations and commitments, the Company may need to refinance its indebtedness (including the Notes) on or prior to the maturity dates thereof, sell assets, reduce or delay capital investments or seek to raise additional capital, any of which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects. The Company cannot assure holders of the Notes that any such actions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of the instruments governing its indebtedness (including the Notes). *See* "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" and "*Description of Certain Other Indebtedness*".

Despite their level of indebtedness, the Company and its subsidiaries may still be able to incur significant additional amounts of indebtedness, which could further exacerbate the risks associated with their indebtedness.

The Company and its subsidiaries may be able to incur significant amounts of additional indebtedness in the future. Although the Indenture contains restrictions on the incurrence by the Company and its subsidiaries of indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be significant. Under the Indenture, in addition to specified permitted indebtedness, the Company will be able to incur additional indebtedness so long as on a *pro forma* basis, its Consolidated Leverage Ratio would not have been greater than 4.0:1.0. In addition, the Indenture will not prevent the Company from incurring obligations that do not constitute indebtedness under the Indenture. If new indebtedness is added to the Company's and its subsidiaries' existing indebtedness levels, the risks associated with their indebtedness described above, including the Company's possible inability to meet its debt service obligations, will increase. *See* "*Description of the Notes—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*".

Restrictive covenants in the Indenture may restrict the Company's ability to operate its business and the Company's failure to comply with these covenants, including as a result of events beyond its control, could result in an event of default that could materially adversely affect its financial condition and results of operations.

The Indenture contains certain negative covenants restricting, among other things, the Company's and its subsidiaries' ability to:

- incur or guarantee additional indebtedness;
- pay dividends, make distributions and make other restricted payments;
- create or incur liens;
- make certain investments;
- agree to limitations on the ability of its subsidiaries to make dividends and distributions;
- engage in sales of assets and subsidiary stock;
- enter into transactions with affiliates; and
- transfer all or substantially all of its assets or enter into merger or consolidation transactions.

The restrictions contained in the Indenture could affect the Company's ability to operate its business and may limit its ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect the Company's ability to finance its operations, make strategic acquisitions or investments or enter into joint ventures or alliances, restructure its organisation or finance its capital requirements. In addition, the Company's ability to comply with these covenants and restrictions may be affected by events beyond its control. These include, among other things, prevailing economic, financial and industry conditions. If the Company breaches any of these covenants or restrictions, the Company could be in default under the Indenture and agreements governing its other indebtedness. If there was an event of default under any of the agreements governing the Company's indebtedness that was not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately which, in turn, could result in cross defaults under the Company's other debt instruments, including the Notes. Any such actions could force the Company into bankruptcy or liquidation, and the Company may not be able to repay the Notes in such an event. *See* "*Description of the Notes—Certain Covenants*".

The Notes are subject to optional redemption.

The Issuer may only be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time. *See* "*Description of the Notes—Optional Redemption*".

The Notes will be effectively subordinated to all secured indebtedness of the Issuer as well as to all obligations of the Issuer's subsidiaries that do not guarantee the Notes.

A portion of the Company's business is conducted through its subsidiaries and, therefore, the Company depends, to a certain extent, on the cash flow of its subsidiaries (including the Guarantors) to meet its obligations, including in respect of the Notes. The Notes will be effectively subordinated in right of payment to all secured indebtedness of the Issuer and the Issuer's Guarantor subsidiaries and all indebtedness and other liabilities and obligations (including trade payables and lease obligations) of the Issuer's non-Guarantor subsidiaries. Any right of the Issuer or a Guarantor to receive assets of any of its non-Guarantor subsidiaries upon that non-Guarantor subsidiary's liquidation or reorganisation (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-Guarantor subsidiary's creditors, except to the extent that the Issuer or a Guarantor is itself recognised as a creditor of the non-Guarantor subsidiary, in which case the claims of the Issuer or the Guarantor subsidiary, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-Guarantor subsidiary and any indebtedness of the non-Guarantor subsidiary senior to that held by the Issuer or such Guarantor subsidiary.

As at 30 June 2010, after giving effect to the issuance of the Notes and the application of the net proceeds therefrom, the Issuer and the Issuer's Guarantor subsidiaries would have had US$17.0 million of secured indebtedness, and the Issuer's non-Guarantor subsidiaries would have had US$8.1 million of indebtedness to which the Notes would have been effectively subordinated. *See* "*Description of Certain Other Indebtedness*".

In addition, the Company's non-Guarantor subsidiaries generated 3.0% and 3.0% of the Company's consolidated revenues and consolidated EBITDA, respectively, in the 12-month period ended 30 June 2010 and held 30.0% of the Company's consolidated assets as at 30 June 2010.

Yüksel may not have the ability to raise the funds necessary to finance an offer to repurchase Notes upon the occurrence of certain events constituting a change of control as required by the Indenture.

The Indenture will contain provisions relating to some events constituting a change of control of the Group. If a change of control occurs, as defined in the Indenture, Yüksel will be required to make an offer to repurchase all outstanding Notes at a price equal to 101% of their principal amount plus any accrued and unpaid interest, liquidated damages and additional amounts in respect of taxes, if any, up to the purchase date. If a change of control occurs, Yüksel cannot assure you that it will have sufficient funds available at such time to pay the purchase price for any Notes, or that the restrictions in certain of its credit facilities or its other then-existing contractual obligations would allow it to make such required repurchases. A change of control may result in an event of default under, or acceleration of, certain of Yüksel's credit facilities or other indebtedness that it may incur in the future. If a change of control occurs at a time when Yüksel is prohibited from purchasing the Notes under other debt agreements, Yüksel could seek the consent of its lenders to purchase the Notes or could attempt to refinance those borrowings that contain such prohibition. If Yüksel does not obtain such consent and does not repay those borrowings, it would remain prohibited from purchasing the Notes. In addition, Yüksel expects that it would require third-party financing to make an offer to repurchase the Notes upon a change of control. Yüksel cannot assure you that it would be able to obtain such financing. Any such failure to repurchase any of the tendered Notes would constitute a default under the Indenture, which in turn would likely constitute a default under certain of Yüksel's other indebtedness. *See "Description of Certain Other Indebtedness," "Description of the Notes—Events of Default and Remedies"* and *"Description of the Notes—Repurchase at the Option of Holders—Change of Control."*

The Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit their validity and enforceability.

The Indenture will provide that certain guarantees will be limited to the maximum amount that can be guaranteed by the relevant guarantor without rendering the relevant guarantee voidable or otherwise ineffective.

The Indenture will further provide that if the Company fails to pay any amount due under the Notes, the Trustee will be able to demand enforcement of Indenture and request payment from the Guarantors as if it has obtained a final and binding court judgment. In the event that the Guarantors fail to pay, New York courts that have jurisdiction for any conflict that may arise out of the execution of the Indenture will issue a payment order. If such amount is not paid, the Trustee will seek enforcement of the decision ordering payment before Turkish courts. Turkish courts will recognize and enforce this decision subject to certain conditions. *See "Risk Factors—Risk Factors Related to the Notes and the Guarantees—Investors in the Notes may experience difficulties in enforcing arbitration awards and foreign judgments in Turkey".*

During the enforcement process, each guarantee might be subject to certain generally available defenses. These defenses include those that relate to corporate benefit, existence of debt, corporate purpose, capital maintenance, financial assistance or similar laws, regulations or defenses affecting the rights of creditors generally. If the payment of such guarantees leads to the bankruptcy of the Guarantors, clawback claims can be brought by the creditors of such guarantors for fraudulent transfer or conveyance or voidable preference.

If a court were to find that the issuance of the Notes or a guarantee of the Notes was a fraudulent conveyance during a period of five years, or in the case of acts constituting a voidable preference during a period of one year or gratuitous disposition during a period of two years, preceding the date of attachment, insolvency or bankruptcy judgment, the court could hold that the payment obligations under the Notes or such guarantee are ineffective, or require the holders of the notes to repay any amounts received with respect to the notes or such guarantee. In the event of a finding that a fraudulent conveyance, voidable preference or gratuitous disposition occurred, a creditor may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of the other Guarantors under any guarantees which have not been declared void.

Under Turkish law, the claims of the holders of the Notes may be limited in the event of the Company's or the Guarantors' insolvency or liquidation.

Under Turkey's bankruptcy law, a Turkish company is considered insolvent when it has ceased to make payments on its indebtedness as they become due, when it has generally ceased to meet its payment obligations or when the sum of all of its assets at their market value is less than its aggregate liabilities. In the event of the insolvency of the Company or the Guarantors, the Company or the Guarantors would become subject to Turkey's bankruptcy law.

If the Company or the Guarantors were to go into insolvency or voluntary or judicial liquidation proceedings, its obligations to the holders of the Notes would be effectively subordinated to certain obligations, including: expenditures associated with the conduct of the liquidation proceedings and expenses of the liquidator; obligations secured on the Company's or the Guarantors' assets with a mortgage or pledge; receivables of employees including employee severance and notice payments accrued within the last year and other employment-related obligations; receivables stated to be privileged under their applicable laws; and such as obligations in respect of payment of taxes and other mandatory charges (including, without limitation, mandatory contributions to the social security fund). Any shortfall arising therefrom would be borne by the holders of the Notes. All the Company's other obligations will rank *pari passu* with the claims of all its other unsecured and unsubordinated creditors and the ability of the holders of the Notes, which are unsecured and unsubordinated, to obtain timely or ultimate payment of principal and interest on the Notes may consequently be impaired.

Investors in the Notes may experience difficulties in enforcing arbitration awards and foreign judgments in Turkey.

Turkish law relating to the enforcement of arbitral awards and foreign judgments requires fulfillment of various conditions before giving any enforcement effect to a foreign arbitral award or court judgment.

In accordance with Article 54 of the International Private and Procedure Law ("**Law No. 5718**"), the courts of Turkey will not enforce any judgment obtained in a court established in a jurisdiction other than Turkey unless, among other conditions, there is actual reciprocity between Turkey and such jurisdiction with respect to enforcement of arbitration awards or court judgements In addition to reciprocity, enforcement may be hindered due to Turkish public policy concerns and violation of exclusive jurisdiction, due process rules of Turkey. *See "Enforcement of Judgments and Service of Process"*.

There is no treaty between either the US or the UK and Turkey providing for reciprocal enforcement of judgments, except for penal judgments in respect of the US. Currently there is, *de facto* reciprocity between the UK and Turkey and existence of reciprocity with US remains largely untested. Turkish courts are in each case, when petitioned with a request for enforcement of a foreign arbitral award or court judgment, required to make an analysis and determination whether reciprocity exists at the time of such request.

In addition, a considerable portion of the assets of the Issuer and the Guarantors are located in Turkey and all of the directors and officers of the Issuer and the Guarantors are residents of Turkey. As a result, it may not be possible for investors to effect service of process on such entities or persons outside Turkey or to enforce against them in Turkey any judgments that are obtained in foreign courts or arbitral tribunals or that are predicated on the laws of other jurisdictions.

Payments on the Notes are subject to Turkish withholding taxes and the Issuer will have the right to redeem the Notes upon the occurrence of certain legislative changes requiring it to pay additional taxes if the withholding increases above 10.0%.

All payments on or in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes imposed or levied by or on behalf of the Republic of Turkey. Under current Turkish tax law and tax treaties, withholding tax on interest applies to the Notes (currently at a rate of 10.0% except with respect to financial institutions and government related entities in Singapore, for which rates of 7.5% and 0% apply) and the Company and the Guarantors have, pursuant to the Indenture and the Guarantees, undertaken to gross-up any and all payments thereon or in respect thereof. *See* "*Description of the Notes—Additional Amounts*". This obligation will have the effect of increasing the effective cost to the Issuer of making payments on the Notes.

In addition, at any time, the Issuer may redeem all, but not part, of the Notes at a redemption price equal to 100%, plus accrued and unpaid interest, if any, to the date of redemption, in the event that the Issuer or any Guarantor has or would in the future become obligated to pay any additional amounts as a result of: (a) a change in or amendment to the tax laws of any relevant jurisdiction; or (b) any change in or amendment to any official position regarding the application or interpretation of such tax laws, which change or amendment is announced or becomes effective on or after the issue date of the Notes and the Issuer or such Guarantor cannot avoid such obligation by taking reasonable measures available to it or them.

The Notes may not be a suitable investment for all investors.

Each potential investor must determine the suitability of an investment in the Notes in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the Guarantees, the merits and risks of investing in the Notes, and the information contained in this offering memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact that such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all the risks of an investment in the Notes, including where the currency for payments in respect of the Notes is different from an investor's home currency;
- understand thoroughly the terms of the Notes and the Guarantees and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes and the Guarantees are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments, but rather as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall investment portfolio. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact that such an investment will have on its overall investment portfolio.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Notes. These ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed in this offering memorandum and other factors that may affect the value of the Notes. Credit ratings assigned to the Notes do not necessarily mean that the Notes are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation, and each rating should be evaluated independently of any other rating as similar ratings on different types of securities do not necessarily mean the same thing. Ratings also do not address the likelihood that the principal amount of the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the final maturity date of the Notes, nor do they address the marketability of the Notes or any market price therefor. Any downgrade or change in the outlook of the credit ratings of the Notes or the Issuer or any of its affiliates including the Guarantors) could adversely affect the market price for the Notes.

There is no established trading market for the Notes.

There is currently no established trading market for the Notes. Accordingly, there can be no assurance as to the development, maintenance (if and to the extent such a market is developed) or liquidity of any trading market for the Notes. Although the Notes have been admitted to listing on the Official List of the Luxembourg Stock Exchange and admitted to trading on Euro MTF, there can be no assurance that the Notes will remain admitted. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. In addition, although the Managers have advised the Issuer that they intend to make a market in the Notes as permitted by applicable laws, regulations and rules, they are not obligated to do so and may discontinue any such market-making activities at any time in their sole discretion and without notice.

The market price of the Notes may be volatile.

The liquidity of the trading market for the Notes and the market price quoted for the Notes may be subject to significant fluctuations in response to, and may be adversely affected by, changes in the overall market for similar yield securities, interest rates, actual or anticipated variations in the Company's business, financial condition, results of operations or prospects or in the prospects for companies generally in the industries in which the Company operates, changes to the regulatory environment in the markets in which the Company operates and changes in financial estimates by securities analysts, as well as certain other factors, including economic and financial conditions in Turkey and the markets in which the Company operates and the trading market for debt securities issued by or on behalf of the Republic of Turkey as a sovereign borrower. Historically, the market for non-investment grade debt securities has been subject to substantial volatility, which could adversely affect the price at which an investor may sell any Notes. In addition, in recent years the global financial markets (including securities markets in Turkey) have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Company's business, financial condition, results of operations or prospects.

The Notes have certain restrictions on transfer.

The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, reoffers, resales, pledges and other transfers of the Notes (and beneficial interests therein) are subject to certain transfer restrictions and investors are advised to consult their own legal advisers in connection with any such reoffer, resale, pledge or other transfer. In addition, the Notes cannot be sold outside Turkey before they are registered with the CMB. *See* "*Subscription and Sale*".

USE OF PROCEEDS

Yüksel estimates the net proceeds from the sale of the Notes offered hereby will be approximately US$191.0 million (which represents US$200.0 million aggregate principal amount at maturity of the Notes at an issue price of 98.069% and after deducting the Managers' discounts and commissions and other fees and expenses associated with the offering of the Notes). Yüksel intends to use approximately US$120.0 million of these net proceeds to refinance existing debt and approximately US$71.0 million of these net proceeds for general corporate purposes.

CAPITALISATION

The following table sets forth on a consolidated basis under IFRS the consolidated cash position and capitalisation as of 30 June 2010 of:

- Yüksel, on a historical basis, derived from its unaudited balance sheet as of 30 June 2010; and
- Yüksel, as adjusted to give effect to the offering of the Notes and the application of the proceeds therefrom (including the repayment of certain existing indebtedness with a portion of the proceeds from the issuance of the Notes to be held in escrow pending such repayment).

This table should be read in conjunction with the financial statements and information included elsewhere in this offering memorandum. *See also "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources".*

	At 30 June 2010		
	Historical	**As adjusted**	**As adjusted**
	(TL in millions)		*(US$ in millions)*
		(unaudited)	
Cash and cash equivalents[1]	77.8	197.5	125.4
Financial liabilities[2]:			
Total bank borrowings[3]	394.3	205.3	130.4
Finance lease liabilities	4.9	4.9	3.2
Notes offered hereby[4]	—	308.8	196.1
Total financial liabilities	399.2	519.2	329.7
Total shareholders' equity	579.6	579.6	368.1
Total capitalisation	978.8	1,098.8	697.8

(1) For your convenience, the amounts presented in the "*As adjusted*" column have been translated using the exchange rate of US$1.00 = TL 1.5747 as of 30 June 2010. You should not view such translations as a representation that these amounts could be or could have been converted at the rate indicated or at any other rate. *See* "*Presentation of Financial Information*".

(2) Consists of current plus non-current financial liabilities.

(3) As adjusted total bank borrowings consist of amounts outstanding under various credit facilities in the aggregate principal amount of US$130.4 million.

(4) Based on US$200.0 million aggregate principal amount of Notes at an issue price of 98.069% of par.

SELECTED HISTORICAL FINANCIAL INFORMATION

In this offering memorandum, management present and discuss the audited consolidated financial statements of the Issuer prepared in accordance with IFRS for the years ended 31 December 2009 and 2008. The financial statements include, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly Yüksel's financial results for the years ended 31 December 2009 and 2008.

The audited consolidated financial statements included in this offering memorandum have been audited by Eren Bağımsız Denetim ve Y.M.M.A.Ş., a member of Grant Thornton International, Yüksel's independent auditors.

Yüksel also presents in this offering memorandum its unaudited consolidated financial statements for the six months ended 30 June 2010 and 2009, prepared in accordance with IFRS. These unaudited consolidated financial statements include, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly Yüksel's financial results for the periods presented. The interim results are not necessarily indicative of the results that may be expected for any other interim period or for the full financial year.

You should read the summary historical financial information in conjunction with the information contained in "Presentation of Financial Information", "Risk Factors", "Capitalisation", "Selected Historical Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", and Yüksel's consolidated financial statements, including the related notes, appearing elsewhere in this offering memorandum.

	Financial year ended 31 December		**Six months ended 30 June**		**Twelve month period ended 30 June**	
	2009	**2008**	**2010**	**2009**	**2010**	**2010**
	(TL in millions)				***(TL in millions)***	***(US$ in millions)***[(1)]
	(audited)		*(unaudited)*		*(unaudited)*	
Income statement data:						
Sales	1,173.7	1,110.2	640.5	560.4	1,253.8	835.2
Cost of sales	(1,035.3)	(1,008.7)	(567.1)	(509.7)	(1,092.6)	(727.9)
Gross profit	138.4	101.5	73.4	50.6	161.2	107.4
Operating expenses	(90.1)	(81.7)	(40.0)	(39.9)	(90.2)	(60.1)
Basic operating profit	58.1	26.1	41.0	14.3	84.7	56.4
Other income/ (expense), net	1.0	1.3	(2.4)	2.5	(3.9)	(2.6)
Financial income/ (expense), net	(17.7)	(1.5)	(9.7)	(3.2)	(24.2)	(16.1)
Profit before tax for the period	41.3	25.9	28.8	13.6	56.6	37.7
Tax	(2.8)	(2.6)	(0.3)	(0.07)	(3.1)	(2.01)
Deferred tax income/ (charge)	(1.5)	(0.9)	(1.0)	(0.4)	(2.2)	(1.4)
Profit for the period from continuing operations	37.0	22.4	27.5	13.1	51.4	34.2
Minority interest	(0.1)	(2.2)	0.8	(0.4)	1.1	0.7
Net profit/(loss) for the period	36.9	20.2	28.3	12.7	52.4	34.9

	Financial year ended 31 December		**As of 30 June**	**As of 30 June**
	2009	**2008**	**2010**	**2010**
	(TL in millions)		***(TL in millions)***	***(US$ in millions)***[(1)]
	(audited)		*(unaudited)*	*(unaudited)*
Balance sheet data (at period end):				
Cash and cash equivalents	127.6	92.9	77.8	49.4
Total assets	1,673.1	1,456.0	1,775.1	1,127.2
Total liabilities	1,129.8	951.5	1,195.5	759.3
Total shareholders' equity[(2)]	543.3	504.4	579.6	368.1

	Financial year ended 31 December		Six months ended 30 June	Twelve month period ended 30 June	
	2009	2008	2010	2010	2010
	(TL in millions) *(audited)*		*(TL in millions)* *(unaudited)*	*(TL in millions)* *(unaudited)*	*(US$ in millions)*[(1)]
Cash flow data:					
Net cash flow from operating activities	25.5	3.4	(35.6)	(26.0)	(17.3)
Net cash flow from financing activities	71.5	69.0	37.2	80.4	53.6
Net cash flow from investing activities	(62.3)	(78.3)	(51.5)	(74.9)	(49.9)

	Financial year ended 31 December		Six months ended 30 June	As of and for twelve-month period ended 30 June	
	2009	2008	2010	2010	2010
	(TL in millions) *(audited)*		*(TL in millions)* *(unaudited)*	*(TL in millions)* *(unaudited)*	*(US$ in millions)*[(1)]
Other data:					
EBITDA[(3)]	103.8	61.4	70.0	140.6	93.7
Interest expense, net	17.7	25.6	14.8	19.9	13.3
Net Capital expenditure[(4)]	60.6	120.4	53.0	74.3	
Total financial debt[(5)]	368.3	306.2	399.2		
Net financial debt[(6)]	240.6	213.3	321.6		

(1) For your convenience, the Turkish lira balance sheet amounts presented in the columns "*Six months ended 30 June 2010*" and "*Twelve month period ended 30 June 2010*" have been translated into US dollars, using the Bloomberg Composite Rate of the US dollar on 30 June 2010, which was US$1.00 = TL 1.5747 and cash flow and income statement amounts are translated at the midpoint average exchange rate for each month during the twelve month period of US$1.00 = TL1.5011. You should not view such translations as a representation that such Turkish lira amounts actually represent such US dollar amounts, or could be or could have been converted into US dollars at the rate indicated or at any other rate. *See* "*Exchange Rates*".

(2) Total shareholders' equity consists of share capital, general reserves, net profit for the respective period and minority interests.

(3) Yüksel calculates EBITDA on the basis of operating profit plus depreciation and amortisation expenses. Yüksel believes that EBITDA serves as a useful supplementary financial indicator to investors because it is commonly reported and widely accepted by analysts and investors in measuring a company's ability to service its long term debt and other fixed obligations, to maintain its operations and to fund its continued growth. Further, EBITDA is a widely accepted indicator in comparing a company's underlying operating profitability with that of other companies in the same industry. EBITDA is not an IFRS measure and you should not consider EBITDA as an alternative to net profit, as an indicator of operating performance, as a measure of cash flow from operations or as an indicator of liquidity. Funds depicted by this measure may not be available for the Company's discretionary use (due to covenant restrictions, debt service payments and other commitments). You should note that EBITDA is not a uniform or standardised measure and the calculation of EBITDA, accordingly, may vary significantly from company to company. By itself, Yüksel's presentation and calculation of EBITDA may not be comparable to that of other companies.

A reconciliation of EBITDA to operating profit for the financial years ended 31 December 2009 and 2008 and for the six months ended 30 June 2010 and 2009 is presented below:

	Financial year ended 31 December		Six months ended 30 June	Twelve months ended 30 June
	2009	2008	2010	2010
	(TL in millions)			
	(audited)		*(unaudited)*	*(unaudited)*
Operating profit	58.0	26.1	41.0	84.7
Depreciation and amortisation expenses	45.8	35.3	29.0	55.9
EBITDA	**103.8**	**61.4**	**70.0**	**140.6**

(4) Net capital expenditure represents acquisitions of tangible and intangible fixed assets net of proceeds from the sales of tangible and intangible fixed assets.

(5) Total financial debt represents financial liabilities with banks, financial lease liabilities and the notes.
(6) Net financial debt represents total financial debt minus cash and cash equivalents.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, Yüksel's consolidated financial statements and the related notes included in this offering memorandum. The following discussion should also be read in conjunction with "Selected Historical Financial Information".

The discussions in this section contain forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below. See "Risk Factors" and "Information Regarding Forward-Looking Statements" for a discussion of important factors that could cause actual results to differ materially from the results described in the forward-looking statements contained in this offering memorandum.

Unless otherwise indicated, all financial information has been prepared in accordance with IFRS.

Overview

Yüksel is one of the leading construction companies in Turkey specialising in infrastructure and superstructure construction and undertaking projects of various complexities ranging in value from US$1 million to US$600 million in Turkey, the Middle East, North Africa, Central Asia and Eastern Europe, almost exclusively through contracts with governmental state- owned companies. As of 30 June 2010, Yüksel had 35 ongoing construction project contracts worth over US$3.88 billion, with Yüksel's share constituting over US$2.69 billion in the following countries: Turkey, Qatar, Saudi Arabia, Libya, Afghanistan, Iraq, Uzbekistan and Jordan. Additionally, Yüksel has also completed project contracts in Kazakhstan, the UAE, Romania, Georgia and Ukraine. For the year ended 31 December 2009, Yüksel generated consolidated revenues of US$779.5 million and consolidated EBITDA of US$68.9 million, and for the six months ended 30 June 2010, Yüksel generated consolidated revenues of US$406.7 million and consolidated EBITDA of US$44.5 million. Yüksel's consolidated revenue and EBITDA for the last twelve months ended 30 June 2010 was US$835.2 million and US$93.7 million, respectively.

The Company is the main component of Yüksel Holding Group, a prominent Turkish industrial and trade group principally engaged in construction, contracting, trade, tourism, land development and energy investment in Turkey and/or overseas. The Company's core business is infrastructure construction, providing domestic and international general contracting services for projects predominantly in certain market segments including transportation, buildings, power, dams and industrial, pipelines, environmental, material supply and marine structures. The Company's construction contracts cover a wide range of projects including roads, motorways, highways, bridges, dams, piers, ports, airports, hydro-electric power plants, subways, energy plants, factory buildings, schools, mass housing complexes, holiday villages, tourist resorts, hospitals, universities and industrial sites. Since 2003, Yüksel has worked on a number of contracts for the US Government and NATO in Afghanistan and Iraq. More recently, Yüksel has also been involved with projects relating to land development and energy investment. Yüksel is also a member of the Union of International Contractors.

Many of Yüksel's construction projects are undertaken through partnerships. Approximately 22% of the Group's revenues over the past three years have resulted from projects undertaken either through a joint venture or a consortium of large, multinational construction companies. One notable strategic partnership is comprised of five Turkish and one Italian contractor for the Gebze-İzmir Motorway and İzmit Bay Crossing BOT concession in Turkey. This project is expected to be the largest motorway concession in the region and the largest infrastructure project in Turkey to date. The İzmit Bay Crossing is expected to be the second longest suspension bridge in the world upon its completion.

According to ENR's 30 August 2010 report (entitled "*Top 225 International Contractors*"), Yüksel is in the top ten of Turkish international construction companies, based on the Company's international revenues.

Key Factors Affecting Yüksel's Results of Operations

Described below are certain factors that may be helpful in understanding Yüksel's overall operating results. These factors are based on the information currently available to Yüksel's management and may not represent all of the factors that are relevant to an understanding of its current or future results of operations. *See "Risk Factors"* and *"Information Regarding Forward-Looking Statements"*.

Yüksel's business operations consist primarily of its construction activities which include providing comprehensive domestic and international general contracting services for projects in various market segments including transportation, buildings, power, dams and industrial, pipelines, environmental, material supply and marine structures. More recently, Yüksel has also been involved with activities relating to energy investment and land development. The revenues and profitability generated from the business operations of Yüksel are principally affected by the factors described below.

Duration of contracts

The duration of contracts undertaken by Yüksel varies according to the size, type, employer and country of the project. For example, a dam project with a relatively high contract amount requires more time to complete due to volume and complexity of works. Although revenue generated from such type of projects is large in total, the contribution to annual revenue occurs slowly due to a relatively long project implementation period. On the other hand, annual revenue generation from so called "fast track" projects (like NAMSA and US Government Projects) occurs quickly.

If the duration of a contract is longer than one year, then the percentage of completion method is used to recognise revenue on the contract as work progresses by matching contract revenue with contract costs incurred based on the proportion of work completed. *See "—Significant Accounting Policies—Construction contract activities"*.

Annual budgets allocated by clients

The annual budgets allocated for the realisation of projects by Yüksel's clients, which are mostly government entities, dictate the project duration and annual revenue.

The project durations and hence the annual revenue which are generated from projects awarded by the Governmental entities varies, since the progress speed of projects are rearranged by the employer's (governmental entities) according to the annual budgets allocated to the projects by governments. This affects the project duration and annual revenue of Yüksel generated from such projects.

Economic conditions

The changes in the economic conditions of countries where Yüksel operates dictate the volume of works and annual revenue. Yüksel's volume of works and annual revenue in a country varies according to economic developments and changes since it also affects the investment and budget strategies of governments who are the major employer's of Yüksel.

Yüksel's volume of works and annual revenue are particularly affected by the following factors: changes in a country's economic conditions relating to energy demand, price of electricity, market conditions in real estate, availability of land in certain large cities that Yüksel operates in such as İstanbul and Ankara, quality and location of residential and commercial buildings that the Company develops, banks' appetite in mortgage lending and marketing and sales management, among others, have a particular impact on Yüksel's volume of works and annual revenue.

Bidding Strategies

Yüksel has certain bidding strategies for different countries and for different construction segments. Yüksel's share in the contracts varies from time to time depending on these strategies which are, in part, determined by the expected profit margin of a new project. For example, in BOT type projects, Yüksel may elect to share the employer or employment liabilities with other parties or enter into partnership with other parties in countries where the local expertise is required and/or mandatory. The changes in the weight of such projects in Yüksel's order book can affect Yüksel's annual revenue as well.

Cost Estimates

Yüksel has detailed cost estimation procedures which it employs during the course of bidding for new projects. These cost estimation procedures consider several factors including direct costs, indirect costs, risks and risk mitigation, historical data of relevant cost items involved in the particular project, as well as forward-looking assessments. The calculation of all these features, *ie,* under- or over-estimation, affects the result of its bid submitted, revenues generated from the project and the profitability of the project for Yüksel.

Other Factors Affecting Yüksel's Results of Operations

Other factors which have in the past and will continue to affect Yüksel's results of operations in the future include the price of raw materials, labour costs and availability, political stability of the countries in which Yüksel operates and the cost of servicing certain of its financing arrangements. Yüksel has entered into certain financing arrangements which entail significant debt servicing obligations, which could in the future affect its results of operations. *See "Description of Certain Other Indebtedness".*

Recent Developments

Gebze-İzmir Motorway and İzmit Bay Crossing Concession

The most significant project that the Company is currently involved in is the BOT concession for the Gebze-İzmir Motorway and İzmit Bay Crossing in Turkey, a contract with TCK worth approximately US$6.3 billion. The Company anticipates receiving US$750 million in construction revenues from the Gebze- İzmir Motorway during the term of the Notes. In June 2009, the Company, together with a consortium of international and local construction and infrastructure companies Astaldi, Nurol İnşaat, Özaltın İnşaat, Makyol İnşaat and Göçay İnşaat, were awarded a 22 year and 4 month BOT concession for the Gebze-İzmir Motorway which will stretch for 421 kilometres between İzmir and Gebze, just east of İstanbul. The BOT concession will be the first project to be operated and maintained by a private entity and includes a minimum traffic guarantee calculated according to a formula by the Turkish government of approximately US$690 million per year upon completion. The project will be the largest motorway concession in the region and the largest and most ambitious infrastructure project in Turkey to date. The project will include the construction of the 3 kilometre İzmit Bay Crossing which will link the two sides of the Gulf of İzmit. The İzmit Bay Crossing is expected to be the second longest suspension bridge in the world and is expected to be completed and to start generating revenue before the end of 2014. Overall construction is expected to be completed by 2017.

In September 2010, the Otoyol was officially established to implement the project. The consortium members own the following shares of Otoyol: Nurol İnşaat and Makyol İnşaat each owns 18.50% and each of Yüksel, Astaldi, Özaltın İnşaat and Göçay İnşaat owns 15.75%. The consortium members expect to finalise and allocate construction responsibilities for the project in early 2011.

Bank Intesa, Citi Bank and Akbank have been mandated as the financial advisors for the project financing. The financial advisors are currently in discussions with several multilateral agencies to act as potential lenders as well as Export Credit Agencies which are expected to take a role in the delivery of certain project segments. The project financing plan is expected to be finalised during 2011.

Çubuklu Valley Project

The first phase of the Çubuklu Valley Project consists of the construction of 120 high-end villas on 53.75 acres of land and was completed in July 2010. As of 5 November 2010, Fiba Yüksel Uluslararası Proje Geliştirme A.Ş. (one of Yüksel's primary subsidiaries) has sold all of the units generating sales of US$94.4 million. The second phase of the project (which is planned to be realised by Yüksel) is a "green project" which involves the construction of a private development of modern homes, recreation areas, hotel, shopping centre and business centre to be constructed by Yüksel. The Company owns the 425 acres of land, which is situated in a prime location in the Beykoz District of İstanbul having wide views of the Black Sea of the Bosphorus and with close proximity to the city centre. The land has already been zoned for development, and the Company expects they will receive construction permits in the second half of 2011.

CH2M HILL—Yüksel Joint Venture

On 1 October 2010, Yüksel formed an international joint venture with CH2M HILL, a global provider of engineering, planning, consulting, construction and operations. The aim of the joint venture will be to deliver quality engineering and construction projects for the US Army Corps of Engineers ("**USACE**") for the US Central Command Area of Responsibility ("**CENTCOM AOR**"), which includes the following twenty countries: Kuwait, Qatar, UAE, Yemen, Saudi Arabia, Egypt, Kazakhstan, Lebanon, Oman, Pakistan, Turkmenistan, Kyrgyzstan, Syria, Jordan, Iran, Bahrain, Uzbekistan, Tajikistan, Afghanistan and Iraq.

The joint venture is expecting to bid for the construction and design-build of multiple projects and facilities in the CENTCOM AOR set out above for the USACE, Transatlantic Division and Middle East District. It is envisaged that 72% of these projects will be performed in Afghanistan or Iraq for construction and design-build projects required by US military customers. Also, the US Government is proposing to award a target of ten multiple indefinite delivery/indefinite quantity contracts, under which task orders will be firm-fixed price. The awarded contracts will share a programmatic capacity of US$3.8 billion and the period of performance is a two-year base period with three one-year option periods for a total of up to five years. The interest shares of CH2M HILL and Yüksel in the joint venture are 55% and 45% respectively.

Significant Accounting Policies

Yüksel's principal accounting policies are described in note 3 to its consolidated financial statements included in this offering memorandum. Its consolidated financial statements have been prepared in accordance with IFRS. The preparation of Yüksel's consolidated financial statements requires management to make assumptions, estimates and judgments that affect the application of policies and the reported amounts of assets, liabilities, income, net profit and expenses. Management re-evaluates its assumptions and estimates on an ongoing basis and bases these assumptions and estimates on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions. Yüksel believes that, of its significant accounting policies, the following accounting policies may involve a higher degree of judgment and complexity.

Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its entities controlled by the Company and foreign branches.

Entities in which the Group, directly or indirectly, has above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, have been fully consolidated.

Certain companies in which the Group has a controlling interest or significant influence are not consolidated or equity accounted, as they are immaterial individually and in aggregate to the results and financial position of the Group.

The balance sheets and statements of income of the Group are consolidated on a line by line basis, and the carrying value of the investment held by the Group is eliminated against the related shareholders' equity accounts. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealised profits and losses are eliminated.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The purchase method of accounting is used for acquired business. Subsidiaries, joint ventures or investment in associates, acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Investments in associates are undertakings over which the Group generally has between 20% and 50% of the voting rights. The Group's investments in associates are accounted for using the equity method. Under the equity method, an associate is carried at net asset amount in the consolidated balance sheet and the share of the Group from the associate's results of operations is recognised in the statement of income. Unless net assets of the investment in associates are subject to a temporary impairment, the investment in associates is disclosed with the impaired value in the accompanying financial statements.

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and its subsidiaries together with one or more other parties. The Group's interest in joint ventures is accounted for by way of proportionate consolidation; in other words, the Group includes its share of the assets, liabilities, income and expenses of each joint venture in the relevant components of the financial statements.

Proportionate consolidation method principally has the similar procedures as the line by line consolidation method.

Related parties

For the purpose of its financial statements, key personnel in management and board of directors, their family and controlled or dependent companies, participations and subsidiaries of the Group are referred to as related parties.

Construction contract activities

Contract revenue and costs are recognised as revenue and expenses, respectively, when the outcome of a construction contract can be estimated reliably. The percentage of completion method is used to recognise revenue on a contract as work progresses by matching contract revenue with contract costs incurred based on the proportion of work completed which is determined by the ratio of actual costs incurred through to the end of each reporting period divided by the total estimated contracts costs of the projects. Contracts to manage, supervise or coordinate the construction activity of others are recognised only to the extent of the fee revenue.

Contract costs include all direct material and labour costs and those indirect costs related to contract performance, such as indirect labour, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to the income statements as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognised in the period in which the revisions are determined. Profit incentives are included in revenues when their realisation is reasonably assured.

Costs of uncompleted construction contracts represent the costs incurred less the sum of recognised costs (in the income statements) for all contracts in progress. Deferred revenue in excess of costs on uncompleted contracts represents future billings in excess of revenues recognised (in the income statements). These cost and deferred revenue are subsequently recognised in the income statement based on completion method which is based on engineering reports.

Revenue recognition

Revenue involves the goods and service sales invoiced value. Revenues are recognised on an accrual basis at the time deliveries of goods and services or acceptances are made, the transfer of risks and benefits related to good are realised, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. The significant risks and benefits in sales are transferred when the goods are delivered or legal proprietorship is transferred to the customer. Interest income and expenses are recognised in the income statement on an accrual basis. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes.

Construction / Contracting Works

Revenue earned from contracting work is recognised by using a reference to the stage of completion of the contract.

Fiba Çubuklu Valley Project

Revenue earned from this project will be recognised when the Company completes all of its contractual tasks and transfer all legal risks and benefits arising from owning the property to the purchaser.

Dividend and interest revenue

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

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income

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

Joint ventures

The Group has signed partnership agreements with various companies to perform many projects. The purposes and completion times of these joint ventures are specified. The financial statements of the joint ventures are combined in the Company's consolidated financial statements.

Financial instruments

Financial assets

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

Financial assets are classified into the following specified categories as “at fair value through profit or loss”, “held to maturity investments”, “available for sale financial assets” and “loans and receivables”.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Debt instruments that are held to maturity, are available for sale, or are loans and receivables recognise in income on an effective interest rate basis.

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 that exactly discounts estimated future cash receipts through the expected life of the financial assets or where appropriate a shorter period.

Financial assets held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group’s management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows.

Financial assets available-for-sale

Available-for-sale securities are those that are not (a) held-to-maturity investments or (b) securities held for trading. Subsequent to acquisition, available for sale securities are valued at their fair value if reliably measurable. Otherwise, they are accounted for at the amortised cost. Unrealised gains or losses arising from changes in the fair value of securities classified as available for sale are deferred in equity until the financial asset is sold, collected or otherwise is disposed of when available for sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement. All investment securities are initially recognised at cost. Transaction costs are included in the initial measurement of debt securities. Available for sale securities are measured at fair value.

Fair value of available for sale monetary assets denominated in foreign currency is determined in that foreign currency and converted using the spot rate at the reporting date. Change in fair value attributable to conversion differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market, not held for trading, and not designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Loans and receivables are measured at amortised cost using the effective interest method.

Impairment of financial assets

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

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

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

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

Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recorded at fair value upon initial measurement and re-measured to fair value at each reporting period. Changes in the fair values are accounted in the income statement. Net gains and losses accounted for in the income statement includes interest paid expense incurred on the financial liability.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Property, plant and equipment and related depreciation

Property, plant and equipment are carried at acquisition cost, less any accumulated depreciation and any impairment loss. Profit and loss arising out of the sale of property, plant and equipment are included in the other income and expense accounts. In cases when the carrying value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Repair and maintenance expenditure related to property, plant and equipment is expensed as incurred.

Land and buildings are recorded on the basis of estimated fair value and difference between book values and fair values are reflected under Fair Value Reserve account which is part of the Group equity. Estimated fair values are based on the best estimates made by the management of the Group.

Depreciation is provided on straight-line basis over the useful lives of the assets.

Results of Operations

The financial data in the following table is derived from the audited consolidated financial statements and unaudited consolidated financial statements of Yüksel and sets forth certain income statement items for the periods indicated.

	Financial year ended 31 December		Six months ended 30 June	
	2009	2008	2010	2009
	(TL in millions)			
	(audited)		*(unaudited)*	
Income statement data:				
Sales	1,173.7	1,110.2	640.5	560.4
Cost of sales	(1,035.3)	(1,008.7)	(567.1)	(509.7)
Gross profit	138.4	101.5	73.4	50.6
Meksa Yatırım gross profit	9.8	6.3	7.6	3.6
Total gross profit	148.2	107.8	81.0	54.2
Operating expenses	(90.1)	(81.7)	(40.0)	(39.9)
Basic operating profit	58.1	26.1	41.0	14.3
Other income/ (expense), net	1.0	1.3	(2.4)	2.5
Financial income/ (expense), net	(17.7)	(1.5)	(9.7)	(3.2)
Profit before tax for the period	41.3	25.9	28.8	13.6
Tax	(2.8)	(2.5)	(0.3)	(0.07)
Deferred tax income/ (charge)	(1.5)	(0.8)	(1.0)	(0.4)
Profit for the period from continuing operations	37.0	22.4	27.5	13.1
Minority interest	(0.1)	(2.1)	0.8	(0.4)
Net profit/(loss) for the period	**36.9**	**20.2**	**28.3**	**12.7**
EBITDA	**103.8**	**61.4**	**70.0**	**33.2**

Six months ended 30 June 2010 compared to six months ended 30 June 2009

Sales

Sales from business operations for the six months ended 30 June 2010 was TL 640.5 million, an increase of TL 80.1 million or 14.3% from TL 560.4 million for the six months ended 30 June 2009. This increase was primarily due to increased progress payments in 2010 for the EnerjiSA projects in Turkey as well as increased progress payments relating to projects in Afghanistan and Libya in 2010. The EnerjiSA projects began in 2009 and progress payments generally increase midway through a project.

Cost of sales

Cost of sales for the six months ended 30 June 2010 was TL 567.1 million, an increase of TL 57.3 million or 11.2% from TL 509.7 million for the six months ended 30 June 2009. This increase was primarily due to an increase in costs associated with increased production and sales volume, including for the EnerjiSA projects and projects in Afghanistan and Libya.

Gross profit

Gross profit for the six months ended 30 June 2010 was TL 73.4 million, an increase of TL 22.8 million or 45.1% from TL 50.6 million for the six months ended 30 June 2009. This increase was due to the factors discussed above, primarily those relating to the increase in volume of sales.

Meksa Yatırım's gross profit

Meksa Yatırım's gross profit for the six months ended 30 June 2010 was TL 7.6 million, an increase of TL 4.0 million or 111% from TL 3.6 million for the six months ended 30 June 2009. This increase was primarily due to Meksa Yatırım's ability to generate more business in the period ending 30 June 2010. During the first half of 2010, Meksa Yatırım introduced new products and expanded its customer base to include foreign investors.

Total gross profit

Total gross profit for the six months ended 30 June 2010 was TL 81.0 million, an increase of TL 26.8 million or 49.4% from TL 54.2 million for the six months ended 30 June 2009. This increase was primarily due to the factors discussed above.

Operating expenses

Operating expenses for the six months ended 30 June 2010 was TL 40.0 million, an increase of TL 0.09 or 0.2% from TL 39.9 million for the six months ended 30 June 2009. Operating expenses remained near the same level, as the Company aims to maintain operating expenses near the same level as much as possible while increasing revenues.

Basic operating profit

Basic operating profit for the six months ended 30 June 2010 was TL 41.0 million, an increase of TL 26.7 million or 186.3% from TL 14.3 million for the six months ended 30 June 2009. The global economic crisis of 2008 had a negative impact on the Company's basic operating profit for the six months ended 30 June 2009. The increase in basic operating profit was primarily due to rising profitability of the Company's projects in the second half of 2009 and for the six months ended 30 June 2010.

Other income

Other income for the six months ended 30 June 2010 was a loss of TL 2.4 million, a decrease of TL 4.9 million or 196% from TL 2.5 million for the six months ended 30 June 2009. This decrease was primarily related to the Borçka Dam and HEPP project. At the end of 2009, the Company obtained a provisional acceptance certificate from its client the General Directorate of State Hydraulic Works ("**DSI**") in connection with the completion of the project and all expenses related to the Borçka Dam and HEPP project were recorded as other expenses. Given that there was a positive balance when the expenses were calculated, this was recorded by the Company as other income. The construction of the Borçka Dam and HEPP was completed in 2009.

Financial income / expenses

Financial income/expenses for the six months ended 30 June 2010 was a loss of TL 9.7 million, an increase of TL 6.5 million or 201.3% from a loss of TL 3.2 million for the six months ended 30 June 2009. This increased loss was primarily due to a decline in interest rates which resulted in lower interest income as well as foreign exchange rate fluctuations.

Profit before tax

Profit before tax for the six months ended 30 June 2010 was TL 28.8 million, an increase of TL 15.3 million or 112.7% from TL 13.6 million for the six months ended 30 June 2009. This increase was primarily due to the factors discussed above for basic operating profit.

Tax

Tax for the six months ended 30 June 2010 was TL 0.3 million, an increase of TL 0.232 million or 349.4% from TL 0.07 million for the six months ended 30 June 2009. This increase was primarily due to Meksa Yatırım's increased profit as a result of its ability to generate more business.

Deferred tax charge

Deferred tax charge for the six months ended 30 June 2010 was TL 1.0 million, an increase of TL 0.6 million or 167.3% from TL 0.4 million for the six months ended 30 June 2009. This increase was primarily due to differences between calculations of tax under IFRS and the Turkish Accounting System.

Profit from continuing operations

Profit from continuing operations for the six months ended 30 June 2010 was TL 27.5 million, an increase of TL 14.4 million or 109.9% from TL 13.1 million for the six months ended 30 June 2009. This increase was primarily due to the factors discussed above relating to gross profit and basic operating profit.

Minority interest

Minority interest for the six months ended 30 June 2010 was TL 0.8 million, an increase of TL 1.2 million or 286.9% from a loss of TL 0.4 million for the six months ended 30 June 2009. This increase was primarily due to an increase in profits of the Company's joint ventures.

Net profit

Net profit for the six months ended 30 June 2010 was TL 28.3 million, an increase of TL 15.6 million or 122.6% from TL 12.7 million for the six months ended 30 June 2009. This increase was primarily due to an increase in sales and the other factors discussed above relating to gross profit and basic operating profit.

EBITDA

EBITDA for the six months ended 30 June 2010 was TL 70.0 million, an increase of TL 36.8 million or 110.9% from TL 33.2 million for the six months ended 30 June 2009. This increase was primarily due to the factors described above relating to the increase in sales.

Financial year ended 31 December 2009 compared to financial year ended 31 December 2008

Sales

Sales from business operations for the financial year ended 31 December 2009 was TL 1,173.7 million, an increase of TL 63.5 million or 5.7% from TL 1,110.2 million for the financial year ended 31 December 2008. This increase was primarily due to the Company's projects in Saudi Arabia and Afghanistan, as well as higher margins and the effect of the global financial crisis in 2008.

Cost of sales

Cost of sales for the financial year ended 31 December 2009 was TL 1,035.3 million, an increase of TL 26.5 million or 2.6% from TL 1,008.7 million for the financial year ended 31 December 2008. This increase was primarily due to a rise in turnover which had a parallel impact on cost of sales.

Gross profit

Gross profit for the financial year ended 31 December 2009 was TL 138.4 million, an increase of TL 36.9 million or 36.4% from TL 101.5 million for the financial year ended 31 December 2008. This increase was primarily due to the factors discussed above relating to an increase in sales.

Meksa Yatırım's gross profit

Meksa Yatırım's gross profit for the financial year ended 31 December 2009 was TL 9.8 million, an increase of TL 3.5 million or 55.2% from TL 6.3 million for the financial year ended 31 December 2008. This increase was primarily due to greater market interest in new products that were introduced by Meksa Yatırım such as "forward transaction exchanges", as well as increased business activities with foreign customers and funds.

Total gross profit

Total gross profit for the financial year ended 31 December 2009 was TL 148.2 million, an increase of TL 40.4 million or 37.5% from TL 107.8 million for the financial year ended 31 December 2008. This increase was primarily due to the factors discussed above.

Operating expenses

Operating expenses for the financial year ended 31 December 2009 was TL 90.1 million, an increase of TL 8.4 million or 10.3% from TL 81.7 million for the financial year ended 31 December 2008. This increase was primarily due to the impact of the global economic crisis of 2008 and the Company's implementation of a tighter operating budget.

Basic operating profit

Basic operating profit for the financial year ended 31 December 2009 was TL 58.1 million, an increase of TL 32.0 million or 122.6% from TL 26.1 million for the financial year ended 31 December 2008. This increase was primarily due to improved management and monitoring of the costs related to the Company's projects.

Other income

Other income for the financial year ended 31 December 2009 was TL 1.0 million, a decrease of TL 0.3 million or 26.2% from TL 1.3 million for the financial year ended 31 December 2008. This decrease was primarily due to a decline in income from machinery and building rentals.

Financial expense

Financial expense for the financial year ended 31 December 2009 was TL 17.7 million, an increase of TL 16.1 million or 1057.8% from TL 1.5 million for the financial year ended 31 December 2008. This increase was primarily due to an increase in borrowings by the Company, resulting in higher interest expenses.

Profit before tax

Profit before tax for the financial year ended 31 December 2009 was TL 41.3 million, an increase of TL 15.5 million or 60.0% from TL 25.9 million for the financial year ended 31 December

2008. This increase was primarily due to increased turnover and the launch of new business activities for Meksa Yatırım.

Tax

Tax for the financial year ended 31 December 2009 was TL 2.8 million, an increase of TL 0.2 million or 9.1% from TL 2.6 million for the financial year ended 31 December 2008. This increase was primarily due to an increase in construction sales.

Deferred tax charge

Deferred tax charge for the financial year ended 31 December 2009 was TL 1.5 million, an increase of TL 0.7 million or 80.2% from TL 0.9 million for the financial year ended 31 December 2008. This increase was primarily due to the differing approach between IFRS and Turkish Accounting Standards.

Profit from continuing operations

Profit from continuing operations for the financial year ended 31 December 2009 was TL 37.0 million, an increase of TL 14.5 million or 65.0% from TL 22.4 million for the financial year ended 31 December 2008. This increase was due to an increase in construction sales.

Minority interest

Minority interest for the financial year ended 31 December 2009 was a loss of TL 0.1 million, an increase of TL 2.1 million or 95.4% from a loss of TL 2.2 million for the financial year ended 31 December 2008. This increase was primarily due to a 56% share impact relating to increased finance income for Fiba.

Net profit

Net profit for the financial year ended 31 December 2009 was TL 36.9 million, an increase of TL 16.6 million or 82.1% from TL 20.2 million for the financial year ended 31 December 2008. This increase was due to the factors discussed above relating to an increase in sales.

EBITDA

EBITDA for the financial year ended 31 December 2009 was TL 103.8 million, an increase of TL 42.4 million or 69.1% from TL 61.4 million for the financial year ended 31 December 2008. This increase was due to the factors discussed above relating to an increase in sales.

Liquidity and Capital Resources

General

To date, Yüksel has generally funded its working capital requirements and capital expenditures through a combination of cash flow and borrowings under its financing arrangements. Historically, Yüksel has generated cash flow primarily through its business operations. Net cash flow from operating activities was an outflow of TL 35.6 million for the six months ended 30 June 2010 compared to TL 51.4 million for the six months ended 30 June 2009, and TL 25.5 million for the financial year ended 2009 compared to TL 3.4 million for the financial year ended 2008. Yüksel has credit facilities (primarily denominated in Turkish lira, Euros and US dollars) to fund capital expenditures and for working capital purposes.

Yüksel's net capital expenditure for the financial year ended 2009 was TL 60.6 million compared to net capital expenditures of TL 120.4 million for the financial year ended 2008. Capital expenditures for these purposes including, among other things, the acquisition of tangible and intangible assets, buildings, equipment, machinery, investment in licenses for energy projects, investment in Köprübaşı Dam and renovation expenses for a hotel in Uzbekistan.

Yüksel's net capital expenditure for the first half of the financial year ended 2010 was TL 53.0 million. Capital expenditures for these purposes including, among other things, the acquisition of tangible and intangible assets, buildings, equipment, machinery, investment in licenses for energy projects, investment in Köprübaşı Dam and renovation expenses for a hotel in Uzbekistan.

Yüksel uses the cash flow generated by its operations mostly to repay its financing obligations, make investments, acquire tangible and intangible assets, machinery and equipment.

Yüksel believes that, based on its current expectations regarding its results of operations and cash flow, its ability to borrow in the capital markets and the expected proceeds of this offering, Yüksel will have sufficient liquidity and capital resources to meet all of its current and planned capital expenditures for the foreseeable future.

Cash flow

The following table presents Yüksel's cash flows for the periods indicated.

	Financial year ended 31 December		Six months ended 30 June
	2009	**2008**	**2010**
	(TL in millions)		
	(audited)		*(unaudited)*
Net cash flow from operating activities	25.5	3.4	(35.6)
Net cash flow from investing activities	(62.3)	(78.3)	(51.5)
Net cash flow from financing activities	71.5	69.0	37.2

Cash flow from operating activities includes profit or loss for the period, adjusted for non-cash items (such as depreciation and amortisation expenses), changes in working capital and tax paid.

Cash flow from financing activities includes, among other things, financial liabilities, financial lease liabilities, DSI liabilities, changes in minority interests and dividends paid.

Cash flow from investing activities includes changes in investments, marketable securities, changes in financial assets and acquisitions / proceeds from sales of tangible fixed and intangible assets.

Cash flow from operating activities

Net cash outflow from operating activities for the six months ended 30 June 2010 was TL 35.6 million and was affected primarily by the decrease in advances received in the first six months of 2010 compared to the same period in 2009. Construction advances were deducted through approved progress payments in the first six months period of 2010, with most of the advances received during this period for dam projects. Additionally, receivables increased in the first six months of 2010 due to the high volume of progress payments approved by the clients.

Net cash inflow from operating activities for the financial year ended 31 December 2009 was TL 25.5 million and was affected primarily by advance payments received for newly awarded projects. Additionally, trade payables increased during this period due to the purchase of new materials and services for new projects.

Net cash inflow from operating activities for the financial year ended 31 December 2008 was TL 3.4 million and was affected primarily by advance payments received for newly awarded projects. Additionally, trade payables increased during this period due to the purchase of new materials and services for new projects.

Cash flow from financing activities

Net cash flow from financing activities for the six months ended 30 June 2010 was TL 37.2 million. This consisted of financial liabilities and DSI liabilities and cash outflow from financial lease liabilities and minority interest expenses, respectively.

Net cash flow from financing activities for the financial year ended 31 December 2009 was TL 71.6 million. This consisted of financial liabilities, DSI liabilities and an increase in minority interest. The Company's cash outflow from financing activities primarily consisted of financial lease liabilities and dividend payments.

Net cash flow from financing activities for the financial year ended 31 December 2008 was TL 69.0 million. This consisted of financial liabilities, financial lease liabilities, DSI liabilities and an increase in minority interest. The Company's cash outflow from financing activities primarily consisted of dividend payments and the sale of Yüksel Seramık and Aspendos (which were sold in 2008).

Cash flow from investing activities

Net cash outflow from investing activities for the six months ended 30 June 2010 was TL 51.5 million. This was primarily due to the purchase of machinery and equipment for new and ongoing projects such as in Iraq and Libya, the purchase of furniture and fixtures, investment in licenses for energy projects and investment in Köprübaşı Dam.

Net cash outflow from investing activities for the financial year ended 31 December 2009 was TL 62.3 million. This was primarily due to the purchase of machinery and equipment for new and ongoing projects such as in Afghanistan and Libya as well as the Enerji SA projects, the purchase of furniture and fixtures, investment in licenses for energy projects, investment in Köprübaşı Dam and renovation expenses for a hotel in Uzbekistan.

Net cash outflow from investing activities for the financial year ended 31 December 2008 was TL 78.3 million. This was primarily due to the purchase of machinery and equipment for projects such as the Eastern Province Water Transmission System project in Saudi Arabia and projects in Libya, the purchase of furniture and fixtures, investment in licenses for energy projects and investment in Köprübaşı Dam.

Capital expenditures

During the last two years, Yüksel's capital expenditures were principally made to finance new investments in energy projects, renovation of fixed assets, investment in IT and an Enterprise Resource Planning ("**ERP**") system. The following table sets forth Yüksel's net capital expenditures for the periods indicated.

	Financial year ended 31 December		**Six months ended 30 June**
	2009	**2008**	**2010**
	(TL in millions)		
	(audited)		***(unaudited)***
Net capital expenditures	60.6	120.4	53.0

Available capital resources

Following the completion of the offering of Notes and the related transactions detailed herein, Yüksel's principal sources of funds will be provided by cash flows from operations. Recurring income to be derived from investments, the sale of capitalised assets and funds generated from second phase of the Çubuklu Valley Project.

Although Yüksel believes that its expected cash flows from operations, together with available borrowings, will be adequate to meet its anticipated working capital, general liquidity and debt service needs, Yüksel cannot assure you that its business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to it in an amount sufficient to enable it to fund its working capital or other liquidity needs, including making payments under the Notes or its other debt when it becomes due. If Yüksel's working capital requirements exceed its projections, or if its operating cash flow is lower than expected, Yüksel may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Yüksel's ability to arrange financing generally and its cost of capital depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions and in the capital markets, restrictions in instruments governing Yüksel's indebtedness, and its general financial performance. Yüksel's inability to obtain the funding necessary for its working capital requirements could adversely affect its ability to service its debt obligations and adequately fund its operations. *See* "*Risk Factors—Risk Factors Related to the Notes—The Company's leverage may make it difficult for it to service its indebtedness, including the Notes, and to operate its business, and the Company may not be able to generate sufficient cash to meet its debt service obligations (including in respect of the Notes)*".

Off-Balance Sheet Arrangements

Yüksel has certain off-balance sheet arrangements relating to certain guarantees given relating to certain of its construction projects. For more information relating to these off-balance sheet arrangements, *see* note 25 to its audited consolidated financial statements for the years ended 31 December 2009 and 2008 and *see also* note 25 to its unaudited consolidated financial statements for the six months ended 30 June 2010 in this offering memorandum. Following market practice in the construction industry, a guarantee given by a contractor such as Yüksel generally remains in place for 12 months following completion of a project, during the maintenance and testing period.

Contingent Liabilities

Yüksel is party to various claims and legal actions in the ordinary course of its business. In the judgment of Yüksel's management, no losses, in excess of provisions made or covered by insurance programmes, which would be material in relation to its financial position, are likely to arise in respect of these matters, although their occurrence may have a significant effect on periodic results. *See "Risk Factors—Risk Factors Related to Yüksel's Business and the Construction Industry—Yüksel may be liable to third parties for the failure of its joint venture partners to fulfil their obligations"*.

Market Risk

Foreign currency risk

Yüksel's financial results are affected by currency transaction effects resulting from fluctuations in the exchange rates between Turkish lira and other currencies, principally the Euro and the US dollar. Yüksel is exposed foreign currency risk arising from the translation of foreign currency denominated assets and liabilities to Turkish lira. The foreign currency denominated assets and liabilities mainly include bank deposits, bank borrowings and trade payable and trade receivables.

Interest rate risk

Yüksel is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. It manages this exposure by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Certain parts of the interest rates related to borrowings are based on market interest rates; the Company is therefore exposed to interest rate fluctuations on domestic and international markets.

Price risk

Yüksel may be exposed to price risk arising from increases in prices of fuel, cement, reinforcement steel, structural steel and other precious metals used in its projects. The Company may also be exposed to price risk arising from decreases in sales prices. This is a combination of currency, interest and market risks which the Group manages through natural hedges that arise from offsetting the same currency receivables and payables, interest-bearing assets and liabilities. Although export sales invoices are issued in Turkish lira, sales prices are fixed in foreign currency.

Liquidity risk

Yüksel manages its liquidity needs by regularly planning its cash flows or by maintaining sufficient funds and borrowing sources by matching the maturities of liabilities and assets. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limited from qualified credit institutions.

Credit risk

Yüksel attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of its counterparties. Yüksel monitors credit risks by establishing credit limits for each customer who wishes to trade on credit terms and by obtaining sufficient collateral. Trade receivables are evaluated by management in light of Yüksel's procedure and policies and are carried in the balance sheet net of impairment provisions.

CONSTRUCTION INDUSTRY: TURKEY, THE MIDDLE EAST AND NORTH AFRICA

Turkey

Turkey's Macroeconomic Fundamentals

	Units	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP current prices	US$bn	482.7	529.2	649.1	730.3	614.5	729.1	789.6	845.8	902.9	966.0	1,033.3
GDP constant prices	%	8.4	6.9	4.7	0.7	(4.7)	7.8	3.6	3.7	3.8	4.0	4.0
Population	mn	67.9	68.1	68.9	69.7	70.5	71.4	72.3	73.2	74.2	75.1	76.1
Government revenue	% of GDP	32.4	32.8	31.7	31.5	31.7	32.2	32.2	32.3	32.4	32.3	32.3
Government total expenditure	% of GDP	32.4	32.7	33.3	33.8	37.3	35.7	34.8	34.5	34.5	34.2	33.8
Government net debt	% of GDP	45.6	38.5	32.2	32.8	37.9	35.7	34.6	33.3	32.6	31.6	30.3
Government gross debt	% of GDP	52.3	46.1	39.4	39.5	45.5	43.4	42.4	41.2	40.7	39.9	38.8

Source: IMF Data, World Economic Outlook Database, October 2010. Estimates in shaded cells.

Turkey's economy grew significantly between 2002 and 2007, with an average expansion of 6.0% per year. In these five years, inflation and interest rates fell significantly, the currency stabilized, and the government gross debt was reduced to more supportable levels (approximately 40.0% of the country's GDP in 2008). During 2008, the economy slowed, as a result of the global financial crisis and access to finance was more restricted.

Turkish Construction Industry

Overview

The Turkish construction industry is one of the leading industries in Turkey and is currently the third largest economic sector in Turkey, deriving revenue both from domestic operations and, increasingly, overseas operations.

The Turkish construction industry consists of over 200,000 construction contractors, most of whom are local players with limited international exposure. However, it is estimated that there are approximately 150 players with international operations across the Middle East, North Africa, Russia and the Central Asian Republics.

Development of the Turkish Construction Industry

The construction industry began to play a prominent role in Turkey's economic development following the exponential urban population growth witnessed by Turkey from the 1960s to the mid 1980s, developing significant levels of expertise and know how.

Between 1980 and 1988, the construction sector grew steadily. With the liberalisation of the economy and the increase in interest rates, investment costs rose significantly after 1988. By the late 1990s, as a result of higher costs and lower demand, investment from the government and the financial sector dropped significantly and the sector's growth slowed. The controls imposed by the IMF on government expenditure and the severe crisis in the Turkish banking sector in 2000/2001 resulted in a number of construction firms being liquidated.

By 2004 the growth rate for the sector started to rise again significantly. In the first half of 2005, the number of construction licenses increased by 40.0% compared to the same period for 2004. From 2003 to 2007, the construction industry witnessed year on year growth peaking at 18.5% growth in 2006 compared to 2005, supported by public investment in infrastructure projects and increased demand for housing stock. The rate of growth of the construction industry declined between 2007 and 2009 in line with the global economic crisis. In 2009 the construction sector, primarily real estate, registered a 19.5% decline in added value in real terms as major projects were delayed for financing reasons and economic uncertainty.

However, signs of growth have returned to the construction sector in 2010 as economic conditions are improving and financing is becoming increasingly available. Growth rates in the sector are returning as a result of the steady growth rates of the Turkish economy and the Turkish government's spending on infrastructure projects, which had been put on hold, have been released resulting in various new projects being launched. In 2009, the Turkish government announced a

US$17.3 billion stimulus package to provide financial support to struggling construction companies and additional investment for infrastructure projects.

According to BMI's 5 year forecast, strong industry value growth is expected to continue in the coming years, averaging 8.7% per annum between 2010 and 2014. WMI estimates growth over the same period at a CAGR of 4.2%. There continues to be a significant need for new investment in infrastructure development in railway, highways, energy and institutional infrastructure, which is, subject to financing and capital constraints, expected by BMI and WMI to fuel growth for the industry over the next few years.

Yearly Change in the Construction Sector, GDP and the Construction Sector's Share in GDP

Year	Construction Sector (%)	GDP (%)	Construction Sector's Share in GDP (%)
2003	7.8	5.3	5.5
2004	14.1	9.4	5.8
2005	9.3	8.4	5.8
2006	18.5	6.9	6.4
2007	5.7	4.7	6.5
2008	(8.1)	0.7	5.9
2009	(16.1)	(4.7)	5.2
2010—1st quarter	8.3	11.7	5.6
2010—2nd quarter	21.9	10.3	5.8

Sources: TURKSTAT: Sectoral share of GDP in constant prices (By kind of economic activity at basic prices in 1998) and Growth rates of GDP in constant prices (By kind of economic activity at basic prices in 1998).

Turkish Construction Market Segments

The below table illustrates the market size and value of the different segments of the Turkish construction industry:

Turkish Construction Industry Segmentation US$ million, Actual 2005-2009 / Forecasts 2010-2014

Market	2005	2006	2007	2008	2009	2010F	2011F	2012F	2013F	2014F
Residential	9,495.40	11,070.50	12,425.20	13,682.20	10,603.80	10,713.10	11,213.70	11,816.30	12,462.80	13,181.80
Infrastructure	5,398.40	6,262.50	6,910.10	7,437.20	6,307.30	6,679.80	6,912.50	7,201.10	7,508.80	7,851.70
Commercial	1,771.40	2,795.40	3,553.40	3,830.90	3,618.20	3,616.90	3,746.00	3,905.70	4,076.00	4,265.70
Industrial	1,562.50	2,597.20	3,107.50	3,395.10	3,228.10	3,248.60	3,387.10	3,555.20	3,735.00	3,935.10
Institutional	314.4	440.2	506.5	538.5	505.1	501.4	515.6	533.9	553.3	575
Total	18,542.10	23,165.80	26,502.80	28,883.90	24,262.50	24,759.80	25,775.00	27,012.20	28,335.80	29,809.30

Source: WMI Analysis.

The below table illustrates the market size and value of the different segments of the Turkish infrastructure construction industry:

Turkish Infrastructure Construction Industry Segmentation US$ million, Actual 2005-2009 / Forecasts 2010-2014

Category	2005	2006	2007	2008	2009	2010F	2011F	2012F	2013F	2014F
Energy & communications	1,303.10	1,472.80	1,574.70	1,624.80	1,348.30	1,396.40	1,412.40	1,437.50	1,463.50	1,493.50
Road	1,163.90	1,288.50	1,352.90	1,389.60	1,150.50	1,188.80	1,199.70	1,218.20	1,237.50	1,260.00
Rail	553.8	699.8	832.1	975.7	863	952.8	1,027.40	1,114.60	1,209.80	1,316.00
Sewage	341.9	408.2	456.9	503.4	431.7	462	482.9	507.9	534.4	563.6
Water	316.8	357.6	387.6	407.5	341.3	356.8	364.4	374.3	384.7	396.3
Other	1,719.00	2,035.60	2,306.10	2,536.10	2,172.60	2,322.90	2,425.70	2,548.60	2,678.80	2,822.20
Total	5,398.40	6,262.50	6,910.10	7,437.20	6,307.30	6,679.80	6,912.50	7,201.10	7,508.80	7,851.70

Source: WMI Analysis.

The Turkish infrastructure construction market, which constitutes the main source of the Company's revenues, was the second largest construction market segment in 2009 with a market share of 26% and accounting for a value of US$6.3 billion. Energy and utilities infrastructure contribute the largest share of the total infrastructure industry value, whilst transport infrastructure (in particular rail infrastructure investment) is expected to contribute a growing portion of the total infrastructure value in the coming years.

Turkey has a number of major infrastructure projects planned or in progress. Examples include the ongoing construction of the Ankara to Istanbul high speed railway, investments in ports by new operators, the Gebze-Izmir Motorway and İzmit Bay Crossing, the Bosphorus Tunnel, a third bridge in Istanbul and surrounding motorways, ongoing extensions to the subway system, a ten year plan to build a major canals network on the Sakarya River, investments of approximately US$190 million to develop five existing airports and construct three new airports in Çukurova, İstanbul and Kütahya Afyon Uşak.

Energy Infrastructure

In relation to energy infrastructure projects, Turkey has been experiencing rapid growth in energy demand for industrial, commercial and private uses in particular over the last decade. Recent forecasts indicate that the growth trend of 6% to 8% per year in energy consumption will prevail in the following years. Primary energy consumption, which reached to around 108 million TOE at the end of 2007, is projected to rise to 222 million TOE by 2020. Electricity demand was 198.3 TWh and installed capacity was 41.806 MW as of end of the 2008.

Turkey has started to diversify its mix of power generation sources to meet this demand and reduce its primary reliance on coal, oil and natural gas. In particular, a large number of new projects in renewable energy (including hydropower), catalysed by newly-introduced feed-in-tariffs, have begun to play a more important part. As of the end of 2008, 66% of the total installed capacity in Turkey consisted of thermal power plants, 33% of hydro power plants, 0.1% of geothermal and 0.9% of wind power plants according to the Turkish Electricity Transmission Company (a Turkish state entity). Whilst non-thermal installed capacity is currently low, there is an environment conducive to renewable investments due to substantial renewable energy resources and recent developments in renewable legislation (such as the Renewable Energy Law enacted in 2005) and liberalisation in the electricity market. There are numerous projects undergoing license approvals mainly for Hydro-Electric Power Projects ("**HEPPs**") and Wind Power Projects. 77% of the total number of new licenses (176) granted to the private sector in the year 2009 was for the construction of new HEPPs according to the EMRA. The Ministry of Energy and Natural Resources (in May 2009) estimated the installed hydroelectricity capacity of the 213 HEPPs to be 14.3 GW, corresponding to approximately 36% of the country's technical hydroelectricity potential of 44.2 GW which suggests significant future development potential.

Future public private partnerships

There continues to be an enormous need in Turkey for new investment in infrastructure development in railway, highway, energy and education infrastructure, which is expected to continue to fuel growth for the construction industry over the next few years. In relation to this, Turkey's long-awaited new draft law on PPP which has been prepared by the State Planning Organisation, seeks to regulate the procedures and principles concerning the realisation of public investments in services under PPP models and potentially opens up further prospects for Turkish construction companies.

Yüksel expects to benefit from the new PPP draft law to enter into long-term infrastructure contracts with the Government. The Company has already benefitted from earlier models which have long encouraged mixed public private investment such as the Build Operate Transfer Model which was introduced in 1984 in Turkey as well as Build Operate, Build Lease Transfer and Transfer of Operational Rights models. Major infrastructure projects such as the Gebze-İzmir Motorway and İzmit Bay Crossing Project, which the Company is constructing in partnership with other construction companies on a BOT model, are effectively hybrid PPP models under which the Government grants certain income guarantees during the operational phase of an infrastructure project prior to the return of the asset to the state. The PPP Law aims to provide a coherent framework for PPP models under the supervision of a single government organization (the State Planning Organization) to harmonise the tendering process for projects, better balance the distribution of project risk between the private project companies and the public sector and bring the different types of PPP models already available in Turkey under a single legislative framework.

Turkish Constructors Overseas Operations

The major Turkish construction contractors, including the Company, have in recent years been taking an increasingly substantial portion of their revenues from overseas projects. Currently, Turkish construction contractors work in 81 countries and generate a business volume abroad that has witnessed impressive growth over the past eight years, generating US$1.5 billion in 2002, US$9.3 billion in 2005, US$15.9 billion in 2006, US$19.5 billion for 2007, US$23.6 billion in 2008 and approximately US$18.8 billion in 2009 (this decrease being mainly due to the global economic downturn). The targets for 2010 and 2015 are US$30 billion and US$50 billion, respectively, according to Government estimates published in the Construction Industry Magazine, No. 117.

According to ENR, 14 Turkish companies had made it in the *"The Top 225 International Contractors"* list in 2005. By 2009, 31 Turkish firms were ranked among the top 225 international contractors, which made the Turkish construction industry the world's second largest in terms of business volume, after China and before Italy.

In terms of geographical spread of work, the largest single portion of work is carried out in the Commonwealth of Independent States, while the Middle East and Africa generated just over half of all work carried out abroad in 2007 by Turkish contractors, with the focus on major hydrocarbon producing states with the capacity to invest oil and gas revenues in major real estate and infrastructure projects.

Middle East

Approximately 47% of Yüksel's ongoing construction contracts as at 30 June 2010 were in relation to infrastructure projects in the Middle East and North Africa (in particular, Qatar 16.8%, Saudi Arabia 15.4%, Libya 10.3% and Iraq 4.6%. Yüksel views infrastructure construction projects and opportunities in the Middle East and North Africa as key to its strategic geographic diversification strategy.

GCC Construction Sector

The GCC market has experienced fundamental shifts over the past three years: Dubai real estate sector has undergone significant declines, Abu Dhabi emerged as one of the region's most vibrant oil and gas market and Saudi Arabia has attracted interest from international companies looking to diversify their regional portfolios.

The GCC market experienced heightened activity in the period 2004 to 2008, surpassing the levels witnessed in the years following the 1973 oil boom. Rising oil prices, new property legislation, and rapidly expanding populations all contributed to the sharp upturn, which in the five years leading up to 2008 resulted in more than US$600 billion worth of contract awards across all industry segments in the Middle East.

Actual EPC Contract Value Awarded in the Middle East(1) (US$m)

	Award Year					
Industry Segment	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Infrastructure	11,104	22,608	32,226	23,081	28,426	32,903
Power	9,431	12,211	20,983	24,354	31,177	16,740
Water and Waste	1,408	3,366	7,910	6,502	7,954	5,091
Pipeline	2,545	9,212	6,693	3,977	5,018	7,928
Total	**24,488**	**47,397**	**67,812**	**57,914**	**72,575**	**62,662**
Population	**148**	**152**	**156**	**160**	**164**	**169**

Source: MEED Projects Database (October 2010) / IMF Data, World Economic Outlook Database, October 2010.

Note: (1) Includes Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, UAE, Yemen.

Between 2004 and 2008, governments were afforded substantial budget surpluses as oil prices rose, and in turn these were translated into greater capital investment programmes. From 2004 onwards, there was a growing commitment from new leaders in the region to take advantage of the additional revenues. This involved attracting international investment, nurturing downstream investments, opening up the real estate sector and liberalising the economy in general.

The growth in population ensured an increase in demand for infrastructure, education and healthcare services. At the start of the decade, capital investment failed to keep pace with the growing populations and as a result infrastructure lagged behind. Between 2004 and 2008, project spending rose dramatically as governments played catch-up.

In 2008 and 2009, US$28 billion and US$32 billion of infrastructure contracts were awarded in the Middle East (as defined in the table above); infrastructure was an investment priority for governments given the rises in population. From 2004 onwards, while other sectors (such as real estate construction) displayed increasing or volatile trends, infrastructure spending remained stable.

In the first half of 2010, total contract awards fell by 18% on the corresponding period in 2009, largely due to a significant decline in value of Saudi Arabia awards following the highest ever contract awards in Saudi Arabia of approximately US$10 billion in 2009. Total construction contract awards in the GCC are expected to experience modest falls in 2010 and 2011 overall (approximately 5.5% on average), with a slight increase in 2012. These projections are significantly affected by the effect of the real estate sector. In this environment, there is greater focus on pricing and margins amongst contract awarders and bidders.

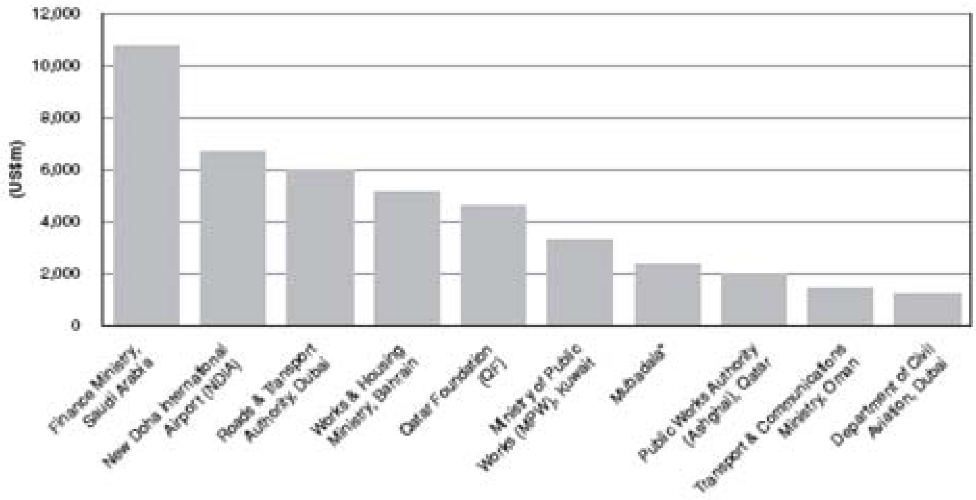
Actual Infrastructure EPC Contract Value Awarded by Country (US$m)

	Award Year						
Country	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Bahrain	97	200	256	827	50	209	180
Iran	0	1,640	472	9,672	425	1,527	11,940
Iraq	3,730	595	572	325	0	2,235	102
Kuwait	160	280	422	1,040	225	618	2,012
Oman	256	155	759	2,230	3,032	2,087	1,719
Qatar	1,006	4,768	4,406	3,323	3,733	7,217	646
Saudi Arabia	40	785	1,670	1,985	4,772	1,843	10,922
UAE	5,650	2,681	14,051	12,824	10,844	12,190	5,382
Yemen	0	0	0	0	0	500	0
Total	**10,939**	**11,104**	**22,608**	**32,226**	**23,081**	**28,426**	**32,903**

Source: MEED Projects Database (October 2010).

As of June 2010, Saudi Arabia's Finance Ministry was the largest public sector client for infrastructure and construction contracts with almost US$10 billion worth of work under construction. Other large-scale clients included the New Doha International Airport Steering Committee, Dubai's Roads and Transport Authority and the Qatar Foundation.

Top 10 Government Construction and Infrastructure Clients by Value of Work under Execution



Source: MEED Insight—GCC Projects Market Forecast & Review.

As of October 2010, according to information in MEED Project's Database, there were approximately US$119 billion infrastructure contracts under execution in the Middle East (by contract award value).

Projects Under Execution by EPC Contract Value Awarded in the Middle East(1) (US$m)

	Completion Year							
Industry Segment	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**>2015**	**TOTAL**
Infrastructure	27,264	26,382	35,339	13,222	7,912	3,267	5,976	**119,362**
Power	20,540	22,554	13,619	12,898	8,560	2,491	0	**80,662**
Water and Waste	5,340	8,080	6,618	2,447	75	0	0	**22,560**
Pipeline	11,582	11,894	972	3,307	971	0	0	**28,726**

Source: MEED Projects Database (October 2010).

Notes: (1) Includes Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, UAE, Yemen.

Saudi Arabia's Macroeconomic Fundamentals

Saudi Arabia's Macroeconomic Fundamentals

	Units	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP current prices	US$bn	315.8	356.6	385.2	476.9	376.3	434.4	476.0	520.1	564.1	607.8	656.4
GDP constant prices	%	5.6	3.2	2.0	4.2	0.6	3.4	4.5	4.4	4.5	4.6	4.7
Population	m	23.1	23.7	24.3	24.9	25.5	26.1	26.7	27.3	27.9	28.5	29.0
Government revenue	% of GDP	53.9	56.6	50.1	66.2	42.2	44.7	46.9	46.4	45.9	44.8	44.1
Government total expenditure	% of GDP	32.1	32.0	34.4	30.8	44.5	42.8	40.7	39.9	40.4	39.0	37.5
Government net debt	% of GDP	18.2	1.7	(17.1)	(45.8)	(50.3)	(42.1)	(41.4)	(41.4)	(40.8)	(40.9)	(41.8)
Government gross debt	% of GDP	38.9	27.3	18.5	13.2	16.0	12.9	11.0	9.4	8.2	7.2	6.3

Source: IMF Data, World Economic Outlook Database, October 2010. Estimates in shaded cells.

Saudi Arabia is forecasted to grow significantly over the period 2010 to 2015 as the economy is forecasted to grow by a compounded annual growth rate of 8.6%. Forecasts indicate that during these years, total government expenditure will average 40.1% of the country's GDP, the government will maintain positive net debt at an average of 41.1% of the GDP and the population will grow by approximately 2.9 million.

Saudi Arabia's Construction Market

Amongst the GCC countries, Saudi Arabia has the highest backlog of projects still to be awarded, at US$453 billion. The demographic strain of the country's young and rapidly growing population means that it has to install a minimum of 3,000MW of power generation capacity a year with a corresponding investment required in other sectors such as infrastructure and wastewater.

Actual EPC Contract Value Awarded in Saudi Arabia (US$m)

	Award Year						
Industry Segment	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Infrastructure	40	785	1,670	1,985	4,772	1,843	10,922
Power	1,683	1,350	6,042	6,967	6,447	13,505	6,870
Water and Waste	235	136	370	3,210	1,130	375	878
Pipeline	53	110	1,097	1,895	2,231	593	2,850
Total	2,011	2,381	9,179	14,057	14,580	16,316	21,520

Source: MEED Projects Database (October 2010).

Qatar's Macroeconomic Fundamentals

Qatar's Macroeconomic Fundamentals

	Units	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP current prices	US$bn	43.0	60.5	80.8	110.7	98.3	126.5	157.9	182.5	197.9	212.7	230.6
GDP constant prices	%	7.6	18.6	26.8	25.4	8.6	16.0	18.6	9.3	4.6	4.9	5.1
Population	m	0.9	1.0	1.2	1.4	1.6	1.7	1.8	1.8	1.9	2.0	2.1
Government revenue	% of GDP	38.1	36.1	36.7	36.0	40.3	34.6	29.4	27.4	26.8	25.3	23.7
Government total expenditure	% of GDP	27.3	26.4	25.4	24.5	26.7	23.2	22.5	23.1	23.6	23.7	23.7
Government net debt	% of GDP	13.2	8.6	5.0	8.4	30.0	21.9	17.3	15.0	13.9	13.4	12.8
Government gross debt	% of GDP	18.0	12.1	8.4	11.9	34.2	25.6	21.6	19.6	18.6	17.8	17.0

Source: IMF Data, World Economic Outlook Database, October 2010. Estimates in shaded cells.

Qatar is forecasted to grow significantly over the period 2010 to 2015 as the economy is forecasted to grow by a compounded annual growth rate of 12.75%. Forecasts indicate that during these years, total government expenditure will average 23.3% of the country's GDP, the government will maintain stable and low net debt at an average of 15.7% of the GDP and the population will grow by approximately 0.4 million.

Qatar's Construction Market

ASHGHAL is currently undertaking a US$20 billion road and US$3 billion rail development programme over the next five years. Furthermore, Qatar is also investing significant capital into developing the New Doha International Airport. The first phase of the US$14 billion airport is scheduled to open in late 2011. It includes two runways and a 140,000 m^2 airport terminal, with 24 aircraft gates and capacity to handle 12 million passengers a year. The planned second phase will double the airport's capacity to 24 million passengers.

Actual EPC Contract Value Awarded in the Qatar (US$m)

	Award Year						
Industry Segment	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Infrastructure	1,006	4,768	4,406	3,323	3,733	7,217	646
Power	45	1,095	1,745	4,349	1,140	6,845	1,408
Water and Waste	0	55	360	3,063	2,077	1,941	1,556
Pipeline	0	200	275	226	344	1,158	110
Total	1,051	6,118	6,786	10,961	7,294	17,161	3,720

Source: MEED Projects Database (October 2010).

Construction Sector in North Africa

The countries of the Maghreb have ambitious development plans to meet the needs of their rapidly growing populations. Governments are investing heavily in new transport infrastructure, social housing and expanding their utility and energy sectors.

Libya's Macroeconomic Fundamentals

Libya's Macroeconomic Fundamentals

	Units	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP current prices................	US$bn	44.0	56.5	71.6	88.9	60.2	77.9	85.3	94.1	104.2	114.4	125.9
GDP constant prices..............	%	10.3	6.7	7.5	2.3	(2.3)	10.6	6.2	6.4	7.5	7.7	7.7
Population	m	5.9	6.0	6.1	6.2	6.3	6.5	6.6	6.7	6.9	7.0	7.1
Government revenue.............	% of GDP	62.9	64.1	66.0	70.1	64.7	59.2	59.4	58.9	59.4	60.5	61.3
Government total expenditure	% of GDP	33.5	31.0	32.7	39.8	55.3	45.9	45.2	44.2	43.2	42.9	42.6
Government net debt.............	% of GDP	(59.3)	(81.0)	(82.8)	(73.1)	(105.0)	(94.5)	(100.5)	(105.8)	(111.8)	(119.4)	(127.2)
Government gross debt..........	% of GDP	1.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: IMF Data, World Economic Outlook Database, October 2010. Estimates in shaded cells.

Libya is forecasted to grow significantly over the period 2010 to 2015 as the economy is forecasted to grow by a compounded annual growth rate of 10.07%. Forecasts indicate that during these years, total government expenditure will average 44.0% of the country's GDP, the government will maintain positive net debt at an average of 109.9% of the GDP and the population will grow by approximately 0.7 million.

Libya's Construction Market

Libya witnessed tremendous growth between 2003 and 2008 on the back of UN sanctions being lifted. The country recorded a high in 2007 with a growth rate of 28% in the construction sector. However, global recession caused growth to decline into negative territory in 2009. The prospect of Libya's construction market remains resilient with growth expected to return in 2010.

There are an estimated 256 projects ongoing in Libya, with another 300 expected to be launched by 2020. Most of the development is expected to come from the government's Housing and Infrastructure Board ("**HIB**") programme, which aims to build approximately 200,000 homes and 146 infrastructure projects worth an estimated US$50 billion. The construction of Tripoli's 24 km third ring road is also a HIB priority and the road will include 13 interchanges, 14 pedestrian bridges and 11 vehicle bridges.

The HIB programme's 146 infrastructure projects include:

- ten million m^2 of roads
- 1,200 km of sewage pipes
- 1,300 km of water pipes
- 2,000 km of water storm pipes
- 1,000 km of electrical conduit
- 1,000 km of telecoms conduit
- 714 pumping stations (sewage, water and storm)

Other large-scale government initiatives include a $22 billion strategy to create a state-of-the-art rail and port network. Industrial development will require an investment of around $5 billion and modernising Tripoli's existing transportation network and will cost $1 billion.

Construction costs

Costs of labour, land and materials used in the construction industry increased substantially in Turkey and the Middle East during the peak economic years of 2005 to 2008 before dropping in 2009 to 2010 due to the slowdown in construction activity generally. In Turkey, according to the Building Construction Cost Index published by TURKSTAT, the costs of construction rose by over 8.36% from 2006 and 2007 and by 22.29% in the second quarter of 2008 in comparison to the same period in 2007, with the highest rises in construction materials. Costs of construction then dropped by over 11.16% in the second quarter of 2009 in comparison to the same period in 2008. The first quarter of

2010 saw growth of about 5.4%. In the GCC states, the main construction materials reached their highest prices in 2008 (rebar prices for example peaking in early 2008 between US$1,500 to US$1,600 tonne compared to US$500 to US$600 in December 2004), with prices then dropping significantly to lows in December 2008 and thereafter stabilising (rebar prices being at around US$500 to US$600 tonne in early 2010). Whilst structural steel prices also declined between October 2008 and June 2009 in correlation with a decline in construction activity, this has been a smoother decline. Labour costs in GCC states since 2004 have largely remained stable with slight falls in the UAE.

Many construction contractors have had to adapt to labour shortages and price increases, with construction contracts increasingly transferring to a flexible form on costs from a fixed price basis.

Infrastructure, Power, Water & Waste Project Backlog in the GCC

Selected Major Infrastructure Sector Contracts due to be Awarded in H1 2010 and 2011

Sponsor	Project	Country	Budget value (US$m)	Expected Award Date
Gaca	King Abdulaziz International airport: Phase 1: infrastructure works	Saudi Arabia	3,077	H1 2010
Gaca	King Abdulaziz International airport: Phase 1	Saudi Arabia	3,013	H1 2010
Department of Transport	Mafraq Ghuweifat road development: Section 1, 3 and 4	UAE	2,700	H1 2010
Ministry of Public Works	Subiya Causeway	Kuwait	2,500	H1 2010
Abu Dhabi Housing & Service Development	Shamkha South: infrastructure works	UAE	2,400	H1 2010
Transport & Communication Ministry	Muscat & Salalah International airport expansion	Oman	1,700	H1 2010
SRO	Haramain high-speed rail network (HHR): Phase 1: package 2	Saudi Arabia	1,500	H1 2010
SRO	Haramain high-speed rail network (HHR): Phase 2	Saudi Arabia	1,500	H1 2010
ADPC	Khalifa Port & Industrial Zone: container terminal	UAE	1,360	H1 2010
Qatari Diar REIC	Lusail mixed-use development—infrastructure	Qatar	500	H1 2010
National Economy Ministry	Batinah Railway	Oman	2,500	2011
Government of Qatar	New Doha Port	Qatar	2,000	2011
Arriyadh Development Authority	Riyadh light rail transit (LRT): Riyadh Metro	Saudi Arabia	2,000	2011
DGCA	Kuwait Airport expansion: Phase 1: infrastructure and utilities	Kuwait	1,750	2011
Bahrain Airport Company	Bahrain International airport upgrade	Bahrain	1,000	2011
Transport Ministry	Jeddah Metro	Saudi Arabia	1,000	2011
Department of Transport	Light rail transit	UAE	800	2011
ASHGHAL	Primary routes project: North road: Phase 4	Qatar	604	2011
Salalah Port Services Company	Salalah Port expansion: Phase 3: berths 7, 8 and 9	Oman	525	2011
Urban Planning Council	Capital City District: infrastructure works	UAE	500	2011
Works Ministry	King Faisal Tunnel	Bahrain	500	2011
Ministry of Public Works	Bubiyan Seaport project: Phase 2: dredging works	Kuwait	500	2011

Source: MEED Insight—GCC Projects Market Forecast & Review.

Selected Major Water & Waste Sector Contracts due to be Awarded in H1 2010 and 2011

Sponsor	Project	Country	Budget value (US$m)	Expected Award Date
SWCC/Maaden	Ras al-Zour desalination plant	Saudi Arabia	1,700	H1 2010
Bunya	Sewage treatment plant—package 2 (Al-Reem Island)	UAE	500	H1 2010
ADSSC	Strategic tunnel enhancement programme (STEP)—pumping	UAE	572	H1 2010
ADSSC	Abu Dhabi asset enhancement programme	UAE	544	H1 2010
Adwea	Liwa strategic water storage/recovery project	UAE	500	H1 2010
Kahramaa	Solar desalination plant	Qatar	1,000	2011
Water & Electricity Ministry	Riyadh wastewater treatment plant (Phase 2)	Saudi Arabia	600	2011

Source: MEED Insight—GCC Projects Market Forecast & Review.

BUSINESS

Overview

Yüksel is one of the leading construction companies in Turkey specialising in infrastructure and superstructure construction and undertaking projects of various complexities ranging in value from US$1 million to US$600 million in Turkey, the Middle East, North Africa, Central Asia and Eastern Europe, almost exclusively through contracts with governmental state-owned companies. As of 30 June 2010, Yüksel had 35 ongoing construction project contracts worth over US$3.88 billion, with Yüksel's share constituting over US$2.69 billion in the following countries: Turkey, Qatar, Saudi Arabia, Libya, Afghanistan, Iraq, Uzbekistan and Jordan. Additionally, Yüksel has also completed project contracts in Kazakhstan, the UAE, Romania, Georgia and Ukraine. For the year ended 31 December 2009, Yüksel generated consolidated revenues of US$779.5 million and consolidated EBITDA of US$68.9 million, and for the six months ended 30 June 2010, Yüksel generated consolidated revenues of US$406.7 million and consolidated EBITDA of US$44.5 million. Yüksel's consolidated revenue and EBITDA for the last twelve months ended 30 June 2010 was US$835.2 million and US$93.7 million, respectively.

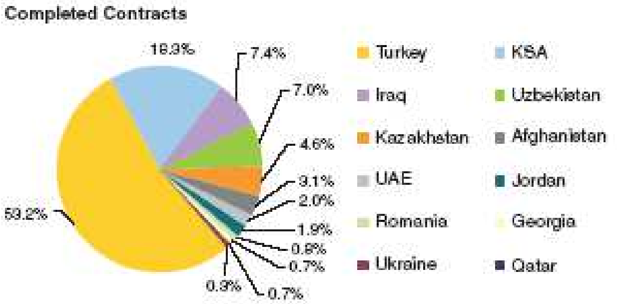
The Company is the main component of Yüksel Holding Group, a prominent Turkish industrial and trade group principally engaged in construction, contracting, trade, tourism, land development and energy investment in Turkey and/or overseas. The Company's core business is infrastructure construction, providing domestic and international general contracting services for projects predominantly in certain market segments including transportation, buildings, power, dams and industrial, pipelines, environmental, material supply and marine structures. The Company's construction contracts cover a wide range of projects including roads, motorways, highways, bridges, dams, piers, ports, airports, hydro-electric power plants, subways, energy plants, factory buildings, schools, mass housing complexes, holiday villages, tourist resorts, hospitals, universities and industrial sites. Since 2003, Yüksel has worked on a number of contracts for the US Government and NATO in Afghanistan and Iraq. More recently, Yüksel has also been involved with projects relating to land development and energy investment. Yüksel is also a member of the Union of International Contractors.

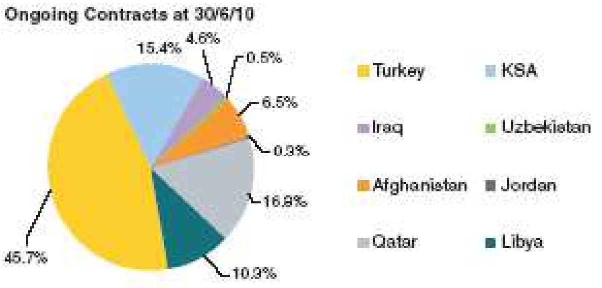
Many of Yüksel's construction projects are undertaken through partnerships. Approximately 22% of the Group's revenues over the past three years have resulted from projects undertaken either through a joint venture or a consortium of large, multinational construction companies. One notable strategic partnership is comprised of five Turkish and one Italian contractor for the Gebze-İzmir Motorway and İzmit Bay Crossing BOT concession in Turkey. This project is expected to be the largest motorway concession in the region and the largest infrastructure project in Turkey to date. The İzmit Bay Crossing is expected to be the second longest suspension bridge in the world upon its completion.

According to ENR's 30 August 2010 report (entitled "*Top 225 International Contractors*"), Yüksel is in the top ten of Turkish international construction companies, based on the Company's international revenues.

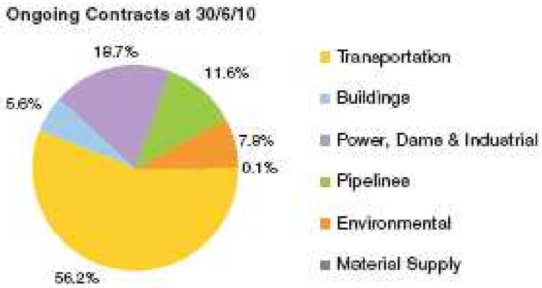
The charts below demonstrate Yüksel's diversified geographic and market segment portfolio:

Yüksel's spread across geographies





Diversification of portfolio by project segments



History of the Company

Yüksel, the flagship entity of the Group, was established in 1963 in Ankara, Turkey as a limited company. During its initial years, Yüksel specialised in the construction of piers, quays and ports, participating in the construction of one-third of all port projects in Turkey. Yüksel has played an active role in the development and construction of Turkey's infrastructures and superstructures through numerous awarded contracts covering transportation, energy, environmental and industrial projects. In 1972, the shareholders partnered with Şekerbank and formed Yüksel İnşaat A.Ş. as an incorporated company. In 1983, the Company expanded its operations into the international construction industry by undertaking the Riyadh-Quassim Water Transmission System and Reservoirs Projects in Saudi Arabia for SWCC which has become one of the Company's major customers. Since then, Yüksel has undertaken numerous major international projects in the following countries: Saudi Arabia, Libya, Afghanistan, Kazakhstan, Uzbekistan, Jordan, Iraq, Qatar, Romania, Ukraine and the UAE. Among the projects completed overseas are roads, motorways, highways, buildings, schools, universities, dams, power plants, desalination plants, water storage terminals, NATO facilities and various other infrastructural projects.

In 1997, Yüksel Holding was formed as the umbrella holding company for Yüksel and its subsidiaries in order to provide common services to the entire Group including strategic planning, finance and accounting and marketing.

In 2007, Yüksel merged with another construction company of the Group called Aysel İnşaat Taahhüt ve Ticaret A.Ş. Yüksel initially purchased a portion of Aysel's shares in late 1996 and decided to merge with the company in 2007 in order to increase its market share, revenues and strengthen its resources. Aysel's portfolio included projects in Central Asia and focussed on building projects including hotels, business and commercial centres and residential complexes.

Among the numerous contracts that Yüksel has undertaken since 1963, some are considered cornerstone projects for the Turkish construction industry. For example, in 1989 the Company completed construction of the 700 megawatt Altınkaya Dam and HEPP which was the first significant dam project that the Company undertook in partnership with another Turkish contractor. The

Altınkaya Dam and HEPP is one of the largest dams and HEPPs in Turkey and the project's success established Yüksel as one of the best HEPP contractors in Turkey. A few other cornerstone domestic projects include the Muratlı Dam and HEPP, Karakaya Reservoir Railroad Bridge and the Borçka Dam and HEPP.

Between 1991 and 1994, Yüksel completed a number of important Turkish building projects for the private sector which caused it to become one of the top hotel, business and commercial centre contractors in Turkey. The Company worked as the nominated subcontractor under turn-key and fixed-price contracts for important international construction companies to construct the Çırağan Palace and Hotel Kempinski, Swissotel the Bosphorus and Hyatt Regency Hotel in İstanbul. Other notable building projects include the construction of the five-star Hapimag Holiday Village in Bodrum, Turkey, the Head Offices of two major banks, Head Offices and ancillary facilities for Turkish Radio and Television as well as Akmerkez Shopping Centre, Offices and Aparthotel Complex in İstanbul, which received various international awards including: the International Council of Shopping Centers ("**ICSC**") award for "The Best Suburban Shopping Center in Europe" in 1995, ICSC's "International Design and Development Award for Innovative Design and Construction" in 1996 and several ICSC's Marketing Awards in 1998, 1999, 2001, 2004 and 2006.

During and after the Second Gulf War, Yüksel was selected among many competing construction companies as one of the suppliers of various military-related construction and maintenance services by a US firm which was a programme manager for the US Army Corps, NATO and other US governmental entities. The Company's nomination as a strategic partner for this and other US firms opened a continuous stream of highly profitable projects in Iraq and Afghanistan, generating US$1.3 billion dollars of revenues from 2003 to 2010. The projects in Iraq were completed by 2009 and the projects in Afghanistan are still continuing and are expected to continue for many years.

With regards to marine projects, notable domestic projects include the Haydarpaşa Port, Berth and Ferryboat Pier 1978 - 1984, İsdemir Port 1979 - 1982 Bandırma Port 1968 - 1973, Pendik Shipyard Dry Dock and Pier 1986 - 1991, Tuzla Shipyard 1989 - 1994, Main Breakwater and Pier Expansion at İskenderun Port 1971 - 1988, Kemer and the Marmaris Yacht Marina 1984 - 1989.

Yüksel has also been involved in the building of drinking and wastewater treatment plants, water and sewage lines and underground transport systems in various cities in Turkey. For example, as the civil contractor for international consortiums, the Company completed the Ankaray Light Rail Transit System (LRTS) in 1996 and the Ankara Central Waste Water Treatment Plant ("**WWTP**") in 1998, the largest WWTP in Turkey and the second largest of its kind in Europe.

Notable examples of Yüksel's projects overseas include:

- the construction of the US Embassies in Kabul, Afghanistan, Tashkent, Uzbekistan, Tbilisi, Georgia and Astana, Kazakhstan for the Bureau of Overseas Buildings Operations of the US Department of State ("**OBO**");
- the Madinah-Yanbu Water Transmission System in Saudi Arabia;
- the Jordanian Armed Forces New General Headquarters Complex in Jordan;
- the Horezm Sugar Plant, the first sugar factory in Uzbekistan;
- the Kabul-Gardez and Kabul-Kandahar Highways' Reconstruction and Rehabilitation Projects in Afghanistan; and
- the Bucharest-Constanta Motorway (Fundulea-Lehliu section) in Romania.

Today, Yüksel is a leading provider of comprehensive construction services in Turkey and overseas which includes, among other things, project development, engineering, survey, design, procurement, construction, installation, project management and implementation, commissioning and start up, as well as one of the largest construction companies in Turkey.

Competitive Strengths

Yüksel believes that it has a number of competitive strengths, including the following:

Strategic geographic and segmental diversification

Yüksel holds a strong position domestically in the Turkish infrastructure construction market and is also increasing its geographic and segmental diversification. As of 30 June 2010, Yüksel's geographic diversification of its ongoing projects spanned the Middle East, North Africa, Central Asia and Eastern Europe with percentages of total contract value in certain countries consisting of Turkey (45.7%), Qatar (16.8%), Saudi Arabia (15.4%), Libya (10.3%) and Afghanistan (6.5%). Yüksel has diversified its business geographically due to the Turkish government's reduction of infrastructure and superstructure investments from 2001. The Company's decision to enter new geographic markets is the result of careful market analysis of the proposed country locations, choosing new markets based on oil and gas revenues, aspirations for the development of infrastructure and high visibility projects and, in certain markets, such as Iraq and Afghanistan, high profit margins in prospective markets. Yüksel's geographic diversification strategy has proven to be successful as it has enabled the Company to reduce risk and protect itself from the full effects of the global economic downturn.

In addition to implementing its geographic diversification strategy, Yüksel has also increased the segmental diversification of its construction business. Despite the global economic downturn, Yüksel has a significant current portfolio of ongoing projects worth over US$3.88 billion (US$2.69 billion of which constitutes Yüksel's share) covering a wide variety of market segments. As of 30 June 2010, percentages of total contract value for Yüksel's ongoing projects included transportation (56.2%), buildings (5.6%), power, dams and industrial (18.7%), pipelines (11.6%), environmental (7.8%) and material supply (0.1%). To complement its construction business, the Company has also recently expanded into a number of land development and energy investment projects.

Strong and well-established, primarily state-owned client base with low counterparty risk

Yüksel maintains strong, long-standing relationships with its customers who are primarily governmental entities and several repeat customers. Approximately 84% of Yüksel's customers as of 30 June 2010 were governments or state-owned companies. The Company undertakes major construction projects for its sovereign-related clients who tend to be relatively immune to macroeconomic risks and much more so than non-governmental private sector clients. As of 30 June 2010, Yüksel had current contracts for projects worth approximately US$3.88 billion (US$2.69 billion of which constitutes Yüksel's share), primarily consisting of public sector infrastructure and superstructure projects.

Outside of Turkey, some of Yüksel's key governmental clients and repeat customers include the US Government and NATO (in Afghanistan and Iraq), the Qatari Public Works Authority, the SWCC of Saudi Arabia and the Jordanian Ministry of Defence. For example, as of 30 June 2010, Yüksel had completed 69 contracts for the US Government for projects worth approximately US$1.22 billion (100% of which constitutes Yüksel's share) and eight contracts for NATO for projects worth approximately US$36.1 million (100% of which constitutes Yüksel's share). Due in part to its track record of repeat work from its existing client base, Yüksel believes that it is well-positioned to capture additional opportunities from key governmental clients in Afghanistan and Iraq from the significant rebuilding programmes currently underway in those countries.

Leading market player in the region with strong track record of timely and efficient project execution in accordance with international quality and safety standards

Yüksel believes it has a strong reputation in the construction industry with a track record of almost 50 years completing various construction projects in Turkey and internationally on schedule and in accordance with international quality and safety standards. It is among the top 10 contractors by revenues in Turkey and is well established in the Middle East, Afghanistan, Kazakhstan, Uzbekistan and Libya. The Company believes one of its greatest intangible assets is its reputation, which is a result of its strong engineering capabilities and construction experience, quality, customer service and safety, a large fleet of modern equipment, financial strength and the high calibre of its construction managers, engineers and craftsmen. Yüksel's reputation has helped it sell its products and services, generate repeat business, recruit new talented employees and attract business partners.

Yüksel believes that it has achieved a sustainable competitive advantage in its markets based on its successful record of timely and efficient execution of large and sophisticated projects. It has consistently completed large, complex and demanding projects on schedule, reducing the downside risk of projects by utilising lump sum and/or unit rate contracts usually with escalation clauses. Yüksel promotes efficient project management by utilising effective business processes and control systems. It also bolsters its reputation by partnering with partners and subcontractors, many of which provide significant local expertise in order to facilitate timely and efficient project execution. Additionally, Yüksel's management team is able to enhance timely and efficient project execution by its quick and efficient decision making process once new projects are undertaken.

Yüksel also tailors its services and solutions to the specific needs of each customer and partner and is committed to develop and deliver high quality and cost effective solutions according to their specifications. Yüksel utilises certified procedures as well as other close monitoring, planning and scheduling mechanisms in order to measure and control efficiency and the quality of its business operations. The Company holds ISO 9001 Quality Reassurance System Certificates, OHSAS 18001 Occupational Health and Safety Management System Certificates and ISO 14001 Environmental Management System Certificates to demonstrate its commitment to quality and safety. Yüksel is also a signatory to the United Nations' Global Compact and follows the Equator Principles. Yüksel believes that its success in creating and maintaining a positive reputation in the minds of its customers, partners, suppliers, subcontractors and employees also reinforces its competitive position.

Large contract backlog and strong revenue visibility

Management estimates that contract backlog (which refers to the expected future revenues under signed contracts which the Company believes are likely to be performed) has, since the beginning of 2008, accounted for approximately 1.4 to 1.9 times the Company's annual sales revenues generated within the following 12 month period. The Company's historical contracted backlog is calculated at the beginning of each financial year and has varied consistently around US$1 billion to US$1.35 billion since the beginning of 2008. As of 30 June 2010, the Company's contracted backlog was over US$1 billion with an expected weighted average life of approximately 2 years (if no additional contracts are awarded to the Company). The Company expects to sign an additional contract before the end of 2010 which, if signed, will bring an additional US$1 billion to its contract backlog. Based on its historical backlog and the Company's proven ability to win new contracts, Yüksel has been able to maintain its project backlog consistently around US$1 billion since 2008 and all of which has been realised to date. Yüksel has not had to cancel any projects on its contract backlog. Management therefore believes that the strength of Yüksel's current backlog provides longer term visibility of its future revenues.

Moreover, the inherent difficulty in obtaining project contracts with entities that have stringent requirements such as the US Government and NATO, the need for specialised expertise and Yüksel's success in completing various projects for such entities, provides clear reasons in favour of the Company's position to maintain its contract backlog and future revenue visibility.

Flexible business model with the ability to share project execution risk

Yüksel has expanded its segmental diversification with a carefully targeted strategy of acquiring sector experience through participation as a subcontractor and/or joint venture partner in new business areas. Yüksel has used this strategy to progress up the value chain and is currently a leader in the region for infrastructure construction, typically acting as the main contractor for its projects or as a joint venture partner or consortium member in larger projects. When acting as the main contractor, Yüksel is able to reduce its project execution risk and liabilities by engaging subcontractors on terms which mirror the main contract and also meet Yüksel's strict selection criteria. By engaging subcontractors, Yüksel is provided further flexibility regarding its resource allocation and the use of its in-house skill set which allows the Company to engage in larger more complicated projects. Subcontractors are selected according to certain established rules based on, among other things, qualification, experience and cost, which are utilised to review and rate subcontractors. Yüksel rates subcontractors after every project according to rules and procedures set forth within the Company's total quality management procedure. The Company also maintains a preferred subcontractor list for each type of construction project.

Furthermore, many of Yüksel's construction projects are undertaken through partnerships, many of which provide significant local expertise in order to facilitate timely and efficient project execution. Approximately 22% of the Group's revenues over the past three years have resulted from projects undertaken either through a joint venture or a consortium of large, multinational construction companies.

Highly qualified and experienced management team and employees

Yüksel's long-serving senior management team has extensive experience in the construction industry, with over 194 years of combined experience in the industry, and a track record of completing large, complex and demanding construction projects in the region. The Company's experienced management team implements the Company's corporate strategy with risk management and business ethics practices. The Company also has a stable shareholding structure which has ensured continuity in corporate strategy and relationships with business partners and customers. Its shareholders have a long-standing reputation in the construction industry and are committed to the business with daily operations run by professional management.

In addition, Yüksel believes that prospective customers consider the quality of its employees to be an important factor when contracting for its products or services. Yüksel believes that it has been able to attract, motivate and retain knowledgeable and experienced employees due to its reputation, business ethics and leadership style, as well as due to its partnerships with industry leaders, which offer employees exposure to high profile projects and advanced technologies. Yüksel believes that its qualified and experienced management team and employees put it in a strong position to successfully implement its business strategy.

Strategy

Yüksel's vision is to solidify its position as one of the leading engineering, procurement, construction and project management companies in its target markets. Yüksel intends to expand operations in its established businesses and create new opportunities in its core market segments. Yüksel intends to pursue and realise these objectives through the following strategies:

Pursue further strategic geographic expansion

Yüksel intends to further expand its geographic reach by pursuing selected international construction projects in emerging and developing countries in order to continue to reduce its dependence on its Turkish market. Although the Company already provides services in some of these countries, its targeted geographic expansion is divided into three stages: short term (focusing on Afghanistan and Iraq), medium term (focusing on Turkey, Qatar, Saudi Arabia and Libya) and long term (focusing on other growing emerging markets). Yüksel is also focusing on an expanded presence in the Gulf region, viewing Saudi Arabia and Qatar as key markets. Yüksel intends its continued strategic geographic expansion to enter two or three new markets over the next five years and will focus on overseas infrastructure and superstructure projects in targeted countries with attractive growth opportunities. Yüksel intends to select its target countries based upon the country's ability to spend on infrastructure and superstructure projects with income from substantial oil and/or natural gas reserves and sustained energy prices. Moreover, the prospects for increased infrastructure and superstructure spending in its target markets are positive given the increasing focus on economic diversification by the governments of these target markets.

Before entering a new market, Yüksel undertakes rigorous internal research and analysis of its new potential target market in order to assess all the relevant political, economic, regulatory and social risks associated with the market. In addition to forming partnerships and joint ventures with established local and international players as necessary, Yüksel also focuses on geographical markets with close cultural and operational similarity to the Turkish market in order to leverage its experience and expertise gained in its domestic market. Yüksel believes that its opportunistic approach to entering new markets, combined with its experience in successfully entering new markets to date, will enable it to successfully execute future strategic geographic expansion.

Diversification of services and segments within core construction business

Within its construction business, Yüksel intends to diversify its services and segments by moving into less competitive segments of the construction market by undertaking more value-added services such as EPC, as well as BOT and PPP type projects which provide a recurring income stream. Yüksel believes this diversification within its core construction business will allow Yüksel to decrease its revenue volatility by increasing profit margins and recurring income during the concession period in these types of projects.

While being selective and focusing on projects in which the Company has natural advantages, Yüksel intends to broaden its current construction projects base by targeting private energy investments, real estate developments, BOT and PPP projects and EPC and other projects for the US Government and NATO. In order to implement this diversification, Yüksel may expand its business units to create a programme manager for EPC projects and also to create an operator for concessions and/or investments through BOT/PPP type contracts. Both of these units as well as its classical business units will utilise its core competence and expertise in the construction business. New BOT/PPP type projects may require the creation of new special purpose vehicles conducted primarily through joint ventures and strategic investments, such as for the Gebze-İzmir Motorway project, and Yüksel expects its new strategic partnerships will be an important component of its segmental expansion strategy.

Leverage core construction competence to diversify into selective related businesses

Yüksel intends to leverage its core construction competence to diversify into selective related businesses while maintaining construction services as its primary revenue driver. Yüksel's diversification outside of the construction sector will be an extension of its core construction capability and will target prudent and selective expansion into the energy and real estate development sectors. The aim of this diversification is to diversify its business risks and to create recurrent income streams for the Group through electricity sales, real estate sales and rental income.

Establish and leverage strategic partnerships and joint ventures and position the Company as a specialised operator in the market

By working in partnership with domestic and international industry leaders, Yüksel has been able to expand its market segments, increase its success rate in winning new projects, heighten its reputation for its products and services, obtain access to advanced technologies, know-how and management experience to minimise project risks and ensure the reliable, cost-effective delivery of its services to its customers. These strategic partnerships have enabled the Company to participate in some of Turkey and the Gulf region's larger construction projects and maintain its strong market position among local construction companies in Turkey. Yüksel intends to maintain its relationships with its existing strategic partners and develop new partnerships with other industry leaders to strengthen and expand its geographic and market segments. Currently, the consortium for Gebze-İzmir Motorway and İzmit Bay Crossing with Astaldi, Nurol İnşaat, Özaltın İnşaat, Makyol İnşaat and Göçay İnşaat is the most significant strategic partnership.

Additionally, Yüksel's strategic partnerships and joint ventures enable the Company to position itself as a more highly specialised operator within its core construction business. Yüksel differentiates itself from the majority of its competitors in the domestic Turkish market through higher levels of expertise and the diversification of its business. Gaining expertise in undertaking more specialised construction projects allows Yüksel to further differentiate itself from its competitors, both domestically and internationally. For example, Yüksel's projects for the US Government and NATO in Afghanistan and Iraq involve specialised expertise to complete these projects on an accelerated time frame, particularly since they involve very specific requirements. Contracts with these governmental entities are difficult to obtain given their stringent requirements yet Yüksel has developed a good relationship and familiarity with these clients and has been awarded numerous contracts with each of them. As of 30 June 2010, Yüksel had completed 69 contracts for the US Government for projects worth approximately US$1.22 billion (100% of which constitutes Yüksel's share) and eight contracts for NATO for projects worth approximately US$36.1 million (100% of which constitutes Yüksel's share) and currently has several ongoing contracts with the US Government and NATO.

Continued commitment to quality, safety and ethical business practices

Yüksel aims to offer superior products and services that are compliant with international quality and safety standards and that exceed customer specifications and expectations. Yüksel has continually worked to improve its business operations using the highest ethical standards and most effective and efficient systems and technologies in an effort to continue to meet customers' ever changing needs. The Company's commitment to quality and safety is driven by its belief that customers consider these key factors when contracting for products and services. The Company intends to continue to implement and strengthen its quality control mechanisms to ensure the consistent delivery of high-quality products and services and maintains various industry certifications to strengthen its position when bidding for projects to assure customers that the Company operates in accordance with international quality and safety standards. Yüksel also views personnel training, activity planning and subcontractor selection as essential for accident prevention and successful execution of its projects and intends to continue developing these aspects. Yüksel aims to highlight its commitment to quality and safety and its success in minimising accidents as important factors for successfully marketing its products and services to its new and existing clients.

Recent Developments

Gebze-İzmir Motorway and İzmit Bay Crossing Concession

The most significant project that the Company is currently involved in is the BOT concession for the Gebze-İzmir Motorway and İzmit Bay Crossing in Turkey, a contract with TCK worth approximately US$6.3 billion. The Company anticipates receiving US$750 million in construction revenues from the Gebze-İzmir Motorway during the term of the Notes. In June 2009, the Company, together with a consortium of international and local construction and infrastructure companies Astaldi, Nurol İnşaat, Özaltın İnşaat, Makyol İnşaat and Göçay İnşaat, were awarded a 22 year and 4 month BOT concession for the Gebze-İzmir Motorway which will stretch for 421 kilometres between İzmir and Gebze, just east of İstanbul. The BOT concession will be the first project to be operated and maintained by a private entity and includes a minimum traffic guarantee calculated according to a formula by the Turkish government of approximately US$690 million per year upon completion. The project will be the largest motorway concession in the region and the largest and most ambitious infrastructure project in Turkey to date. The project will include the construction of the 3 kilometre İzmit Bay Crossing which will link the two sides of the Gulf of İzmit. The İzmit Bay Crossing is expected to be the second longest suspension bridge in the world and is expected to be completed and to start generating revenue before the end of 2014. Overall construction is expected to be completed by 2017.

In September 2010, Otoyol was officially established to implement the project. The consortium members own the following shares of Otoyol: Nurol İnşaat and Makyol İnşaat each owns

18.50% and each of Yüksel, Astaldi, Özaltın İnşaat and Göçay İnşaat owns 15.75%. The consortium members expect to finalise and allocate construction responsibilities for the project in early 2011.

Bank Intesa, Citi Bank and Akbank have been mandated as the financial advisors for the project financing. The financial advisors are currently in discussions with several multilateral agencies to act as potential lenders as well as Export Credit Agencies which are expected to take a role in the delivery of certain project segments. The project financing plan is expected to be finalised during 2011.

Çubuklu Valley Project

The first phase of the Çubuklu Valley Project consists of the construction of 120 high-end villas on 53.75 acres of land and was completed in July 2010. As of 5 November 2010, Fiba Yüksel Uluslararası Proje Geliştirme A.Ş. (one of Yüksel's primary subsidiaries) has sold all of the units generating sales of US$94.4 million. The second phase of the project (which is planned to be realised by Yüksel) is a "green project" which involves the construction of a private development of modern homes, recreation areas, hotel, shopping centre and business centre to be constructed by Yüksel. The Company owns the 425 acres of land, which is situated in a prime location in the Beykoz District of İstanbul having wide views of the Black Sea of the Bosphorus and with close proximity to the city centre. The land has already been zoned for development, and the Company expects they will receive construction permits in the second half of 2011.

CH2M HILL—Yüksel Joint Venture

On 1 October 2010, Yüksel formed an international joint venture with CH2M HILL, a global provider of engineering, planning, consulting, construction and operations. The aim of the joint venture will be to deliver quality engineering and construction projects for the USACE for the CENTCOM AOR, which includes the following twenty countries: Kuwait, Qatar, UAE, Yemen, Saudi Arabia, Egypt, Kazakhstan, Lebanon, Oman, Pakistan, Turkmenistan, Kyrgyzstan, Syria, Jordan, Iran, Bahrain, Uzbekistan, Tajikistan, Afghanistan and Iraq.

The joint venture is expecting to bid for the construction and design-build of multiple projects and facilities in the CENTCOM AOR set out above for the USACE, Transatlantic Division and Middle East District. It is envisaged that 72% of these projects will be performed in Afghanistan or Iraq for construction and design-build projects required by US military customers. Also, the US Government is proposing to award a target of ten multiple indefinite delivery/indefinite quantity contracts, under which task orders will be firm-fixed price. The awarded contracts will share a programmatic capacity of US$3.8 billion and the period of performance is a two-year base period with three one-year option periods for a total of up to five years. The interest shares of CH2M HILL and Yüksel in the joint venture are 55% and 45% respectively.

Yüksel's Construction Business

Yüksel is primarily engaged in the construction business. Yüksel provides domestic and international general contracting services for large, complex and demanding projects in Turkey and overseas in the Middle East, North Africa, Central Asia and Eastern Europe. The Company operates in various market segments including transportation, buildings, power, dams and industrial, pipelines, environmental, material supply and marine structures. The Company's construction contracts cover a wide range of projects including roads, motorways, highways, bridges, dams, piers, ports, airports, hydro-electric power plants, subways, factory buildings, mass housing complexes, holiday villages, tourist resorts, hospitals, universities, schools, shopping malls, water treatment facilities, industrial sites, warehouses, high-rise buildings, operation and maintenance projects, material supply projects, water transmission lines, infrastructural works, railways, metro and light rail transportation systems ("**LRTS**") and airbases.

Yüksel's construction projects are primarily managed:

- through its domestic and international construction subsidiaries;

- through its domestic and international affiliates; and
- through its joint ventures and partnerships.

Set out below is a summary of certain of Yüksel's key construction projects in the following areas:

- transportation;
- building;
- power, dams and industrial;
- pipeline;
- environmental;
- material supply;
- marine; and
- real estate development.

Selection of Yüksel's Ongoing Construction Projects

Country	Segment	Project	Client	Contract Value (US$)[1]	Expected Completion Date
Turkey	Transportation	Gebze—İzmir Motorway and İzmit Bay Crossing Concession	TCK	6.3 billion	2017
Iraq	Transportation	Kora-Shaqlawa Qandeel Highway	KRG	178.9 million	2012
Turkey	Transportation	İstanbul Unkapanı Yenikapı Metro Sections	Municipality of İstanbul	151.1 million	2012
Qatar	Transportation	Doha Expressway (Package 7) Salwa Road—Phase 2	ASHGHAL	437.3 million	2013
Afghanistan	Building	Kabul International Airport NATO Facilities Construction	NAMSA	103.4 million	2011
Libya	Building	Al Fateh University—Agriculture, Veterinary and Science Faculty Buildings	ODAC	136.3 million	2011
Turkey	Power, Dams and Industrial	Kandil Group Projects—Kandil Dam and HEPP	EnerjiSA	195.1 million	2012
Turkey	Power, Dams and Industrial	Kandil Group Projects—Sarıgüzel Dam and HEPP	EnerjiSA	102.1 million	2012
Turkey	Power, Dams and Industrial	Kandil Group Projects—Hacınınoğlu Regulator and HEPP	EnerjiSA	91.3 million	2011
Turkey	Power, Dams and Industrial	Karkamış Dam and HEPP	DSI	334.9 million	2010
Saudi Arabia	Pipeline	Eastern Province Water Transmission System—Phase 2	SWCC	372.4 million	2011
Turkey	Energy	Köprübaşı HEPP	Yüksel Enerji	121.7 million	2011
Turkey	Energy	Çobanlı HEPP	Yüksel Enerji	20.0 million	2011
Turkey	Energy	Ağrı HEPPs	Yüksel Enerji	180.0 million	2014

(1) Total updated contract amounts.

Transportation Projects

Yüksel's transportation projects represent approximately 19.8% of its completed contracts and 56.2% of its ongoing contracts as of 30 June 2010 (each percentage is based on the updated total contract amounts). These projects include the construction of roads, motorways, highways, bridges, railways, rail mass transit systems and LRTSs.

Some of Yüksel's notable ongoing projects in this market segment include:

Gebze-İzmir Motorway and İzmit Bay Crossing Concession

In June 2009, Yüksel, together with a consortium of local and international construction and infrastructure companies including Astaldi, Nurol İnşaat, Özaltın İnşaat, Makyol İnşaat and Göçay İnşaat, were awarded a 22 year and 4 month BOT concession for the Gebze-İzmir Motorway which will stretch for 421 kilometres between İzmir and Gebze, just east of İstanbul. The BOT concession will be the first project to be operated and maintained by a private entity and includes a minimum traffic guarantee calculated according to a formula by the Turkish government of approximately US$690 million per year upon completion. The project will be the largest motorway concession in the region and the largest and most ambitious infrastructure project in Turkey to date. The project will include the construction of the 3 kilometre İzmit Bay Crossing which will link the two sides of the Gulf of İzmit. The İzmit Bay Crossing is expected to be the second longest suspension bridge in the world and is expected to be completed and to start generating revenue by 2014. The total project has an estimated value of US$6.3 billion and overall construction is expected to be completed by 2017. Yüksel's client for this project is TCK.

On 16 February 2010, a joint venture agreement was signed between each of the consortium members including Yüksel, Astaldi, Nurol İnşaat, Özaltın İnşaat, Makyol İnşaat and Göçay İnşaat. In accordance with the terms of the joint venture agreement, the consortium members own the following shares of Otoyol: Nurol İnşaat and Makyol İnşaat each owns 18.50% and each of Yüksel, Astaldi, Özaltın İnşaat and Göçay İnşaat owns 15.75%.

On 27 September 2010, the Implementation Agreement was signed between Otoyol and TCK. This agreement covers, amongst other things, the provision of financing, design, construction, maintenance, repair, operation and transfer of the project.

The financing provisions provide for total investment amount of TL 10,051,882,674, and an equity injection of not less than 20% of the investment amount, by the shareholders in the share capital of Otoyol. Such equity injection can be contributed progressively until the end of the construction period that is planned to be seven years.

By the end of the construction period, Yüksel needs to contribute 15.75% of this equity contribution (currently 20% of the total investment amount) in Otoyol, which amounts to approximately US$125 million. This equity injection is planned to be financed partially by income from the construction works to be accomplished by the construction company that will be specially formed by the shareholders of Otoyol.

The operation period after the completion of the seven year construction period is 15 years and four months. However, the operation period may start prior to the end of the construction period. Segmental acceptance and segmental commencement of operation is applicable. Throughout the operation period Yüksel will have the right to perceive 15.75% of the total the income of the operation rights of the Gebze-İzmir Motorway and İzmit Bay Crossing. The traffic guarantee of the Turkish government is a minimum income guarantee.

Kora-Shaqlawa-Qandeel Highway

In 2009, Yüksel was awarded the Kora-Shaqlawa-Qandeel Highway project by the KRG—Ministry of Construction and Housing General Directorate of Roads and Bridges. This project consists of the construction of a 51 kilometre highway between Kora and the Zap River in Iraq, including 2 × 935 metre and 2 × 380 metre tunnels of a total length of 2 × 1,315 metres. The project, when completed, will be a section of the road leading to Iran. The construction of the highway began in 2009 and is still ongoing.

İstanbul Metro (Taksim-Unkapanı Section and Unkapanı-Yenikapı Section)

These extensions to the İstanbul underground railway metro aim to solve İstanbul's traffic congestion between Taksim and Yenikapı. The contracts were awarded by the Municipality of İstanbul to a joint venture of companies including Yüksel, Güriş, Reha and Başyazıcıoğlu in 1998.

The project consists of two sections. The Taksim-Unkapanı section was completed in 2009. The Unkapanı-Yenikapı section is still under construction and is expected to be completed in 2012. It includes 6,270 metres of bored tunnel and 600 metres of cut and covered light rail system between Yenikapı and Aksaray.

Doha Expressway (Package 7) Salwa Road—Phase 2

In June 2010, Yüksel was awarded the contract by ASHGHAL to upgrade the existing road in Qatar to provide a free four-lane. The project will also include micro tunnelling, new asphalt pavement, a new storm water drainage system and a new TSE network. The project is expected to be completed by the end of 2013.

Some of Yüksel's other noteworthy transportation projects include the construction of the Ankaray Light Rail Mass Transit System, awarded to a joint venture formed by Yüksel, Bayındır Construction, Siemens, Simko AEG and Breda, by the Ankara Metropolitan Municipality General Directorate of Electricity, Gas and Public Transportation, and the Bolaman-Perşembe highway, awarded by TCK to Yüksel and a joint venture formed by Nurol İnşaat and Tekfen, and which features the longest road tunnel in Turkey (*Nefise Akçelik Tüneli*). Yüksel is also constructing, as part of a joint venture, the Kadıköy-Kartal Rail Mass Transit System in İstanbul and the Kemerhisar-Eminlik section of the Ankara-Pozantı Motorway.

Building Projects

Yüksel's building projects represent approximately 31.7% of its completed contracts and 5.6% of its ongoing contracts as of 30 June 2010 (each percentage is based on the updated total contract amounts). These projects include the construction of airport terminals, business and trade centres, shopping malls, hotels, holiday villages, tourist resorts, residential high rise buildings, mass housing complexes, schools, universities, warehouses and hospitals.

Some of Yüksel's notable projects in this market segment include:

Kabul International Airport NATO Facilities Construction

In 2008, Yüksel was awarded the construction contract by NAMSA and the project is in still progress. This project involves the construction of infrastructure facilities in Kabul, Afghanistan of an area of 1,000,000 m^2 and the construction of the superstructure of an area of about 30,000 m^2, consisting of 30 buildings to be used as, *inter alia*, terminal, main office, canteen and temporary and permanent accommodation facilities. The facility will be used by the International Security Assistance Force and will be providing services for a total of 3,800 people.

Bagram Air Base and Bagram Airport FY08-FY09 Construction Projects

As part of a contract signed 13 November 2008, Yüksel was awarded the construction works of the administrative building for USACE at Bagram Air Base located approximately 60 kilometres to the north east of Kabul, Afghanistan. The contract value for Yüksel's share amounted to approximately US$9.3 million and the project was completed in 2010.

As part of a contract dated 9 January 2009, Yüksel was awarded the construction works for Bagram Air Base by the American contractor firm CH2M HILL. The construction works include the construction of 400,000 m^2 concrete apron and taxi way construction, 6 kilometre fuel filling pipeline, two large aircraft hangars and airport lighting infrastructure as well as pavement marking. The contract value for Yüksel's share amounts to approximately US$94.6 million and the project is expected to be completed in 2010.

As part of a contract signed 2 April 2010, Yüksel, as part of a joint venture formed by Metag, Tepe, Yenigün and Zafer, was awarded the construction works for the mass housing for USACE at Bagram Air Base. The contract value for Yüksel's share amounts to approximately US$7.4 million and the project is expected to be completed in 2011.

Al Fateh University—Agriculture, Veterinary and Science Faculty Buildings Project

This project in Tripoli, Libya was awarded by ODAC and includes the design and construction of the buildings and infrastructure works for the Faculties of Agriculture, Veterinary and

Science for the Al Fateh University, one of the two largest universities in Libya. The construction of the university buildings began in 2007 and is expected to be completed by 2011.

US Embassy in Kabul, Afghanistan

In 2003, Yüksel was awarded a contract by the OBO to construct the US Embassy in Kabul as a subcontractor of KBR, Inc. (formerly Kellogg, Brown & Root). The project has a land area of approximately 61,000 m^2 and consists of, *inter alia*, a new office building of 4,303 m^2, a marine security guard quarter of 984 m^2, a utility building of 930 m^2, a water tank of 381 m^2 and 16,000 m^2 staff diplomatic apartments consisting of 135 standard, nine handicapped and two VIP suits. The construction of the Kabul US Embassy was completed in 2006 on a turn-key basis.

Çırağan Palace Restoration

In 1986, Yüksel was awarded a contract by the Çırağan Tourism Operations and Development Company to renovate the palace. Renovation and restoration works were carried out on the walls, the front façade, the columns, the imperial staircases and the four gates to the palace.

This palace was built between 1835 and 1841 and was used as the "Parliament Building" until it burned down in 1910. The structural works carried out by Yüksel in the palace were executed in accordance with a restoration scheme approved by the High Council of Antiquities and Palaces of Turkey. The renovation and restoration works began in 1986 and were completed in 1991.

Some of Yüksel's other noteworthy building projects include, in Turkey, the construction of the Çırağan Hotel Kempinski, connected to the Çırağan Palace, the five star Swissotel The Bosphorus, built on a turn-key basis and the 1996 landmark venue for the İstanbul Stock Exchange. Overseas, Yüksel was awarded the contracts for the construction of the Tashkent International Trade and Exhibition Complex (including the Aquapark and Amusement Centre, the Intercontinental Hotel, the Shopping Centre, the Information Centre and the Business Centre) by the Uzbekistan Ministry of Foreign Economic Affairs. The complex was completed as a turn-key project over a period of eight years. The Company also constructed the Jordan Armed Forces New General Headquarter in Amman, Jordan and the Almaty Financial District Projects in Kazakhstan. Furthermore, Yüksel has constructed US embassies in Tashkent, Uzbekistan; Astana, Kazakhstan; and Tbilisi, Georgia.

Power, Dams and Industrial Projects

Yüksel's power, dams and industrial projects represent approximately 19.1% of its completed contracts and 18.7% of its ongoing contracts as of 30 June 2010 (each percentage is based on the updated total contract amounts). These projects include the construction of dams, HEPPs, civil works of combined cycle power plants, factories, treatment plants, transmission systems and natural gas plants.

Some of Yüksel's notable projects in this market segment include:

Kandil Group Projects

The Kandil Energy Group Projects are located on the Ceyhan River in the Kahramanmaraş province of Turkey and will be part of the energy investments of EnerjiSA Enerji Üretim A.Ş. ("**EnerjiSA**"). EnerjiSA is a private company and one of the key players of the energy sector in Turkey.

The Kandil Energy Group Projects consist of three units which include the Kandil Dam and HEPP, the Sarıgüzel Dam and HEPP and the Hacınınoğlu Regulator and HEPP. Yüksel was awarded a single contract for the construction of these three units in 2008 and the projects are still ongoing. The scope of the works includes the civil works and supply and erection of hydro-mechanical equipments.

Karkamış Dam and HEPP

In 1995, Yüksel and a consortium of international partners were awarded a contract by the General Directorate of State Hydraulic Works ("**DSI**") to construct the Karkamış Dam and HEPP. The clay cored dam is the first application implemented in Turkey as a river type HEPP.

The hydro-mechanical works and civil construction was undertaken by Yüksel and Temelsu Uluslarası Mühendislik Hiz. A.Ş., and the electro-mechanical works were carried out by consortium members Va Tech Elin GmbH, Voith Sulzer Papiermaschinen A.G. and Verbundplan GmbH. The plant has an installed capacity of 189 MW and aims to produce 652.5 GWh of power annually. The project is still ongoing for minor works and is expected to be completed by the end of 2010.

Altınkaya Dam and HEPP

Altınkaya Dam, one of the largest dams and HEPPs in Turkey, situated on Kızılırmak River, was constructed by the joint venture of Yüksel and Güriş Co., Inc. between 1980 and 1989. The dam is a clay cored rock fill type and generates electrical power with a generation capacity of 1.632 billion kWh per year. Altınkaya Dam and HEPP is the fourth largest of its kind in Turkey as of 5 November 2010 (second largest at the time of completion).

Some of Yüksel's other noteworthy dam and HEPPs include the Muratlı Dam and HEPP and Borçka Dam and HEPP, both undertaken by Yüksel and a consortium of companies between 1999 and 2009. Industrial contracts undertaken abroad include the completion of various infrastructure projects at the King Faisal University in Saudi Arabia by Yüksel İnşaat Saudia Co. Ltd. ("**Yüksel Saudia**"), a subsidiary of Yüksel, and Faisal Electro Mechanical Co. Ltd between 2002 and 2007 and the Al Jubail Reverse Osmosis Desalination Plant, which was awarded by the SWCC as a turn-key project and completed by Yüksel Saudia and a consortium of companies in 1998.

Pipeline Projects

Yüksel's pipeline projects represent approximately 10.6% of its completed contracts and 11.6% of its ongoing contracts as of 30 June 2010 (each percentage is based on the updated total contract amounts). These projects include the construction of potable water lines, sewage lines, pumping stations and gas pipelines.

One notable ongoing project in this market segment includes:

Eastern Province Water Transmission System—Phase 2

Yüksel was awarded the contract by the SWCC in 2008, and the project is still in progress. Once completed, the transmission system will transfer 500,000 m^3 of potable water produced at the New Marafiq Desalination Plant per day to various cities in Saudi Arabia. The project includes the construction of a pipeline with a length of 133.77 km, two main pumping stations and 12 steel tanks. It is expected to be completed in 2011.

Some of Yüksel's other noteworthy completed pipeline projects include the Madinah-Yanbu Water Transmission System in Saudi Arabia which was awarded to Yüksel Saudia and a consortium of other companies, including Saudi Techint Co. Ltd and Techint International Construction Co. by SWCC and completed in 2001. The Company was involved in the construction of the pipelines, stations, reservoirs and housing compound of this project. Yüksel also constructed parts of the Riyadh-Qassim Water Transmission System in Saudi Arabia as well as the Steel Natural Gas Distribution Line in the İstanbul Anatolian Region, which was completed within seven months in 1996 by using intensive manpower and equipment.

Environmental Projects

Yüksel's environmental projects represent approximately 9.7% of its completed contracts and 7.8% of its ongoing contracts as of 30 June 2010 (each percentage is based on the updated total contract amounts). These projects include the construction of waste and potable water treatment plants.

One notable landmark project in this market segment includes:

Ankara Central Waste Water Treatment Plant

In 1992, Yüksel and a consortium of companies, including PWT (Preussag Noell), AEG and Brochier were awarded the contract to construct the Ankara Central Waste Water Treatment Plant by the Municipality of Ankara ASKI General Directorate. The consortium carried out the construction of all functional and non-functional structures, site piping works, site access roads and site and landscaping works of the plant. The plant was constructed based upon certain targets. The sludge treatment units were designed to meet the demands for 2002, water treatment process units to meet the demands for 2010 and inlet, preliminary treatment, overflow and by-pass systems to meet the demands for 2025.

The plant was completed in 1998 and is Turkey's largest and Europe's third largest waste water treatment plant as of 5 November 2010.

Material Supply Projects

Yüksel's material supply projects represent approximately 4.7% of its completed contracts (the percentage is based on the updated total contract amounts). These projects include engineering, procurement, shipping, material supply, operation, maintenance and repair services.

Some of Yüksel's notable completed projects in this market segment include:

Engineering, Design and Procurement of Electric Power Generators, Potable and Black Water Storages for U.S. Army billeting in All H Sites

This project included engineering and procurement and installation of 202 electrical power generators, 216 ablution (potable and sewage) water storage systems including pumps and pressurisation system and 216 lift station pumps. These services were delivered to a number of H Sites located in US Iraq Military Bases to support the containerised Army Billeting Housing. Yüksel was awarded the contract by KBR in 2003 and the project was completed in 2004.

Reoccurring and Non-reoccurring Operation and Maintenance for all H Sites

This project included maintenance, repair and operation services for all H Billetins for US Army troops in and within the vicinity of Mosul. The services included the Maintenance of the facilities, power generation maintenance, operation and maintenance services and the supply of qualified staff for the overall project. Yüksel was awarded the contract by KBR in 2004 and the project was completed in 2007.

Marine Projects

During its initial years in the construction business, Yüksel was one of the leading port builders of Turkey, having participated in the construction of one-third of all port projects in Turkey at that time. Its marine projects represent approximately 4.4% of its completed contracts (the percentage is based on the updated total contract amounts). These projects include the construction of ports, wharfs, quays and harbours.

Some of Yüksel's notable completed projects in this market segment include construction of the Marmaris Yacht Marina, construction works in the İskenderun Port, the Aliağa Petrochemical Complex Port in İzmir, the Haydarpaşa Port, Berth and Second Ferryboat Pier in İstanbul and the Pendik Shipyard Dry Dock and Pier in İstanbul.

Real Estate Development Projects

Yüksel aims to further expand its real estate development market sector. Some notable real estate development projects that Yüksel has already been involved in include:

Çubuklu Valley Project

The first phase of the Çubuklu Valley Project consists of the construction of 120 high-end villas on 53.75 acres of land and was completed in July 2010. The second phase of the project is a "green project" which involves the construction of a private development of modern homes, recreation areas, hotel, shopping centre and business centre to be constructed by Yüksel. The Company owns the 425 acres of land, which is situated in a prime location in the Beykoz District of İstanbul having wide views of the Black Sea of the Bosphorus and with close proximity to the city centre. The land has already been zoned for development. The Company expects they will receive construction permits in 2011.

Metrocity Business and Trade Centre, Housing Complex

In 1997, Yüksel was awarded this construction contract by Yüksel Yapı Yatırım A.Ş. The Metrocity Complex has a gross construction area of 210,200 m^2 and is a land development project worth US$122 million.

The complex features five main parts: the Metrocity Millennium (which consists of two residential towers of 27 floors (total area 46,700 m^2)), a 16,500 m^2 office block of 23 floors, recreation facilities, a shopping centre of 52,000 m^2, a recreational facility of 10,000 m^2 and a 85,000 m^2 car park with a 2,200 vehicle capacity. The project was completed in 2006 through the use of advanced construction technologies including high-tech formwork systems, contemporary retaining structures and soil improvement techniques.

Energy Projects

Yüksel aims to further expand its energy market sector. Some notable ongoing energy projects that Yüksel has already been involved in include:

Köprübaşı HEPP

In 2007, Yüksel began construction of the Köprübaşı HEPP which is estimated to have an annual production capacity of 203 GWh. The total investment amount of the project is US$121.7 million. To date, DSI has completed the dam body, tail water tunnel, spillway and bottom outlet and the remainder of the construction under the contract has been assumed by Yüksel. All electro- mechanical equipment has been delivered to the construction site, design work is almost complete, penstock has been installed and the construction of the power plant has commenced.

Çobanlı HEPP

In 2010, Yüksel began construction of the Çobanlı HEPP which is estimated to have an annual production capacity of 53 GWh. The investment amount of the project is US$20 million. To date, 80% of the design work has been completed, electro-mechanical equipment has been ordered and construction has commenced.

Bulut Hepp (Ağrı HEPP 1)

In 2010, Yüksel began construction of the Bulut HEPP (Ağrı HEPP 1) which is estimated to have an annual production capacity of 162 GWh. The investment amount of the project is US$120 million. To date, soil investigations have been finalised and design works are ongoing.

Yağmur HEPP (Ağrı HEPP 2)

In 2010, Yüksel began construction of the Yağmur HEPP (Ağrı HEPP 2) which is estimated to have an annual production capacity of 111 GWh. The investment amount of the project is US$60 million. To date, soil investigations have been finalised and design works are ongoing.

Non-Construction Projects

Yüksel is also involved in projects relating to various non-construction sectors, such as IT, defence, insurance and yachting.

Yüksel's Origination Process, Project Execution and Customers

Selection of New Projects

In its business operations, YükselOperations undertakes a number of key processes in relation to potential local and international projects including identification, selection, development, tender and award and performance. Although the duration of any project will vary by market segment, country and type of client (government or private), projects are generally completed within one to five years following the year in which the project is awarded. Dam projects usually take more time to complete relative to other types of projects.

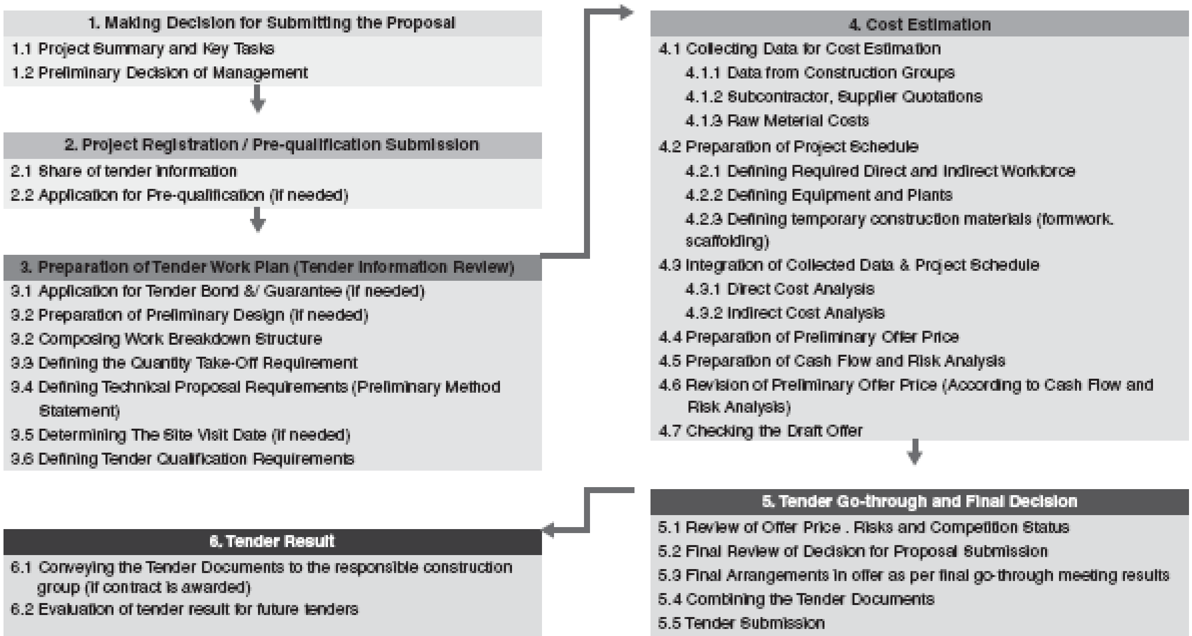
Prior to undertaking any local or international project, Yüksel utilises a series of sources in order to research and identify potential projects. Whenever the Company bids or undertakes any local or international project, detailed studies are made by its qualified in-house departments. The studies are then validated by different departments of the Company having the relevant design and application stage experience. Detailed execution reports are generated based on Yüksel's years of experience relating to similarly executed projects. Once this preliminary work is completed, a well-conceived and effective proposal is delivered to the customer. If required, specialised solutions are incorporated through subcontracting or partnering. The length of the bidding process will vary by project, country and the client, but typically will last between one month to six months for both local and international projects.

Prior to bidding, the Company considers the size and duration of the local or international project, client reputation, physical security requirements, potential competitors, profitability, whether it is a suitable scope for its business capabilities and experience and what country the project is located in. The Company also considers the reputation and creditworthiness of the potential client. It also examines funding availability and whether it can meet any pre or post-qualification criteria. Finally, to the extent the project is for an existing client, the Company considers its past experience with the client and reputation for any completed projects.

The decision to participate in a potential project is made by senior management staff of Yüksel (including the President, Vice President and Cost Estimation group manager). On the other hand, Yüksel begins discussions relating to the selection of prospective partnerships parallel to the bidding decision and considers which partner(s) would be best suitable for the project given their geographic location and market position, available resources, experience, specialised skills, financial and technical capability and past performance on similarly executed projects with Yüksel. Sometimes a partner may be required for an overseas project as the contract will not be awarded to a foreign company unless they have a local partner. In addition, the Company may decide to partner with one of its potential competitors in order to pool resources and share risks and responsibilities involved in larger or new projects and also increase its chances of winning a bid or capitalise on pre-existing relationships that a partner has with the potential customer. The Company will approach the prospective partner(s) and if agreement is made to collaborate, the parties will prepare for the tender process. Typically, any liability amongst the partners will be joint and several in proportion to each partner's shares.

During the tender process, the Company arranges for a series of risk assessments to determine project risks (physical security requirements, availability of resources, geological parameters, assessment of shipping routes and means), contract risk (risks arising from the applicable legislation, sufficiency of project duration and payment conditions), market based risks (increase in demand to major resources of the project and change in contract currency) and risks attributable to tender preparation itself (risks arising from the assumptions made due to lack of information). If a determination is made that the risks involved with the potential project are acceptable, tender documents are prepared submitted and key planning personnel are selected and assigned if the project is awarded.

If a project contract is awarded and accepted by the Company and its partners, if any, then financial models are prepared and Yüksel's Procurement Unit is involved in order to coordinate planning, scheduling and timely and efficient execution. The chart below outlines the tender process:



Execution of New Projects, Procurement and Selection of Suppliers

One core aspect of the Company's business is timely and efficient project execution as well as technical competence and qualification. The Procurement Unit is the primary division responsible for this task and conducts a detailed assessment of the resources that are required for each project. The first step is to identify the various lead times required for each of the resources and careful links are made between actual delivery and performance schedules. The Procurement Unit gathers requests from the worksites, identifies suppliers from the database, collects quotations, places the orders and manages the process from placement of the order to the final delivery of the resources to the worksite. The Procurement Unit maintains long term relationships with many suppliers. All procurement and execution activities are centralised in a state of the art customised ERP system which facilitates the management and control of all information from bidding to worksite handover. Key worksite personnel are selected from the experienced human resources of the Company and supported by local resources. The Directing Team is well experienced regarding the particular conditions of the project. Quality and cost control is achieved by similar control modules and procedures specifically developed for these issues. Risk assessments are made and potential cost impact is estimated during the bidding process and carefully traced throughout the performance. The domestic and international procurement activities are carried out by an integrated procurement team at the work site and their activities are synchronised with the overall procurement plan through a web-based ERP procurement tracking module and effective communication between Project Managers and the centralised Procurement Division. The Company mitigates the risks involved in procurement activities by utilising comprehensive selection process and applying well defined qualification criteria prior to selection of its suppliers.

The selection process can be summarised as follows:

- Definition of procurement requirements (including procurement conditions, quantities and placement);
- Issuing the request for quotation;
- Collecting the quotations;
- Evaluation of received quotations;
- Negotiations with the short listed suitable suppliers and subcontractors; and
- Signing agreements with the selected suppliers and subcontractors.

Suppliers are expected to comply with the following requirements:

- All obligations under the proposed agreement with Yüksel;
- The required work schedule;
- The rules defined in Occupational Safety Legislation and Yüksel's Occupational Health and Safety Policy ("**OHS Policy**") *(see "—Environmental Policy and Health and Safety Matters—Health and Safety Matters")*;
- The rules defined in Environmental Legislation and Yüksel's Environmental Policy;
- The procedures relating to Corrective and Preventive Actions;
- The resource requirements (specialists, machinery and equipment) set forth in the Request for Quotation; and
- The budget set forth in the planned costs.

Relationships with Subcontractors and Customers

Subcontracting arrangements

Yüksel relies on contractors and subcontractors to undertake the work on some of its construction projects, and it selects these contractors and subcontractors based on a number of factors. Yüksel considers the availability of its resources at the location of the project; if its resources are already committed to other projects, it considers the availability of subcontractors in order to meet the required resources. If a project requires local expertise (or is mandatory contractually), then Yüksel considers the availability of local subcontractors. Additionally, if Yüksel is able to find a competent subcontractor with a lower cost than the Company for a particular project, then Yüksel will consider subcontracting the project.

Depending on the scope of the project, the Company may act as the general contractor, a subcontractor or hire subcontractors to complete certain portions of a project. Subcontractors are selected according to certain established rules based on, among other things, qualification, experience and cost, which are utilised to review and rate subcontractors. Yüksel rates subcontractors after every project according to rules and procedures set forth within the Company's total quality management procedure. The Company also maintains a preferred subcontractor list for each type of construction project.

When subcontracting is chosen for specific aspects of an undertaken project, Yüksel requires that the role and obligations of the subcontractor, namely the liability of the subcontractor towards the contractor and/or the Company, is on the same terms with that of the Company to the client.

Roles of Parties for BOT/PPP projects

On BOT/PPP projects which Yüksel undertakes, the Company undertakes an additional role at the investment stage. Yüksel will have a special purpose vehicle involved in the project to act as the investor, responsible for arranging the financing management aspect of the project.

Customers and contractual arrangements

Yüksel maintains strong, long-standing relationships with its customers who are primarily governmental entities and several repeat customers. The Company is very selective with its customers and rarely engages in private sector projects, preferring to undertake projects for governmental clients. As of 30 June 2010, of its 19 customers in 35 ongoing contracts, Yüksel had three private sector customers including Sabanci Holding (EnerjiSA). Almost 84% of the Company's customers are governmental entities. Yüksel has worked for the following governmental entities:

- Turkey—DSI, TCK and İstanbul Metropolitan Municipality
- Afghanistan—US Government (including the US Army, US Army Corps of Engineers, US Air Force and OBO) and NAMSA
- Iraq—US Government (including the US Army, US Air Force and OBO), NAMSA, NATO, Kurdistan Regional Government (Ministry of Construction & Housing, General Directorate of Roads and Bridges) and Ministry of Water Resources
- Libya—ODAC, HIB and the Road and Bridges Authority
- Qatar—ASHGHAL, New Doha International Airport and Qatar Petroleum
- Dubai—Roads and Transport Authority
- Saudi Arabia—SWCC, Ministry of Agriculture and Water and Ministry of Higher Education
- Jordan—Ministry of Defence

As of 31 December 2009 local customers represented approximately 15% of the Company's consolidated revenue and overseas customers represented approximately 85% of the Company's consolidated revenue. Yüksel has established a policy for selecting customers and entering new geographic markets. This policy involves background diligence and research, review of the project scope including budgets and sources of financing, client profile and reputation, country assessment and market research. For new geographic markets, the Company may also send representatives to open an office in the local country and to establish partnerships with local partners after a period of diligence and analysis of the potential new market.

The contractual arrangements made with each customer will vary depending on the type of project, country and type of client. In the past, Yüksel has entered into BOT contracts, re-measurable type of contracts and lump sum contracts while the scope of services have varied including design and construction, construction only, operation and maintenance contracts, material supply contracts or a combination of the foregoing. BOT contracts may require the establishment of new special purpose vehicles such as the creation of Otoyol for the Gebze-İzmir Motorway Project. *See "—Recent Developments".*

Marketing and Personnel

Sales and Marketing

Yüksel is one of the major contracting companies in Turkey and has therefore a fully established and effective domestic marketing strategy.

Yüksel has an aggressive and strategic international market strategy. The key elements of this strategy include effective lobbying and ensuring registration in relevant associations, chambers and databases; direct marketing calls to customers; arranging visits for existing and potential customers to completed projects and those in progress; providing detailed studies and alternatives for technical projects, based on Yüksel's experience relating to similarly executed projects; and effective media publicity in all relevant forums. By utilising this multi-faceted marketing strategy, Yüksel is able to provide value-added services, solidify customer relationships and obtain winning contracts based on technical competence rather than price alone.

Staffing of Employees for Domestic and International Projects

Yüksel has an experienced and knowledgeable workforce. The table below sets forth the aggregate number of employees by category employed by the Company as of 30 June 2010:

Total Yüksel Employees (in Turkey)	1,748
Total Yüksel Employees (outside Turkey)	6,490
Aggregate Total Employees	**8,238**

At any given time, up to 30% of Yüksel's white collar workforce and up to 70% of Yüksel's blue collar workforce is temporary, hired only to work on a particular project. When the project is completed, the contracts of this temporary workforce are terminated. Yüksel's practice is to generally, where possible, keep together most of the crew members that it has hired for a particular project, moving this crew from project to project. For domestic projects, all of Yüksel's staffing is undertaken by employing Turkish employees. For international projects, while Turkish competent personnel are assigned for some key positions, local and third country nationals are commonly hired for the rest of Yüksel's staffing requirements.

To date, the Company has not experienced any significant labour disputes or strikes. Yüksel believes that, overall, its current relations with its employees are good.

Competition

Yüksel's competitors in the construction industry include local, regional and international construction companies. According to ENR's 30 August 2010 report (entitled "*Top 225 International Contractors*"), Yüksel is in the top ten of Turkish international construction companies, based on the Company's international revenues.

The Company's main competitors in the domestic Turkish construction market include the following companies:

- Dams, Transportation and Infrastructure Projects—Limak İnşaat Sanayi ve Ticaret A.Ş, Alsim Alarko Taahhüt Grubu A.Ş, Makyol Mak-Yol İnşaat Sanayi Turizm ve Ticaret A.Ş., Cengiz İnşaat Sanayi ve Ticaret A.Ş, Yapı Merkezi İnşaat ve Sanayi A.Ş, IC İbrahim İçtaş İnşaat A.Ş., Doğuş İnşaat ve Ticaret A.Ş, Nurol İnşaat ve Ticaret A.Ş and Tekfen İnşaat ve Tesisat A.Ş.; and
- Buildings, Airports, Power, Industrial Projects—Enka İnşaat ve Sanayi A.Ş, Gama GAMA Endüstri Tesisleri İmalat ve Montaj A.Ş., Tekfen İnşaat ve Tesisat A.Ş, Nurol İnşaat ve Ticaret A.Ş, Renaissance (REC Uluslararası İnşaat Yatırım Sanayi ve Ticaret A.Ş), Ant Yapı Sanayi ve Ticaret Ltd. Şti., TAV Tepe Akfen Yatırım İnşaat ve İşletme A.Ş, Güriş İnşaat ve Müh. A.Ş., Tepe İnşaat Sanayi A.Ş., Zafer İnşaat A.Ş. and Yenigün İnşaat Sanayi ve Ticaret A.Ş.

Yüksel's main competitors in its international construction markets include the following companies:

- Saudi Arabia (Transportation and Infrastructure Projects, Water Treatment Projects, Dams, Buildings)—Turkish competitors in this market are Limak, MNG and Tekfen; its primary local and international competitors in this market are Saudi Oger (local), Bin Laden (local), Aziz (local), APCO (local), Al Harbi (local), Al Mabani (local), Essar (India), HAK (Netherlands), Cihan (Iran), and Al Kharaffi (Kuwait);

- Afghanistan (Transportation and Infrastructure Projects, Military/NATO Projects)—Turkish competitors in this market are Metag, Tepe, Zafer, Aydeniz, MNG, Yenigün and Construction 77; its primary international competitors in this market are ECCI (USA), CH2MHILL (USA), Toltest (USA) and Contrac (USA);

- Northern Iraq (Transportation and Infrastructure Projects, Water Treatment Projects, Dams)—Turkish competitors in this market are Nurol İnşaat, Makyol İnşaat and Cengiz; there are significant local and international competitors in this market;

- Qatar (Transportation and Infrastructure Projects, Buildings)—Turkish competitors in this market are Tekfen and TAV; its primary local and international competitors in this market are Midmac (local), Strabag (Austria), Bilfinger Berger (German), Consolidated Contractors Group (Greece), Hyundai (Korean), Sinohydro (China), Taisei (Japan) and B6 (Belgium); and

- Libya (Transportation and Infrastructure Projects, Water Treatment Projects, Dams, Buildings)—Turkish competitors in this market are Tekfen, Nurol İnşaat, Renaissance, Doğuş, Tepe, Yenigün, Mesa and Gülsan; its primary international competitors in this market are SNC Lavalin (Canada), Celini (Italy), Impregilo (Italy), Beyuntus (Spain), Sikobesa (Spain), CCC (China), Vinci (France), Strabag (Austria), Pizzarotti (Italy), Posco (Korea) and Bomyang (Korea).

Energy, Raw Materials and Construction Equipment

Energy Sources

Yüksel's demand for energy utilised in its operations does not depend on any specific energy type, although gasoline and oil are the main consumable energy sources in its construction activities since most of its construction works are carried out by construction equipment consuming significant amount of gasoline and oil. Moreover, in some cases where electricity is not available, certain types of fuel are used to generate electricity on construction sites.

Raw Materials

The main raw materials utilised by Yüksel in its projects are aggregate (stone and sand), bitumen, cement, reinforcing bars, steel, stainless steel, iron and copper. Yüksel's main suppliers of basic construction materials vary from market to market due to Yüksel's geographically diversified construction activities and also due to the different requirements of construction projects from market to market. Yüksel includes cost estimates for energy and raw materials in its overall estimate provided during the tender process. *See "—Yüksel's Origination Process, Project Execution and Customers—Selection of New Projects".*

Construction Equipment

The plant and equipment necessary to execute Yüksel's construction projects are either rented or used from the Company's own inventory depending on the specific project's requirements and availability of resources.

Yüksel has a wide equipment inventory, owning machinery and an equipment pool of over 900 pieces. These pieces include five pieces of asphalt batching plants (producing 8,200 tons of asphalt per shift), 15 pieces of concrete batching plants (producing 12,750 cubic metres of concrete per shift) and five pieces of crushers (producing 12,500 tons of crushed stone (aggregate) per shift) which each have a utilisation rate of 100%. Every year, part of the Company's equipment is renewed through a process of selling older pieces and purchasing new pieces. Any cost involved in obtaining new machinery or equipment is factored into any bid submitted for a new project. Depending on the length of a project, the Company may consider renting, rather than purchasing, certain machinery and equipment.

Environmental Policy and Health and Safety Matters

Environmental Policy

Yüksel places great importance on environmental protection and reflects its environmental sensitivity to every aspect of its business operations. The Company is dedicated to the protection of natural resources and minimisation of adverse impacts on the environment. Yüksel's environmental system has been certified for EN ISO 14001 since 2006 and it is one of the first Turkish construction companies to explore reducing its carbon footprint through "green projects". The Çubuklu Valley Project is an example of such "green project".

In 2002, the Company issued an Environmental Policy which has been implemented in its head office and all worksites. All management and employees undertake:

- To cause the establishment to abide by the requirements of the Environmental Management System and ISO 14001:2004 standard;
- To work in compliance with national and local laws and regulations and customer specifications stipulated to be observed in connection with the relevant environment;
- To prevent environmental pollution;
- To utilise natural resources in the most efficient manner;
- Constant development and target determinations in such respect; and
- To relay the Environmental Policy to all employees, suppliers and subcontractors.

Yüksel implements its Environmental Policy by implementing environmental management and waste management plans and conducting periodic environmental audits for all of its project sites and head office. In addition, Yüksel establishes "environmental targets" on an annual basis, monitors its environmental performance and implements improvement activities as necessary.

Health and Safety Matters

Since 2006, the Company has experienced two fatalities in joint venture operations, yet it has a low number of accidents.

The Company holds ISO 9001 Quality Reassurance System Certificates, OHSAS 18001 Occupational Health and Safety Management System Certificates and ISO 14001 Environmental Management System Certificates to demonstrate its commitment to quality and safety. Since 2006, Yüksel has also been a signatory to the United Nations' Global Compact.

In 2002, the Company issued an OHS Policy to ensure that all of its worksites are in conformity with applicable laws and regulations, to arrange a healthy and safe working environment with its management system, to prevent injuries and deteriorations and impairment of health and to provide appropriate resources for ensuring higher spirit and moral.

The following are the Company's primary objectives under the OHS Policy in order to ensure minimal occupational accidents resulting in zero fatalities:

- To control all potential risks that may occur at worksites by implementing all defined rules and regulations;
- To enhance and heighten knowledge and awareness of all personnel and concerned parties on these issues by means of trainings;

- To improve and update its Health Care and Safety Management System continuously; and
- To review and update its OHS Policy periodically and to announce such policy to all personnel.

Yüksel implements its OHS Policy for its projects and head office through its certified management system.

Operating Risks and Insurance

Yüksel strives to minimise all of its operational risks and takes each and every precaution to enhance its safety performance. The risks involved in a particular project vary by country and the Company ensures that each project manager has risk management experience. The Company has procedures in place to mitigate key risks. For example, procedures for selecting subcontractors, maintaining a list of well-tested and experienced suppliers and subcontractors and, if applicable, engaging Export Credit Agencies for international projects. Sometimes the Company must be flexible to adopt particular regional solutions such as allying with its competitors in order to reduce local country risks.

Typical operating risks that the Company may experience include cost overruns, completion delays, bad debt and doubtful debt, quality issues, warranty claims, labour unrest, talent retention and environmental issues. The Company mitigates those risks through strong technical expertise and facilities, robust subcontractor and partner selection processes, efficient project management capabilities, high quality commitment and assurance, sound credit policies and processes, conducive corporate values and human resource policy, comprehensive insurance coverage for all insurable risks, long established track record and experience, appropriate and adequate risk mitigation measures, sophisticated cost estimation and budgeting process, and structured risk management philosophy. *See* "*Risk Factors*".

Yüksel is planning to create an independent Risk Assessment and Management Committee ("**RAMC**") which is responsible for assessing financial, operational, political, strategic and economic risks. The RAMC will report to the Audit Committee which presents all assessments and reports to the Board of Directors. The RAMC's report to the Audit Committee will include advice with the final decision being made by the Board of Directors.

The Company maintains the following types of insurances: construction all risk, employers liability insurance, third party insurance, plant and equipment insurance, defence base act insurance (for contracts for the US Army) and individual accident insurance. Some insurance arrangements are tailored depending on project requirements. The Company does not maintain business disruption insurance or professional indemnity (design) insurance since these types of insurance are not commonly used or applicable to the construction industry. In addition, equipment insurance is not available in Afghanistan.

There are a number of project risks which are not covered in insurance policies since they are typically attributable to customers as a common construction contract practice. These project risks include:

- War, hostilities, invasion act, acts of foreign enemies;
- Rebellion, revolution, insurrection, military or usurped power, or civil war within the country;
- Riot, commotion or disorder within the country by persons other than the contractor's personnel and other employees of the contractor and subcontractors;

- Ammunitions of war, explosive materials, ionising radiation or contamination by radio-activity within the country, except as may be attributable to the contractor's use of such ammunitions, explosives, radiation or radio-activity;
- Pressure waves caused by aircraft or other aerial devices travelling at sonic or supersonic speeds;
- Use or occupation by the employer of any part of the permanent works, except as may be specified in the project contract;
- Design of any part of the works by the employer's personnel or by others for whom the employer is responsible; and
- Any operation of the forces of nature against which an experienced contractor could not reasonably have been expected to have taken adequate preventative precautions.

Yüksel's Primary Subsidiaries

Whilst Yüksel is the flagship entity of the Group which operates primarily as a construction company, it also conducts certain of its business operations through domestic and overseas subsidiaries, domestic and overseas affiliates and joint partnerships. These entities cover construction and non-construction activities across various market and geographic segments. Set forth below is a description of the business operations of Yüksel's primary domestic subsidiaries which represented 5.5% of the Company's consolidated revenues for the year ended 31 December 2009 and 6.3% of the Company's consolidated revenues for the six months ended 30 June 2010.

Yüksel Enerji Holding A.Ş.

Yüksel Enerji Holding A.Ş. was established in 2008 to organise several wind and HEPP investments and wholesale operations companies under single management. The companies which are designed to invest in wind electric power plants are Kangal A.Ş., Karacaören A.Ş, Çayönü A.Ş., Aydıncık A.Ş., Çubuklu A.Ş., Esenköy A.Ş., Elmadağ A.Ş., Kurucaşile A.Ş., Şahinyurdu A.Ş., and Tisan A.Ş. while HEPP investments are planned to be carried out by Ağrı Elektrik Üretim A.Ş., Hidro-D A.Ş., S-H Enerji A.Ş., Adsel ltd., Kaan A.Ş., Tuna A.Ş., Yilmaz A.Ş., and Can Ltd. Since 29 April 2010 another entity, Yüksel Elektrik Enerjisi Toptan Satış A.Ş., holds a wholesale licence in the Yüksel Group which is valid for 10 years, in order to sell available excess electrical energy from the electrical energy spot market (as well as energy produced in Yüksel investments) to its clients and, as of 19 October 2010, had over 60 ongoing wholesale contracts corresponding to sales of approximately 780 GWh per year.

The following energy investments are currently ongoing under Yüksel Holding's trademark:

- Bulut HEPP with 76 MW installed capacity and Yağmur HEPP with 45 MW installed capacity HEPP are owned by Ağrı Elektrik Üretim A.Ş. They are designed to produce 162 and 111 GWh of annual electricity energy respectively when construction is completed by the end of 2014; and
- Çobanlı HEPP with 20 MW installed capacity is owned by Hidro-D A.Ş. This HEPP is designed to produce 53 GWh of annual electricity energy when construction is completed in December 2011.

See "*—Yüksel's Construction Business—Energy Projects*".

Yüksel Enerji Elektrik Üretim ve Ticaret A.Ş.

Established in 2005, Yüksel Enerji Elektrik Üretim ve Ticaret A.Ş. owns Koprubası HEPP Project with 79 MW installed capacity production plant which is planned to produce 203 GWh of electrical energy per year to the Turkish market when its construction is completed in December 2011. The construction of Köprübaşı HEPP began in 2007 and still ongoing.

Güven Elektrik Üretim Enerji ve Dağıtım A.Ş.

Established in 2007, Güven Elektrik Üretim Enerji ve Dağıtım A.Ş. plans to undertake several HEPP energy investments in Turkey including, Kayaaltı Reg. and Bağdatlı HEPP with 7.29 MW installed capacity, Dereköy Reg. and Sarıev HEPP with 5.73 MW installed capacity, Kocaosmanoğlu Reg. and Pelitli HEPP with 9.75 MW installed capacity, Ballı Reg. and Bozdağ HEPP with 12.79 MW installed capacity and Hatipli Reg and Basköy HEPP with 2.54 MW installed capacity. To date, none of these investment plans have been realised.

Datasel Bilgi Sistemleri A.Ş.

Established in 1989, Datasel Bilgi Sistemleri A.Ş. ("**Datasel**") is a leading healthcare IT services company which provides turn-key solutions in data processing and IT for the healthcare industry. Datasel's business partners include Cisco Systems, Microsoft, HP, Oracle, IBM and Sun Microsystems. Their headquarters are located in Ankara, Turkey, at the Middle Eastern Technical University Technopark and they also have an office in İstanbul, Turkey. Their product development and research work is conducted in their Ankara office.

Kask Sigorta Aracılık Hizmetleri A.Ş.

Kask Sigorta Aracılık Hizmetleri A.Ş. ("**Kask Sigorta**") was established as Yüksel Sigorta Aracılık Hizmetleri A.Ş, in 1993 and then renamed in 1997. It provides a wide range of general insurance consultancy services (including all risk, equipment, automobile, shipping, personnel health and life and fire insurance) to its clients which include several prominent insurance companies such as AIG, Aviva, Axa Oyak, Demir Hayat, Genel Sigortaa andYapı Kredi in Turkey.

Sasel Elekromekanik Sanayi ve Ticaret A.Ş.

Established in 1984, Sasel Elekromekanik Sanayi ve Ticaret A.Ş. ("**Sasel**") is one of the prominent electromechanical contracting companies in Turkey. Sasel provides a range of services including electronic engineering, design, procurement, installation, operation and maintenance and project consulting. Sasel also performs electrical and mechanical maintenance on all types of structures as well as manufactures electrical panels and conduits for electrical and telecommunication cables. Sasel provides turn-key services for the electromechanical systems in all types of buildings and facilities including hotels, hospitals, airport terminals, water treatment facilities, power stations, pumping stations and holiday villages.

After Yüksel, Sasel is the largest entity within the Group. Combined, Yüksel and Sasel represent over 95% of the total consolidated revenues of the Group. For the year ended 31 December 2009, Sasel generated revenues of US$23.3 million.

Yüksel Yatçılık Turizm ve Ticaret A.Ş.

Established in 1989, Yüksel Yatçılık Turizm ve Ticaret A.Ş. ("**Yatçılık**") operates in the field of yachting tourism and was one of the first companies to base its activities in Netsel Marina in Marmaris, Turkey. Yatçılık owns and operates a sailing school and a range of cruising yachts for bareboat charter, teaching and other activities.

Yüksel Yapı Yatırım A.Ş.

Yüksel Yapı Yatırım A.Ş. was first established as Masel İnşaat A.Ş in 1997 with a Malesian Partner, Aseania Group, and after Aseania Group left the partnership in April 1998, it was renamed as Yüksel Yapı Yatırım A.Ş. Metrocity Millennium Residential, Shopping Mall and Business Centre Complex was its first investment project in Turkey.

Yüksel Yapı Elemanları A.Ş.

Established in 1997, Yüksel Yapı Elemanları A.Ş. ("**Yapı Elemanları**") manufactures infrastructure products for construction projects. Their products include concrete and reinforced concrete pipes for sewerage purposes, prestressed concrete pipes for freshwater, prestressed bridge beams for highways, prefabricated tunnel segments, concrete railway sleepers, concrete flashings, floating pontoons, concrete fabricated construction elements as well as steel construction elements. Yapı Elemanları's headquarters are located in İstanbul, Turkey and it currently has factories in Ankara, Gaziantep and İstanbul (Gebze).

Meksa Holding A.Ş.

Meksa Menkul Değerler Ticareti A.Ş. was established in 1990 and renamed as Meksa Yatırım Menkul Değerler A.Ş after receiving a comprehensive licence from the CMB for its activities in 1998. Meksa Yatırım Menkul Değerler A.Ş. is majority owned by Meksa Holding A.Ş. Meksa Holding A.Ş. provides stock exchange brokerage services in the İstanbul Stock Exchange Market to its individual and corporate clients and has six branches in Turkey.

Yüksel Savunma Sistemleri A.Ş.

Established in 2008, Yüksel Savunma Sistemleri A.Ş. ("**Yüksel Savunma**") operates in the defence industry providing services for defence systems integration, multidisciplinary engineering and integrated logistic support. Yüksel Savunma also develops enhanced remote controlled surveillance and weapon stations and is looking to invest and expand activities into high-tech business areas, including homeland/ border security and surveillance systems.

Fiba Yüksel Uluslararası Proje Geliştirme A.Ş.

Established in 2006, Fiba Yüksel Uluslararası Proje Geliştirme A.Ş. ("**Fiba**") undertakes land development projects in Turkey. Fiba and the Company are currently partners working on the Çubuklu Valley Project which includes the construction of a private development of modern homes in İstanbul, Turkey. *See* "*—Recent Developments*".

Yüksel Turkuaz Yda İnşaat ve Ticaret Ltd.

Established in 2006, Yüksel Turkuaz Yda Ltd. ŞTİ. ("**YTY Ltd.**") provides construction services to the Kazakhstan market. YTY Ltd. was established to undertake a series of contracts in the Almaty Financial District including a warehouse and four office buildings.

Otoyol Yatırım ve İşletme A.Ş. (SPV)

Otoyol Yatırım ve İşletme A.Ş. (SPV) was officially established on 20 September 2010 to implement the Gebze-İzmir Motorway and İzmit Bay Crossing BOT Concession. The contract was also signed with the TCK on 27 September 2010. *See* "*—Recent Developments*".

Intellectual Property

Yüksel's intellectual property consists of certain "**Yüksel**" trademarks used in its business, all of which are protected by trademark registrations with the Turkish Patent Institute. Proprietary technology (software) which are developed by its group companies (such as Datasel) are also protected by patents.

Property and Facilities

Yüksel's headquarters are located in Ankara, Turkey and consist of two office buildings having a total of 12,540 m^2 gross construction area.

The Company typically leases space in various geographic locations to house its construction management support staff, machinery and equipment if adequate space is not available on its project sites. Management considers the Company's properties are sufficient for its present purposes, and based on its experience, believes that suitable space for future expansion will be available on satisfactory terms.

The Yüksel Group's principal manufacturing plants/yards are three factories and a workshop: the Ipek Boru Factory in Ankara owned by Sasel which produces protection pipes (conduits) for electrical and telecommunication cables, and covers a total of 4,000 m^2, an open area workshop serving the İpek Boru Factory and covers a total of 5,600 m^2, a factory in Sincan/Ankara owned by Yapı Elemanları, which produces concrete and reinforced concrete pipes for sewerage purposes, prestressed concrete pipes for freshwater, prestressed bridge beams for highways, prefabricated tunnel segments, concrete railway sleepers, concrete flashings, floating pontoons, concrete fabricated construction elements and covers a total of 4,485 m^2 closed area and a factory in Gaziantep owned by Yapı Elemanları which mainly produces concrete and reinforced concrete pipes and covers a total of 10,000 m^2 closed area and a workshop in Gebze, İzmit, situated on land leased by Yapı Elemanları which mainly produces precast elements for the İstanbul Kadıköy-Kartal Rail Mass Transit System project. All the manufacturing plants of the Company and its subsidiaries are owned by the Group.

Management believes that all of these facilities are suitable for its needs and are well-maintained.

Yüksel also owns several lands in Gebze, Ankara, Çanakkale, Bodrum and Marmaris, a logistic area (depot and storage area) in Ankara, office floors and residences in Metrocity, İstanbul, a four-star hotel and a logistic area in Uzbekistan.

Research and Development

Some of Yüksel's subsidiaries provide services that are directly linked to changing requirements of the market due to developments in technologies. These subsidiaries include Yüksel Savunma, Datasel and Yapı Elemanları which sell licenced products or software to their markets. Each of these subsidiaries has research and development units to enhance their products and capabilities to comply with new requirements. For example, "**Nöbetçi-Sentry**" is an advanced technological system created by Yüksel Savunma, which serves as a stationary weapon station system that can replace sentries patrolling or watching in guard boxes outside of military outposts.

Information Technology

In 2008, Yüksel began implementation of a state-of-the-art ERP system which facilitates the management and control of all IT from bidding to worksite handover. All procurement and execution activities are centralised into the ERP system including project reports, finance and accounting, payroll, inventory and cost control. The ERP system is still in the process of being implemented by all of the Company's subsidiaries but has already been implemented in the Company's head office and project sites in Turkey, Iraq and Afghanistan. Yüksel expects to complete the implementation process by 2015.

Yüksel holds valid corporate licences for typical software used in the construction industry (including, amongst others, Microsoft Office Programs, AutoCAD, NetCAD and Adobe) and its state-of-the-art ERP system, Yüksel uses effective and modern telecommunication means with its work sites including broadband internet connection and telephone communication through satellite connections where the city network is not available to use these services.

Quality Policy

In 2002, the Company issued a Quality Policy to render quality services at an international level in compliance with applicable legal provisions. The policy also addresses how to meet customer specifications and expectations in the field of general contracting services domestically and overseas.

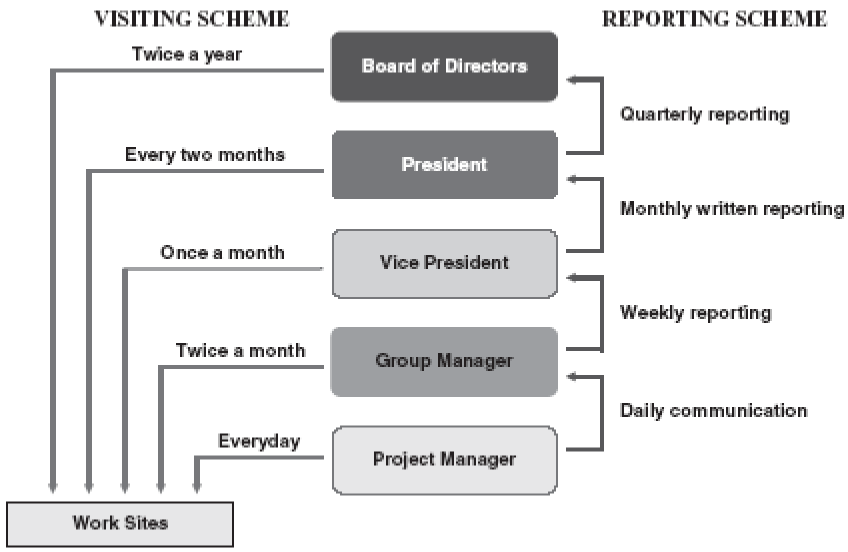
Key mandates of the Quality Policy are to:

- Carry out constant improvement activities in order to be able to meet the expectations of clients rapidly;

- Provide incentives for suppliers and subcontractors to increase their quality in order to render quality services;
- Use the Company's resources in the most efficient and productive manner; and
- Maximise performance and competition level.

In Yüksel's daily operations, the Quality Policy is implemented at each project site through an established visitation and reporting scheme that operates from Project Managers to Group Managers to Vice President to President and ultimately to the Board of Directors. The scheme includes regular worksite visits and oral and written reports which are generated on a continual basis throughout the duration of each project.

Robust Management Culture and System with Company-wide Responsibility and Accountability



Source: Yüksel.

Legal Proceedings

From time to time, Yüksel may become involved in litigation and administrative proceedings relating to claims arising out of its operations in the ordinary course of business. These include cases in various courts mainly in respect of non-payment and alleged default of construction. Other than as described below, the Company believes the ultimate resolution of any of the existing contingencies will not be likely to have a material adverse effect on the business, results of operations, financial condition or liquidity of Yüksel or of any of its material subsidiaries.

Kadıköy Metro Project

The claim is brought by a joint venture consisting of Yüksel, Yapı Merkezi İnşaat ve San. A.Ş., Doğuş İnşaat ve Ticaret A.Ş., Yenigün İnşaat Sanayi ve Ticaret A.Ş. and Belen İnşaat Taahhüt ve Turizm Ltd. Şti. The joint venture carried out works for the Metropolitan Municipality of İstanbul and İstanbul Electric Tram and Tunnel Works (the "**Municipality**") in respect of an underground transit system in İstanbul. When the Municipality wanted to change the project, the joint venture continued the works based on the requested changes. The Municipality then decided to give the work to another contractor. The joint venture brought a US$108.8 million claim against the Municipality for loss of profit and compensation for, *inter alia,* mobilisation. The case is pending while an expert report is being prepared.

Aymet Çankaya Hotel

This claim arises from construction works undertaken by Yüksel on the Aymet Çankaya Hotel in Ankara. On 19 February 2008, Yüksel instituted a US$1.8 million claim against its client for, *inter alia*, non-payment of the progress payments and non-payment of the progress payments that Yüksel had made to the subcontractor. The client, Aymet Çankaya Tur. Tic. A.S, has made a counterclaim for US$2.2 million. The first arbitration court decided in favour of Yüksel, but the Turkish Court of Cassation overruled this decision on the basis of procedural irregularities. Yüksel presented its statements concerning the expert report. An arbitration hearing took place on 8 October 2010, and the interim decision has not yet been handed down.

Gaziantep

The roof of a factory that Yüksel constructed in Gaziantep, Turkey collapsed on 23-24 February 2005 following heavy snowfall. The plaintiff, Başak Sigorta A.Ş., claims that the collapse was due to faulty construction of the roof and that Yüksel is responsible for the repair. Contested issues are, firstly, that the excessive amount of snow and precipitation in the area in 2003 can be seen as *force majeure*, and, secondly, that the Company should pay for the loss which amounted to TL 10,200,000. There have been conflicting expert reports with the amount of damages estimated at TL 450,000 and TL 2,500,000 (with interest). The lawsuit is pending for another overall expert report and the next hearing is expected to take place on 28 October 2010. The Company believes that it has strong legal arguments to prevail in this dispute.

Antalya Wastewater and Water Project Works

The Metropolitan Municipality of Antalya ASAT General Management claimed that some of the payments made to Yüksel in respect of the wastewater and water project were excessive and requested re-payment by the Company of TL 814,958.44. The arbitration court ordered that the Company pay TL 574,379.65. Final payment was made on 1 October 2007 and the creditor-debtor relationship has been terminated with no damaging long-term effects.

REGULATION

Governmental Regulations Relevant to the Turkish Construction Sector

The operations of Yüksel in the construction sector are subject to various laws, rules and regulations applicable in Turkey and other jurisdictions in which it operates (*see* "*Risk Factors—Risk Factors Related to Yüksel's Business and the Construction Industry—Yüksel's government contracts may be terminated if it does not comply with the terms and conditions specified in the respective contracts. As a result, it may be unable to enter into future government contracts.*"). The vast majority of Yüksel's operations involve providing construction services to public or state entities both in Turkey and abroad, and this subjects Yüksel to more rigorous public regulations. The operations can cover all phases of the construction process starting from the tendering for major public projects followed by the construction phase (where Yüksel will act as a main contractor, a member of a consortium or joint venture or a subcontractor) and in certain cases operation rights over public projects such as highways under public service concessions or build-operate-transfer models. More generally, Yüksel's operations are subject to energy law regulations in respect of energy operations, as well as general environmental, labour and health and safety rules and regulations.

The Company's management believes that Yüksel complies in all material respects with all such applicable laws, rules and regulations. In particular, Yüksel has obtained the authorisations and consents from the various governmental agencies that are necessary to carry on its business. There are currently no proceedings pending or, to the best of Yüksel's knowledge, threatened against it or any of its directors, officers or employees in relation to such laws, rules or regulations.

The below sections highlight some of the key aspects of Yüksel's construction operations under Turkish law. It is not intended to be exhaustive.

Regulations Relating to Public Sector Tender Process

Tendering for public sector construction projects in Turkey involving public expenditure is subject to the Public Procurement Law No. 4734 ("**Law No. 4734**") and secondary legislation. The Public Procurement Authority, a governmental administrative agency, is in charge of the supervision of the tenders subject to Law No. 4734.

Law No. 4734 mainly establishes the principles and procedures to be applied in tenders held by all public entities and institutions governed by public law or under public control or using public funds in relation to procurement of goods, services and construction works. The main tender methods envisaged by Law No. 4734 are the unrestricted method where all bidders satisfying the minimum required conditions to participate in the tender are allowed to submit their bids; and restricted method where the bidders, who must qualify under a pre-qualification process, submit the bids. Law No. 4734 also provides for a bargaining method as a statutory but rather exceptional tender method.

The Public Tender Contracts Law No. 4735, which entered into force on 1 January 2003, mainly establishes the principles and procedures to be applied to the form of the contracts to be signed with the successful bidders in the tenders issued under Law No. 4734 and aims to provide a form contract to be used in all public tenders.

Regulations Relating to Construction Phase

Construction Licenses and Permits

In public procurement contracts, it is common to stipulate that the contractor is obliged to obtain the relevant permits and licenses in relation to the project.

In particular, certain permits and licenses must be obtained for the construction of buildings on land. Plans for a project must be approved by the relevant municipality in accordance with its zoning regulations and other guidelines after which point the construction license is obtained from the municipality. Under the Turkish zoning law (the Zoning Code, Law No. 3194), the developer must start construction within two years and complete the construction within five years from the date the construction license has been granted by the municipality. The municipality monitors compliance with the construction license at different stages of the construction.

A variety of other laws and regulations may also apply depending on the nature of the construction project and the location of the relevant construction works, including the Forestry Code, Soil Protection and Land Usage Code and, in relation to electricity generation plants, the Code for Construction of Electric Energy Production Plants Through BOT Model and Regulation on Energy Sale and the Code for Execution of Certain Services and Investments Through BOT Model.

Health and Safety Provisions of the Labour Code

The Turkish Labour Code No. 4857 (the "**Labour Code**") governs the health and safety obligations for employers in relation to work places. Pursuant to the Labour Code, the Ministry of Employment and Social Security is responsible for issuing the operating certificates in relation to health and safety matters which employers are required to have in place in order to continue their operations.

Subcontractor Liability

The Company either acts as the main contractor or the subcontractor to the main contractor in major construction projects. According to the Code of Obligations, the primary contractor is liable to the client in respect of the works carried out by subcontractors. According to the Labour Code and the Sub-Contractor Regulation, with respect to subcontracted works, the primary contractor is liable together with the subcontractor with respect to any liabilities or obligations owing to the subcontractors' employees. Under certain circumstances, a primary contractor may be liable for unpaid social security premiums of a subcontractor's employees.

Regulations Relating to Operation of Public Services

Yüksel operates under various models in relation to the public services it carries out on behalf of or through the concession of services by public authorities, in particular, BOT in relation to the construction and operation of projects. An example of a BOT project undertaken by Yüksel is the Gebze-İzmir Motorway (including the İzmit Bay Crossing and connection roads). The scope of works includes financing, engineering, construction, operation and all maintenance and repairs of the motorway and the transfer of the same within the frame of the procedures and principles determined by Code N.3996 and Decree N.94/5907 of the Council of Ministers. The employer is the TCK, and the contract amount is approximately US$6.3 billion. Yüksel's partners are Nurol İnşaat ve Ticaret A.Ş., Makyol İnşaat Sanayi, Turizm ve Ticaret A.Ş., Özaltın İnşaat Ticaret ve Sanayi A.Ş., Göçay İnşaat Taahhüt ve Ticaret A.Ş. and Astaldi.

The concession contract, under Turkish law, is the contract between the private entity, referred to as the concessionaire, which undertakes to establish and/or operate a public service in return for a fee, and the state entity which grants rights to and imposes obligations on the concessionaire to complete the public project. Under the concession contract, the administration enjoys certain priority and privileges in its capacity as a state organ depending on the nature of the transfer of operation rights agreements, in particular having the right to terminate the concession contract by bringing the project back into public hands.

Public Private Partnerships

Turkey has a new draft law on PPP prepared by the State Planning Organisation, but it is unclear as yet when it will be presented to the Parliament for approval. The key rationale behind the draft law is to balance distribution of project risk between public and private parties to contracts.

Post-Construction Phase Liability for Hidden Defects

Pursuant to the Turkish consumer protection laws, a seller and a constructor of immovable property both remain liable for any defects, as described in the law, for a period of five years after the delivery of such property to the seller (in the case of the constructor) and to the customer (in the case of the seller) unless the parties have contractually agreed to extend this liability period.

Pursuant to the Turkish code of obligations, contractors, engineers and architects employed on a development project remain legally liable to the employer for any defects, as described in the law, in their work for a period of five years after the delivery of the property.

Governmental Construction Permits

For major public infrastructure projects in Turkey, Yüksel has the relevant domestic construction permit, which was issued by the Ministry of Public Works and Housing and is valid until 8 April 2013 (following which a renewal application will be made). This facilitates its ability to participate in consortia to bid for public tenders in relation to infrastructure construction projects.

For construction projects outside Turkey, Yüksel has the benefit of an overseas contracting licence, which was issued by the Ministry of Public Works and Housing and is valid until 20 February 2011 (following which a renewal application will be made). This serves as a reassurance for foreign public or governmental entities when Yüksel participates in tenders to provide international general contracting services for public projects. Pursuant to the relevant legislation, both the domestic construction permit and the overseas contracting licence of Yüksel will be valid for a period of three years from their issuance date.

Project sponsors will often provide construction permits in respect of contracting services, so the Company will not need to obtain such permits when acting as construction contractor. However, the construction company must generally apply for construction permits in respect of projects undertaken within the real estate and energy sectors.

Memberships of Trade Bodies

Since 1997, Yüksel has been a member of the TMB, which is the main body representing Turkish construction companies before public and private entities.

In addition, in relation to its construction works abroad, Yüksel has obtained consents and incentives from the various government agencies necessary to carry on its business and is a member of several contractors associations, investment support agencies and chambers of commerce.

Energy Regulation

Yüksel's energy sector business is currently limited by comparison to its construction business. Yüksel Enerji Holding A.Ş. was established in 2008 to organise several wind and HEPP investments and wholesale operations companies under single management. Yüksel plans to expand in the energy market sector following completion of its ongoing active HEPP projects (Köprübaşı, Çobanlı, Bulut and Yağmur) for the provision of electricity generation. *See "Business—Energy Projects"*.

This section briefly summarises certain aspects of electricity regulation applicable to electricity generation. The Electricity Market Law is the principal piece of Turkish legislation covering the generation, transmission, distribution, wholesale, retail sale services, and import and export of electricity.

The Electricity Market Law envisions a transition period from 1 January 2005 to 31 December 2012, at the end of which the electricity market in Turkey is expected to be fully liberalised, with tariffs being agreed freely through bilateral agreements and consumers having more flexibility to choose their electricity provider.

EMRA, established by the Electricity Market Law, is responsible, amongst other things, for issuing licenses and supervising compliance with and enforcing provisions of the Electricity Market Law.

A generation license for each electricity generation facility must be obtained from the EMRA and Yüksel's HEPP project companies thus obtained these licences for the abovementioned projects. The license covers the generation and sale of electricity. Generation licenses are granted for a minimum of 10 years and maximum of 49 years and can be renewed. As of 5 November 2010, an estimated total of approximately 964 generation licenses have been issued in Turkey.

A license applicant must increase its issued capital to an amount corresponding to at least 15% of the total planned investment amount of a licensed power plant within 90 days following the approval of the license application. EMRA has determined the total unit investment amounts for electricity generation projects, which are published on EMRA's official website. The total unit investment amount for hydroelectric power plants is TL1,600,000/MWm; and TL2,000,000/MWm for wind power plants. The total unit investment amount is calculated by multiplying the total unit investment amount with the installed capacity of the facility.

A generation license holder must complete the construction of a power plant in due time, and a failure to do so may result in the cancellation of the generation license by EMRA and forfeiture of the performance bond which is required to be given following license approval. If a generation license is cancelled due to non-completion of the project, the license holder, shareholders holding 10% or more of the share capital and the companies in which the license holder's current and former members of the board of directors hold an equity interest may not be permitted to apply for a license or hold shares directly or indirectly in a company applying to the EMRA for a license for a period of three years following such cancellation.

Environmental Impact Assessment must either have been approved, or deemed not to be required, by the EMRA before construction can commence.

Various incentives are available for generation license holders that use renewable energy sources (such as hydro and wind power), including purchase guarantees from retail sale license holders, exemptions from license fees, electricity purchase options from private wholesale companies and priority treatment when connecting to the transmission and distribution lines.

Environmental Regulations

Environmental Impact Assessment

An environmental impact assessment report is required to be produced and approved by the Ministry of Environment and Forestry for any major construction project defined by regulation before it may commence.

Pollution Liability

Pursuant to Turkish environmental laws, it is prohibited to discharge wastes directly or indirectly into the surrounding area of an entity's activities or to store, transport or remove any type of wastes or residues and to engage in similar activities in a manner detrimental to the environment and in violation of the standards provided for in the relevant legislation. In the case of an occurrence of pollution or a threat thereof, the relevant parties can be required to take necessary actions to prevent such pollution or to neutralise or reduce its effects.

Persons that violate the prohibitions envisaged in the environmental laws or fail to fulfil the obligations provided therein may be granted a cure period of maximum one year by the relevant governmental authority to enable them to correct such violation. If such a cure period is not granted or the violation is not corrected within the cure period, the operations violating the environmental laws will be stopped for a definite or indefinite period.

Where the environmental pollution poses a risk to public health, the facility that caused such environmental pollution may be entirely or partially, temporarily or permanently shut down by the Ministry of Environment and Forestry in Turkey without the need to grant any cure period. Polluters can be held liable for direct and indirect losses resulting from the pollution.

Furthermore, the criminal laws provide for imprisonment and/or monetary fines for environmental pollution. Pursuant to the Turkish Criminal Code, a person who negligently or intentionally discharges waste to the surrounding area in breach of the technical requirements causing pollution of soil, water or air may be subject to imprisonment.

In addition, Turkish law imposes civil liability for pollution. In the event of losses being incurred as a result of non-compliance with the environmental restrictions and limitations relating to the use of a property, the owner can be forced to reinstate the contaminated land and compensate third parties for any losses incurred. Property owners can be held liable for any such third-party losses even if they do not have any fault in the occurrence of such loss, pollution or contamination.

Noise Limits

No special permit is required under the Noise Regulation, but all facilities must meet the noise limits set forth in the Regulation whether or not they were established before the Regulation was published.

Pursuant to the Noise Regulation, the relevant authority may either grant a grace period of up to one year and subsequently shut down the facility if the necessary requirements are not fulfilled within this period, or apply the remedies and sanctions available under the Environmental Law.

Earthquake Regulations

The Company also complies with Turkey's earthquake regulations introduced following the major Adapazarı-Düzce earthquake in 1999.

MANAGEMENT

Board of Directors

The Board of Directors of Yüksel (the "**Board**") currently consists of seven directors. Pursuant to Article 8 of the Company's Articles of Association, the term of each director is three years, subject to renewal.

The table below sets out details of the Board and the date of their current appointment.

Name	Age	Position	Date Appointed
Süleyman Servet Sazak	55	Chairman	2005
Emin Sazak	49	Vice Chairman/Chief Executive Officer	1999/2004
İsmail Öncel	68	Executive Director	1994
Tuna Aksel	60	Director (as a representative of Yüksel Holding)	1994
Mehmet Emin Sazak	47	Director	2003
Yurdal Sert	49	Director	2005
Cihan Candemir	62	Director (as a representative of Yüksel Holding)	2007

Süleyman Servet Sazak has been the Chairman of Yüksel since 2005. Mr. Sazak has been working for Yüksel since 1981 and became a member of the Board in 1994. Mr. Sazak's previous experience includes serving as a member of the Turkish parliament, where he sat on the Foreign Affairs Commission and the NATO Working Commission. Mr. Sazak is currently a member of the Supreme Consultation Board of the Turkish Construction Industry Employers Union ("**INTES**").

Emin Sazak has been the Vice Chairman of Yüksel since 1999 and Chief Executive Officer since 2004. Mr. Sazak has been working for Yüksel since 1989 and became a member of the Board in 1994. Mr. Sazak brought all related companies under one umbrella by forming Yüksel Holding in 1997. Mr. Sazak has been the Vice Chairman of the Turkish Contractors Association since 2004, and has been a board member of the European International Contractors since May 2010. He is also the Chairman of the Turkey-Qatar Business Counsel, a position he has held since 2008. In October 2010 it was announced that Mr. Sazak is to be appointed to the newly established Turkey-US Business Counsel.

İsmail Öncel has been a director on the Board since 1994. Mr. Öncel has been working for Yüksel since 1985 and became an Executive Member of the Board in 1996. Mr. Öncel was Deputy General Manager of Şekerbank between 1979 and 1985 and served as a member of its board from 1991 to 2003. Mr. Öncel holds a B.A. in Business Administration from the Eskişehir Academy of Economy and Commercial Sciences (Turkey).

Tuna Aksel has been a director on the Board since 1994, as a representative for Yüksel Holding. Mr. Aksel has been working for Yüksel since 1973. During his time with Yüksel Mr. Aksel has been involved in a wide range of construction activities, holding several positions from group manager to president. He was President in the Bayındır- Yüksel joint venture from 1992 to 1994. Mr. Aksel holds a M.Sc. in Mechanical Engineering from the Middle East Technical University (Turkey).

Mehmet Emin Sazak has been a director on the Board since 2003. Mr. Sazak has been working for the Yüksel Group since 1989. Between the years of 1990 and 2003 he has served as member of the boards of Yüksel Holding, Yüksel Ceramics Co. Inc., Yüksel Pipe and Machinery Industry and Trade Co. Inc. and Aspendos Foreign Trade Inc. Mr. Sazak holds a B.A. in Business Administration—Economy from the University of Southern California (United States).

Yurdal Sert has been a director on the Board since 2005. Mr. Sert has been working for the Yüksel Group since 1992 and served as a member of the board of Yüksel Holding between 2000 and 2005. He was also a board member and general manager of Şeker Sigorta and Şeker Hayat Sigorta Companies from 1993 to 1999. Mr. Sert holds a B.Sc. in Mechanical Engineering from the University of Southern California (United States).

Cihan Candemir has been a director on the Board since 2007, as a representative for Yüksel Holding. Mr. Candemir has been working for Yüksel since 1971. During his time with Yüksel Mr. Candemir has been involved in wide range of construction activities holding several positions from site manager to general manager. He was president of Aysel İnşaat Taahhüt ve Ticaret A.Ş. (a subsidiary of Yüksel) from 1993 to 2001. Mr. Candemir holds a M.Sc. in Civil Engineering from the Middle East Technical University (Turkey).

The business address of the Board members is the same as the registered address of the Company, which can be found on page 180 of this offering memorandum.

Senior Management

The table below sets out details of Yüksel's senior management.

Name	Age	Position	Date Appointed
Saffet Avdan	60	Chief Financial Officer (Yüksel/Yüksel Holding)	2009
H. Suha Ünsal	59	President	2009
Bülent Güngör	59	Senior Vice President and Deputy, Operations in Saudi Arabia, Iraq and Afghanistan	2009
Adil Ağoğlu	56	Vice President, Domestic Operations	2009
Cüneyt Karacasu	50	Vice President, Business Development, Tenders and UAE	2008
Oğuzhan Kocabaş	50	Vice President, Operations in Libya, Kazakhstan, Jordan and Uzbekistan	2009
G. Candan Ak	50	Vice President, Finance	2006

Saffet Avdan is Chief Financial Officer, a position he has held since 2009. Mr. Avdan has been working for Yüksel Holding since 1995. Prior to joining Yüksel, Mr. Avdan worked in a number of different companies including Halk Sigorta, CITI Bank, Anadolu Bankası, T.C. Ziraat Bankası (New York Branch), Impex Bank, İktisat Bankası, holding several positions from group manager to president. Mr. Avdan holds a B.A. in Business Administration from the Middle East Technical University (Turkey).

H. Suha Ünsal is Yüksel's President, a position he has held since 2009. Mr. Ünsal is responsible for the operations of the Company. He reports to the Chief Executive Officer and manages the senior management staff. Mr. Ünsal has been working for Yüksel since 1981. During his time with Yüksel Mr. Ünsal has been in charge of several of the Company's construction activities. Between 1988 and 2009 he was Vice President of Yüksel. Mr. Ünsal holds a M.Sc. in Mechanical Engineering from the Middle East Technical University (Turkey).

Bülent Güngör is Senior Vice President and Deputy and responsible for Operations in Saudi Arabia, Iraq and Afghanistan, a position he has held since 2009. Mr. Güngör has been working for Yüksel since 1976 and has held several managerial positions in the Company, including construction manager, project manager and regional manager. He was general manager of Yüksel İnşaat Saudia between 1992 and 2002. Mr. Güngör holds a holds a M.Sc. in Civil Engineering from the Middle East Technical University (Turkey).

Adil Ağoğlu is Vice President for Domestic Operations, a position he has held since 2009. Mr. Ağoğlu has been working for Yüksel since 1980 and has been involved in a wide range of construction activities, holding several positions from site chief to group manger. Mr. Ağoğlu holds a B.Sc. in Mechanical Engineering from the Eskişehir Academy of Engineering and Architecture (Turkey).

Cüneyt Karacasu is Vice President for Business Development, Tenders and the U.A.E., a position he has held since 2008. Mr. Karacasu has been working for Yüksel since 1983 and has been involved in a wide range of construction activities holding several positions, including project manager, deputy project coordinator and group manager. Mr. Karacasu holds a B.Sc. in Mechanical Engineering from the Middle East Technical University (Turkey).

Oğuzhan Kocabaş is Vice President for Operations in Libya, Kazakhstan, Jordan and Uzbekistan, a position he has held since 2009. Mr. Kocabaş has been working for Yüksel since 1985 and has been involved in a wide range of construction activities, holding several positions from site manager to project manager in different construction sites. He has represented Yüksel in several joint ventures including the Bayındır-Yüksel joint venture as system section manager between 1992 and 1996, the Yüksel-Ener-WABAG joint venture as project manager between 2000 and 2003 and the Yüksel-Turkuaz-YDA joint venture as Kazakhstan area coordinator between 2006 and 2009. Mr. Kocabaş holds a B.Sc. in Civil Engineering from the Middle East Technical University (Turkey).

G. Candan Ak is Vice President of Finance, a position she has held since 2006. Ms. Ak has been working for the Yüksel Group since 1994. She was deputy general finance manager for Aysel İnşaat Taahhüt ve Ticaret A.Ş. between 1996 and 2006. Prior to joining the Yüksel Group, Ms. Ak held several positions ranging from accounting chief to financial manager in a number of organisations, including Boeing Services Int. Inc., Ercan Inc./M.A.N Motor Co., MNG Construction Co. Inc. and Turkey Iron and Steel Industry Corp. Ms. Ak holds a B.A. in Business Administration from the Middle East Technical University (Turkey) and certification from the Chamber of Certified Public Accountants in Turkey to act as an independent accountant and financial advisor.

The business address of the senior management members is the same as the registered address of the Company, which can be found on page 180 of this offering memorandum.

Compensation of Board Members and Senior Management

In accordance with the Company's Articles of Association, 10% of the profit of the Company remaining after deduction of, *inter alia*, applicable statutory reserve funds at the rate of 5%, shall be distributed to the directors, officers and employees of the Company. The remuneration of the Board members and senior management is determined by the General Assembly, which is comprised of shareholders.

In addition, Board members and senior management staff benefit from private health insurance (premiums of which are paid by the Company) and company cars.

Board Practices

The Board carries out the operations, activities and management of the Company, and may delegate or assign to any of the Board members their powers as they deem fit.

Board meetings must take place once a month, but meetings can be held more regularly upon request by the Board members. The quorum for Board meetings is five.

There is a monitoring and visiting scheme in place, whereby the Board members visit work sites twice yearly. The President of the Company visits work sites every two months and reports these visits to the Board.

Board Committees

Audit Committee

The Audit Committee is appointed by the Board and consists of a minimum of two non-executive Board members. The chairman of the Audit Committee is appointed by the Board for a period of one year. The Audit Committee meets on a quarterly basis.

The role of the Audit Committee is to assist the Board with regard to internal control of the operational and financial activities of the Company. Some of the specific duties of the Audit Committee are the following:

- to establish written procedures for the appointment and working principles of the independent auditing company and its relevant auditors;

- to review and enforce internal accounting policies, procedures and methods;
- to oversee the Company's financial situation, cash flow and obligations;
- to analyse audit reports and any other periodical and/or on-demand reports; and
- to issue valuation reports, internal audit/control reports and other reports.

Finance Committee

The Company also has a Finance Committee. The members of the committee include Mr. Emin Sazak, Mr. Tuna Aksel, Mr. İsmail Öncel, Mr. Suha Ünsal, Ms. Candan Ak, Mr. Saffet Avdan and Mr. Can Mızraklı. The Financial Committee meets whenever necessary.

Some of the specific duties of the Finance Committee are the following:

- to examine annual, semi-annual and quarterly budgets, and to approve the representation of the budgets to the Board of Directors; and
- to approve important financial transactions to be undertaken by Yüksel.

Nomination and Governance Committee

Yüksel is in the process of creating a Nomination and Governance Committee. The Nomination and Governance Committee is expected to be appointed by the Board and will consist of a minimum of two non-executive Board members. The Nomination and Governance Committee will meet on a quarterly basis.

The Board expects the duties of the Nomination and Governance Committee to include the following:

- to recommend all new executive or non-executive director appointments to the Board and Board Committees;
- to develop and suggest the Company's corporate governance procedures;
- to ensure the independency and efficiency of the Board; and
- to investigate and evaluate any conflict of interests among executives and make recommendations for settlement.

The Board also has the power to appoint temporary committees where required.

Conflicts of Interest

Except as disclosed in this offering memorandum, there are no potential conflicts of interest between any duties of the members the Company's administrative, management or supervisory bodies towards the Company and their private interests and/or other duties.

PRINCIPAL SHAREHOLDERS

The shareholders of Yüksel are Yüksel Holding; Yurdal Sert; Süleyman Servet Sazak; Güven Sazak; Kaan Sert; Ayşe Bilgün Dereli; Emin Sazak; Sazak Turizm ve Ticaret A.Ş.; Abdurrahman Derya Sazak; Ayşe Deniz Sazak; Mehmet Emin Sazak; and Suhandan Sazak.

As of 30 June 2010, the founding shareholders of Yüksel and their family members beneficially owned 20.50% of Yüksel's shares, either directly or indirectly through companies that they control.

As of 30 June 2010, the equity ownership of Yüksel was as follows, and there have been no changes to the equity ownership as of 5 November 2010:

Name	Percentage	Number of shares
Yüksel Holding A.Ş.	79.50	1,590,000,000
Yurdal Sert	6.0	120,000,000
Süleyman Servet Sazak	2.25	45,000,000
Güven Sazak	2.2	44,000,000
Kaan Sert	2.0	40,000,000
Ayşe Bilgün Dereli	1.75	35,000,000
Emin Sazak	1.75	35,000,000
Sazak Turizm ve Ticaret A.Ş.	1.3	26,000,000
Abdurrahman Derya Sazak	1.0	20,000,000
Ayşe Deniz Sazak	1.0	20,000,000
Mehmet Emin Sazak	1.0	20,000,000
Suhandan Sazak	0.25	5,000,000
Total	**100**	**2,000,000,000**

Yüksel Holding

Yüksel Holding is the principal shareholder in Yüksel and, as of 30 June 2010, owned 79.50% of Yüksel's shares. The shareholding structure of Yüksel Holding is as follows:

- Mr. Güven Sazak and family: 25%
- Mr. Süleyman Sazak and family: 25%
- Mr. Emin Sazak and family: 25%
- the Sert family: 25%

Yüksel Holding operates as a holding company and does not have any operations or activities of its own.

Shareholders' Agreement

There are no formal support agreements in place to govern the shareholders and their shareholdings.

CERTAIN RELATED PARTY TRANSACTIONS

From time to time, Yüksel enters into transactions with related parties including shareholders, executives, their family members, controlled or dependent companies, participations and subsidiaries of the Group. All transactions involving the Company and related parties must be approved and ratified by the Board of Directors and are made in the ordinary course of business and in accordance with applicable legal standards. These transactions include, but are not limited to, dividend payments, loan repayments and remuneration for certain shareholders. Inter-related company transactions include capital increase payments made by Yüksel on behalf of related companies and contractor contracts involving energy investments which are entered into on an arm's length basis between Yüksel and other subsidiaries of the Group. Yüksel's related party transactions do not involve trading facilities or transactions that would cause a conflict of interest or transfer pricing.

The following table summarises balances due from and to related parties as of 31 December 2009 and the six-month period ended 30 June 2010. *See* note (10) *to the audited consolidated financial statements for the years ended 31 December 2009 and 2008 and* note (10) *to the unaudited consolidated financial statements for the six-month periods ended 30 June 2010.*

Transactions Between Related Parties

Due from related parties	**31 December 2009**	**30 June 2010**
	(millions of TL)	*(millions of TL)*
Yüksel Holding		
Payment made in relation to services received from Yüksel Holding	3.13	4.21
Yüksel İnşaat ve Ticaret Ltd. Şti.		
Payment made for loan and interest payments	1.00	1.00
Sazak Ziraat İş. Gıda San. ve Tic. A.Ş.		
Payment made for loan and interest payments	—	0.33
Yüksel Özel Güvenlik Hizmetleri A.Ş.		
Payment made in connection with a capital increase	0.04	0.04
Yüksel Savunma Sistemleri A.Ş.		
Payment made in connection with a capital increase	0.12	0.86
Yüksel Ulus. Proje Geliştirme Yatırım A.Ş.		
Payment made for a short term loan	—	0.001
Yüksel Yönetim Hijyen Servis Peyzaj Temizlik Organizasyon Otomotiv Güvenlik Sistemleri A.Ş		
Payment made in connection with a capital increase	0.003	—
Sys Middle East Trade (Dubai)		
Payment made for a trading loan facility	—	2.16
Ayşe Altınörs		
Payment made for a personal advance to the president of Kask Sigorta	—	0.17
Sert Family		
Payment made for short term loan and interest payments	0.002	0.10
Sazak Family		
Payment made for short term loan and interest payments	3.65	5.39
Other		
Payment made for short term loan and interest payments	0.002	0.08
Yüksel Holding		
Payment made in relation to the energy companies	—	0.0004
Yüksel Seramik Sanayi Tic. A.Ş.		
Payment made for loan arising from trading activities	0.04	0.0001
Yüksel Özel Güvenlik Hizmetleri A.Ş.		
Payment made for loan arising from trading activities	0.19	0.57
Makyol İnşaat A.Ş.		
Payment made for trading activities	—	0.14
Yüksel Yönetim Hijyen Servis Peyzaj Temizlik Organizasyon Otomotiv Güvenlik Sistemleri A.Ş.		
Payment made for trading activities	—	0.01
Sazak Turizm A.Ş.		
Payment made for dividends	0.61	0.39
Sazak Family		
Payment made for short term loans provided by shareholders	5.05	3.22
Sert Family		
Payment made for short term loans provided by shareholders	1.77	0.67
Other		
Payment made for trading activities	0.04	0.03

Yüksel believes that the terms of its transactions with related parties set forth above are no more or less favourable to the Company or the related party or parties subject to the agreement that those which could be obtained in a comparable transaction at the time of such transaction in arm's length dealings with an entity or person who is not such a related party.

THE REPUBLIC OF TURKEY AND THE TURKISH ECONOMY

General

The summary information relating to Turkey is provided for background purposes only. Information presented herein has been extracted from and is presented on the authority of various public official documents and private publications.

The modern Turkish state with Ankara as its capital was created in 1923 and has 1,633 miles (2,628 kilometres) of land frontiers and 4,454 miles (7,168 kilometres) of coastline. The European section of the country borders Bulgaria on the north, the Black Sea and the Bosphorus on the east, the Sea of Marmara and the Dardanelles on the south, and Greece and the Aegean Sea on the west. The Asian section of the country borders the Black Sea and Georgia on the north, Armenia and Iran on the east, Iraq, Syria and the Mediterranean Sea on the south and the Aegean Sea on the west. Turkey is approximately 900 miles (1,450 kilometres) long and 300 miles (480 kilometres) wide and covers an area of 300,948 square miles (779,452 km^2), of which 291,773 square miles (755,688 km^2) are in Asia and 9,175 square miles (23,764 km^2) are in Europe. About 90% of the population live in the Asian part of Turkey and 10% in the European part.

According to estimates of TURKSTAT and the State Planning Organisation ("**SPO**"), the population of Turkey was 72,561,312 on 31 December 2009. The annual population growth rate for Turkey in 2009 was 1.45%. Turkey's population is relatively young compared to other European countries, with an average age of 27 compared to 42 in the EU.

Turkey's official language is Turkish. Although Islam was abolished as the state religion in 1928, 99% of the people are still nominally Muslim.

The transformation of Turkey's economy from a largely agricultural economy to an industrial and service oriented economy has led to an increasingly urban population. According to TURKSTAT and SPO, in 2008, 75% of the population lived in urban areas and 25% lived in rural areas. Turkey's population is concentrated in its western part and along the coastal areas. The major cities by population are İstanbul, with approximately 10 million inhabitants, Ankara (the capital), with approximately 4 million inhabitants, İzmir, with approximately three million inhabitants, and Adana, Bursa and Antalya.

Constitutional and Political System

Turkey was declared a republic on 29 October 1923 and operates a system of parliamentary democracy underpinned by a written constitution.

The current Turkish Constitution was ratified by referendum in 1982 and provides for a president, a prime minister and a parliament, the Grand National Assembly ("**GNA**"). The President is elected for a seven-year term by a vote of the GNA, and the Prime Minister is appointed by the President from the members of the GNA. The Prime Minister nominates the members of the Council of Ministers, who must be approved by the President. The Council of Ministers is chaired by the Prime Minister and exercises the executive powers of the government under the authority of the GNA. The members of the GNA are elected for a five-year term. The current President, Mr. Abdullah Gül, from the AKP, was elected in August 2007 as the 11th president of the Republic and his term of office will terminate in May 2014.

The Turkish Constitution provides for a system of proportional representation and forbids the formation of political parties on the basis of class, religion or secessionism. The Parliamentary Election Law provides that parties that receive less than 10% of the votes in national elections are not eligible for seats in the GNA.

In the last national elections, which took place on 22 July 2007, AKP received a simple majority with 46.56% of the votes and was able to secure 341 out of 550 available seats in the GNA. On 29 August 2007, President Abdullah Gül approved the list of new cabinet members submitted by

Prime Minister Recep Tayyip Erdoğan. On 30 August 2007, Prime Minister Recep Tayyip Erdoğan announced the new cabinet.

Since its formation in 1923, Turkey has had 60 different governments, with political disagreements frequently resulting in early elections. Furthermore, the Turkish military establishment has, historically, played a significant role in Turkish government and politics, intervening in the political process three times since 1959 (in 1960, 1971 and 1980), each time withdrawing after the election of a new civilian government and the introduction of changes to the legal and political systems.

A referendum on a package of changes introducing 26 amendments to the Turkish Constitution was held on 12 September 2010. Following majority approval in the referendum, the changes will become part of the Turkish Constitution. The changes will, amongst other things, change the composition and structure of the Constitutional Court and Supreme Court of Judges and Prosecutors by giving the President and the GNA more power to elect members, enable the military to be brought under greater civilian control by allowing for military personnel to be tried by civilian courts for crimes against the state and provide for positive discrimination in favour of children, the elderly and the disabled.

In the recent amendment to the Parliamentary Election Law, it is envisaged that the next general election will be held in July 2011.

International Relations

Turkey is one of the original member states of the United Nations, and joined the Council of Europe in 1949, the North Atlantic Treaty Organisation in 1952 and the Organization for Economic Co-operation and Development in 1960.

In 1963, Turkey became an Associate Member of the European Economic Community by an Association Agreement that aimed at full membership. Turkey commenced negotiations on its accession to the EU on 3 October 2005 with a view to becoming a member state at some point in the future. Since 2006, negotiations have been suspended in eight out of 35 parts, or "chapters", and the EU has decided not to close the other 27 chapters, of the accession negotiations due to Turkey's restrictions with respect to the Greek Cypriot Administration. The other 27 chapters nevertheless continue to be negotiated.

In addition, Turkey is a member of the World Bank and the European Bank for Reconstruction and Development, the Black Sea Economic Cooperation and the IMF, and it is the ninth largest shareholder of the Asian Development Bank. In 1995, Turkey became a member of the World Trade Organisation. Turkey is a member of the Organisation of the Islamic Conference and of the Islamic Development Bank. Turkey belongs to the European Resettlement Fund, the Asian Development Bank, the Multilateral Investment Guarantee Agency, the Bank for International Settlements and is a participant in the International Convention on the Harmonised Commodity Description and Coding System. Turkey is a founding member of the Economic Cooperation Organisation ("**ECO**"), a trade organisation formed in 1985 among Turkey, Iran and Pakistan. Since its formation, Afghanistan, Azerbaijan, Kyrgyzstan, Kazakhstan, Tajikistan, Turkmenistan and Uzbekistan have joined the ECO. Turkey is also a member of the Black Sea Economic Cooperation Organization, the Developing 8 and the Conference on Interaction and Confidence Building Measures in Asia. Turkey also participates in the Euromed/Barcelona Process.

The Turkish Economy

The Turkish economy has undergone significant changes since the early 1980s. It has moved from a highly protected state-directed system to a market-orientated free enterprise system. Reforms initiated since 1980 have, among other things, largely removed price controls and reduced subsidies, reduced the role of the public sector in the economy, emphasised growth in the industrial and service sectors, liberalised foreign trade, reduced tariffs, promoted export growth, eased capital transfer and exchange controls, encouraged foreign investment, strengthened the independence of the Central Bank, led to full convertibility of the Turkish lira by accepting Article VIII of the IMF's Articles of Agreement and overhauled the tax system.

Turkey experienced two significant financial crises in 1994 and 2000/2001. In 2001, the crawling-peg exchange rate regime collapsed and a subsequent banking crisis triggered a contraction in the real economy. The real GNP growth rate was negative 9.5% in 2001.

A strong recovery during the second half of 2002 boosted the GNP growth rate to 7.9% and in 2003 GDP continued to grow in Turkey. GDP growth was spurred by increases in private sector fixed investments and consumption expenditures. Turkey's real GDP annual growth rate averaged approximately 6.1% during the period from 2004 to 2008. Over this period, the Turkish economy became more diversified. In particular, the industrial base was broadened, and exports of goods and services grew rapidly. In addition, financial markets expanded and became more sophisticated.

The current global economic crisis impacted Turkey's economy, although its banking system remained largely resilient compared to banking systems in Europe due in part to measures implemented to reform the banking system during the 2000/2001 financial crisis. Partly as a consequence of the global economic crisis, Turkey's real GDP in each of the first three quarters of 2009 declined significantly compared to the same quarter of 2008 but increased in the final quarter and was overall negative 4.7%, for 2009. Turkey's real GDP increased by 11.7% and 10.3% respectively in the first two quarters of 2010 compared to the comparable period in 2009 as Turkey's exports continued to perform well since the decline in the first three quarters of 2009 and increasing domestic demand. The government predicted a 3.5% rise in GDP for 2010 earlier this year but revised these numbers to a 6% to 8% rise in GDP for 2010 in September 2010. Turkey's central government budget deficit for 2009 increased to approximately 5.52% of its GDP compared to 1.8% for 2008 reflecting in part declining tax receipts and the use of economic stimulus measures.

Turkey has in the past few years had a widening current account deficit, largely due to a widening trade deficit, moving from a balance in 2002 to a peak deficit of approximately $41.9 billion in absolute terms in 2008 (or 5.6% of GDP). This reduced in 2009 to a deficit of approximately $13.9 billion (or 2.25% of GDP) due in large part to the contraction in domestic demand for imports following the economic crisis. However, as domestic demand has been greater than external demand in 2010, the trade deficit has begun rising again in 2010. Nevertheless, the ratio of foreign debt to GDP has fallen steadily to 46.3% at the end of 2009 from 47.1% at the end of December 2005 and from 7% at the end of December 2002 due to the relatively faster growth rate of GDP during the same period.

Inflation has declined in recent years to reach its lowest level in three decades in 2009 with the CPI at 6.5% (with 1994 as the base year) compared to 39.0% at the beginning of the decade at the end of 2000. Inflation has increased during 2010 and Turkey's Central Bank estimated in September 2010 a CPI rate of approximately 10.0% for 2010, partly as a result of rising domestic demand and rising economic activity. However, the Central Bank has announced that it has chosen not to target inflation at the moment, and one-week repo auction rates (which are currently the Central Bank's policy rate) were at a historic low of 7.0% per annum in the first half of 2010 in an effort to stimulate lending to assist with economic recovery.

The total gross outstanding external debt of the Republic was approximately $265.3 billion (at then-current exchange rates) at the end of the first quarter of 2009. The total gross outstanding external debt of the Republic was approximately $277.1 billion (at the then current exchange rates) at the end of 2008.

Turkey's standing in international finance markets has been steadily improving, with rating agencies Fitch, Standard & Poor's and Moody's all upgrading Turkish bonds to just below investment grade at the beginning of 2010.

The table below sets out summary economic statistics for Turkey during the years indicated.

	2005	2006	2007	2008	2009
GDP (US$ million) per capita........................	7.021	7.583	9.234	10.440	8.578
GDP growth (%)..	8.4	6.9	4.7	0.7	(4.7)
Unemployment rate (%).................................	10.6	10.2	10.3	11	14
Inflation, average (CPI) (%)	7.7	9.7	8.4	10.1	6.5
Exports (US$ billion).....................................	73.5	85.5	107.3	132	102.1
Import (US$ billion)	116.8	139.6	170.1	202.0	140.9
External debt (US$ billion)............................					
Total/Long Term..	169.9/131.6	207.8/165.2	249.6/206.4	277.0/226.6	268.2/218.6
Net external debt/ GDP (%)...........................	20.5	20.6	20.6	20.3	20.3
Gross external debt/ GDP (%)	35.3	39.5	38.5	37.3	43.4

Source: Central Bank (www.tcmb.gov.tr), TURKSTAT (www.tuik.gov.tr), State Institute of Statistics (www.die.gov.tr) and Undersecretariat of the Treasury (www.hazine.gov.tr) as of September 2010.

DESCRIPTION OF CERTAIN OTHER INDEBTEDNESS

The following summary of certain of Yüksel's other indebtedness (or those of its subsidiaries) does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

As of 30 June 2010, Yüksel had total facilities[(1)] of US$545.3 million (including leasing transactions) which was comprised of a combination of international and local cash and non-cash facilities, including approximately US$219.0 million of cash loans and US$326.3 million of non-cash facilities. Non-cash facilities are customarily utilised in the construction business and include, among other things, bid bonds, performance bonds, advance payment guarantees and letters of credit. Yüksel intends to repay certain existing indebtedness with approximately US$120.0 million of the net proceeds received from the sale of the Notes and the following description covers certain of the international and local cash and non-cash facilities which Yüksel expects will remain in place after the repayment of such existing indebtedness. *See "Use of Proceeds".*

International Loan Facilities

The Company has entered into several international loan facilities with European, Middle Eastern and other international financial institutions in connection with various project contracts and for general corporate purposes (collectively, the "**Yüksel International Loans**"). The terms of the Yüksel International Loans generally contain representations and warranties, undertakings and events of default that are customary to these types of financings. Below please find a summary of certain of Yüksel's international loan facilities.

Credit Europe Bank N.V.

The Company maintains an uncommitted secured loan facility with Credit Europe Bank N.V. in connection with its projects in Libya which has a maximum credit line of US$44.0 million available to Yüksel. As of 30 June 2010, Yüksel had a cash loan of US$10.0 million outstanding and a non-cash loan of US$15.0 million outstanding under this facility. The non-cash portion of the outstanding loan includes performance bonds. The cash loan bears an annual interest rate of 8.0% and matures March 2011.

The loans are secured by certain assets of the Company as well as a mortgage granted by Yüksel in the amount of US$31.8 million over various units within the Metrocity Complex in İstanbul and certain parcels of Yüksel's Polatli land in Ankara. The loans are also secured by corporate guarantees from Yüksel Holding and certain of its subsidiaries as well as personal guarantees from some of the main shareholders of Yüksel.

The loan facility is governed by the laws of the Netherlands. The loan contains representations and undertakings and events of default that are customary for this type of financing.

Landesbank Baden-Württemberg

The Company maintains an unsecured loan facility with Landesbank Baden-Württemberg (London Branch) ("**Landesbank**") which has a maximum credit line of US$15.0 million available to Yüksel in connection with the financing of a number of supply contracts for construction projects in Saudi Arabia that have been entered into between the Company and local agents, distributors and various suppliers. These supply contracts cover machinery, equipment, material and other supplies. As of 30 June 2010, Yüksel had two unsecured cash loans with an outstanding amount of US$15.0 million drawn under this facility.

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(1) Yüksel has entered into a number of factoring arrangements worth US$31.2 million as of 30 June 2010 but it does not consider these as equivalent to indebtedness and thus they have been excluded for purposes of this section. *See "—Local Loan Facilities—Factoring".*

The loan is comprised of two tranches with varying interest rates of a floating interest rate of LIBOR plus a margin of 3.55% per annum and a fixed interest rate set by Landesbank. For the two outstanding cash loans as of 30 June 2010, one loan bears interest at the floating interest rate and the other loan bears interest at a fixed rate of 7.57%.

In connection with the Landesbank facility, Yüksel Holding has provided a corporate guarantee and some of the main shareholders of Yüksel have provided personal guarantees. The loan facility is governed by German law.

The loan contains representations and warranties, undertakings and events of default that are customary for these types of financings. The Company may not assign its rights or obligations under the loan agreement.

International Non-Cash Facilities

The Company maintains a number of non-cash facilities with a range of international banks including SAMBA, BNP Paribas, Mashreqbank PSC, HSBC Bank Middle East Limited, Doha Bank and Qatar National Bank SAQ. These non-cash facilities are utilised for various purposes including, among other things, bid bonds, performance bonds, advance payment guarantees, letters of credit, letters of guarantee, to finance working capital and general corporate purposes in connection with various overseas projects.

Some of these international non-cash facilities are secured by corporate guarantees from Yüksel Holding and certain of its subsidiaries as well as personal guarantees from some of the main shareholders of Yüksel.

Local Loan Facilities

The Company has entered into several general credit agreements with major Turkish banks on an uncommitted basis (the "**General Credit Agreements**"). The proceeds under the General Credit Agreements are permitted to be used for general corporate purposes, although in practice they are generally used to finance some of Yüksel's construction and contracting activities as well as to meet working capital requirements of the Company. In addition, the Company has entered into credit agreements with Turkish Eximbank for trade financing purposes (the "**Export Credit Agreements**", together with the General Credit Agreements the "**Turkish Credit Agreements**").

Structure

The Turkish Credit Agreements are standard form Turkish bank finance agreements. They include a facility limit which can be utilised in the form of cash and/or non-cash loans. The cash loan facilities are available in the form of a variety of sub-facilities including in foreign or local currency, term loans, pre-finance loan facilities, import and export credit facilities. The non-cash facilities also offer a variety of non-cash credits such as letters of guarantee, letters of credit (including stand-by letters of credit), counter guarantees, acceptances, sureties and bonds to be used in the course of Yüksel's operations.

Under the Turkish Credit Agreements, banks are entitled to: (i) open one or more than one current account for the Company, (ii) apply and unilaterally determine the rate of fees and commissions, (iii) determine the maturities of each facility made available under the finance agreement, (iv) increase or decrease the limit of each current account, (v) cut, stop or cancel the loan facilities in part or in whole and (vi) decrease or increase the loan facility limits.

Commitment and Term

In accordance with Turkish market practice, banks are not under any obligation: (i) to make available the whole or any part of the amount of the facility, as they are uncommitted or (ii) to re-extend any amounts repaid by the Company, as they are not revolving facilities. In addition, banks are entitled to cancel the facility limit and require repayment at any time upon demand.

The Turkish Credit Agreements generally do not have fixed terms. The maximum credit line available is fixed at an upper limit as defined in the respective finance agreements. Once such upper limit is reached, the bank has no obligation to provide further credit.

Covenants

Under the General Credit Agreements, the Company undertakes not to distribute dividends at a level that may adversely affect its financial ratios.

There is no change of control or share transfer restriction provision in the Turkish Credit Agreements, however banks must be informed of any shareholding changes of more than 10%.

Security

The indebtedness under each of the General Credit Agreements is secured by way of pledges over all of the accounts and deposits of the Company held with each relevant bank.

As additional credit support, further security granted to the relevant banks to secure indebtedness under the General Credit Agreements includes: (i) mortgages over real estate, (ii) assignments of receivables, (iii) corporate guarantees from Group companies and/or (iv) personal guarantees from main shareholders of the Company.

The mortgages over land also cover the buildings, fixtures and fittings pertaining to such land and buildings. The following table sets forth, as of 30 June 2010, a summary of the mortgages granted to secure some of the indebtedness described above (several of which the Company expects will be released once certain of its existing indebtedness is repaid with a portion of the net proceeds received from the sale of the Notes):

Mortgages granted by Yüksel and its subsidiaries (except energy subsidiaries, overseas subsidiaries and Fiba)

Mortgagor	Bank	Mortgage Value
		(US$ million)
Yüksel	Şekerbank	40.2
	Vakıfbank	159.1
	Alternatifbank	1.0
	Halkbank[(2)]	2.5
	Finansbank	17.5
	Bank Asya	13.3
	Credit Europe Bank N.V.	31.8
Sasel	İş Bankası	5.3
Total		270.7[(3)]

Assignment of receivables agreements consist of assignments of rights to receivables arising from contracts entered into with customers, mostly state entities such as the Turkish State Roads Directorate. Broadly the loans secured by way of assignment of receivables are paid back directly from the customers to specified charged accounts on behalf of the Company in consideration for services rendered for the relevant project.

Corporate guarantees give rise to an independent obligation to indemnify the creditor in cases of default by the debtor. Guarantors under the General Credit Agreements usually appear as co-debtors under joint and several liability arrangements and have a direct obligation *vis-à-vis* the creditor. Accordingly, the creditor can pursue either co-debtor or both. Under Turkish law, the existence and validity of the principal debt does not affect the guarantor's liability *vis-à-vis* the creditor and an indication of a definite maximum amount of liability is not required for the validity of

(2) As of 30 June 2010, this facility had been closed however due to de registration formalities, the mortgage was still in place.

(3) This figure represents the total mortgage value and not the amount of indebtedness secured by way of mortgage.

the guarantee. Guarantors under the Turkish Credit Agreements include Yüksel Holding or other subsidiaries.

Personal guarantees from main shareholders are also sought as security for some of the General Credit Agreements.

Currency Risks

The Company bears all foreign currency risks to which the bank might be exposed as a result of the performance of its obligations under the Turkish Credit Agreements.

Events of Default

The Turkish Credit Agreements contain representations and warranties, undertakings and events of default that are customary for these types of financings. Subject to exceptions, materiality tests and grace periods, the customary events of default include, among other things: (i) non-payment of principal, interest or fees, (ii) breach of financial covenants or the provisions of the related finance documents, (iii) material inaccuracy of representations or warranties, (iv) cross-default or cross-acceleration of other financial indebtedness, (v) certain insolvency events, (vi) cessation of business, (vii) unlawfulness for or repudiation by the Company or any other obligor thereunder of certain material documents, (viii) the occurrence of a material adverse effect on the financial status of the Company or litigation concerning the finance or acquisition documents which are determined to have a material adverse effect, (ix) change of 10% in the shareholding of the main shareholders, (x) overdrafts not satisfied for more than a month and (xi) breach of any obligations arising from the incentive certificates under Export Credit Agreements.

Leasing

The Company has in place a number of short term finance lease liabilities. These leases relate to cars, as well as certain machinery and equipment.

Factoring

The Company has entered into a number of factoring arrangements, largely on an invoice discounting basis, mainly in order to secure short term funding financed by the discounting of receivables of Yüksel with the relevant factoring company. As of 30 June 2010, financial indebtedness represented by these factoring arrangements was US$31.2 million.

DESCRIPTION OF THE NOTES

Yüksel Inşaat A.Ş., a joint-stock company incorporated under the laws of the Republic of Turkey (the "**Company**"), issued its US$200 million aggregate principal amount of notes (the "**Notes**") under an indenture (the "**Indenture**"), dated 10 November 2010, among the Company, the Guarantors (as defined herein) and Deutsche Trustee Company Limited, as trustee (the "**Trustee**"), in a private transaction that was exempt from the registration requirements of the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), pursuant to Regulation S promulgated thereunder ("**Regulation S**"). *See "Subscription and Sale"*. The terms of the Notes include those stated in the Indenture.

The following description of the material provisions of the Indenture does not restate the Indenture in its entirety. For a more complete description investors are urged to read the Indenture. Copies of the Indenture, the form of Note and the form of Note Guarantee are available as set forth below under *"—Additional Information"*. This Offering Memorandum is an official and public document for the purpose of the listing on the Luxembourg Stock Exchange and therefore it shall be considered to set out the rights of the holders.

Definitions of capitalised terms used in this description can be found under *"—Certain Definitions"*. In this description, the "**Company**" refers only to Yüksel Inşaat A.Ş. and not to any of its Subsidiaries.

The registered holder of a Note will be treated as the owner of such Note for all purposes under the Indenture. Only registered holders of Notes will possess rights under the Indenture.

Brief Description of the Notes and the Note Guarantees

The Notes will be general unsecured obligations of the Company and will rank *pari passu* in right of payment with all existing and future unsecured senior Indebtedness of the Company. The Notes will rank senior in right of payment to any future subordinated Indebtedness of the Company.

The Notes will be unconditionally and irrevocably guaranteed on a joint and several basis (each, a "**Note Guarantee**" and, collectively, the "**Note Guarantees**") by each of the following Subsidiaries of the Company: (i) Sasel Elektromekanik Sanayi ve Ticaret A.Ş.; and (ii) Yüksel Yapı Elemanları A.Ş. (each, a "**Guarantor**" and, collectively, the "**Guarantors**"). Each Note Guarantee will be a general unsecured obligation of the relevant Guarantor and will rank *pari passu* in right of payment with all existing and future unsecured senior Indebtedness of that Guarantor. Each Note Guarantee will rank senior in right of payment to any future subordinated Indebtedness of the relevant Guarantor. Under certain circumstances, certain of the Company's Restricted Subsidiaries may be required to execute and deliver to the Trustee a Note Guarantee on an equal basis as the Note Guarantees provided by the other Guarantors. *See "—Certain Covenants—Additional Note Guarantees"*.

The Notes will be effectively subordinated in right of payment to all secured Indebtedness of the Company and the Guarantors and all Indebtedness and other liabilities and obligations (including trade payables and lease obligations) of the Company's non-Guarantor Subsidiaries. Any right of the Company to receive assets of any of its non-Guarantor Subsidiaries upon that non-Guarantor Subsidiary's bankruptcy, liquidation or reorganisation (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-Guarantor Subsidiary's creditors, except to the extent that the Company is itself recognised as a creditor of that non-Guarantor Subsidiary, in which case the claims of the Company would still be subordinated in right of payment to any security in the assets of that non-Guarantor Subsidiary and any Indebtedness of that non-Guarantor Subsidiary senior to that held by the Company.

As at 30 June 2010, after giving effect to the issuance of the Notes and the application of the net proceeds therefrom, the Company and the Guarantors would have had US$17.0 million of secured Indebtedness, and the Company's non-Guarantor Subsidiaries would have had US$8.1 million of

Indebtedness to which the Notes would have been effectively subordinated. See *"Risk Factors—Risk Factors Related to the Notes and the Note Guarantees—The Notes will be effectively subordinated to all secured indebtedness of the Issuer as well as to all obligations of the Issuer's subsidiaries that do not guarantee the Notes"* and "*Description of Certain Other Indebtedness*".

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*", the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will not be subject to many of the restrictive covenants contained in the Indenture and will not guarantee the Notes. *See* "*—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries*".

Escrow Arrangement

In connection with this offering, the Company entered into an escrow agreement (the "**Escrow Agreement**"), dated 10 November 2010, between the Company and Deutsche Bank AG, London Branch, as escrow agent, pursuant to which the Company agreed that US$120.0 million of the net proceeds of this offering were to be placed into an escrow account (the "**Escrow Account**") to be applied to the repayment of certain Existing Indebtedness.

The Escrow Agreement provides that, as the Company makes arrangements with the lenders of certain of its Existing Indebtedness for the repayment thereof, a portion of the net proceeds of this offering will be released from the Escrow Account and applied to the repayment of certain Existing Indebtedness within 120 days of the issue date of the Notes. When the remaining amount of funds in the Escrow Account is equal to or less than US$10.0 million, such remaining funds will be released to the Company.

To the extent any net proceeds of this offering in excess of US$10.0 million remain in the Escrow Account 120 days after the issue date of the Notes, the Company will be required to make an offer to the holders of the Notes to repurchase such Notes. *See* "*—Repurchase at the Option of Holders—Escrow Proceeds Repurchase Offer*".

Amounts held in the Escrow Account shall be deemed not to constitute outstanding Indebtedness for purposes of the "*Incurrence of Indebtedness and Issuance of Preferred Stock*" covenant.

Principal, Maturity and Interest

The Company issued US$200 million in aggregate principal amount of Notes in this offering. The Company may issue additional notes under the Indenture from time to time after this Offering. Any issuance of additional notes is subject to all of the covenants contained in the Indenture, including the covenant described below under *"—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"*. The Notes and any additional notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Company will issue Notes in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof. The Notes will mature on 10 November 2015.

Interest on the Notes will accrue at the rate of 9.50% per annum (the "**Applicable Rate**") on the outstanding principal amount of the Notes and will be payable semi-annually in arrears on 10 May and 10 November of each year, commencing on 10 May 2011, subject to such dates being business days for payment in London, New York and İstanbul and, if not, payments will be made on the immediately following business day. Interest on overdue principal and interest, including Additional Amounts, if any, will accrue at a rate that is 1.0% higher than the then applicable interest rate on the Notes. The Company will make each interest payment to the holders of record on the immediately preceding 26 April and 26 October.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The Notes will have a redemption price of 100% at the maturity date.

Principal Paying Agent, Paying Agent and Registrar for the Notes

The Company will maintain one or more paying agents (each, a "**Paying Agent**") for the Notes in Luxembourg for so long as the Notes are listed on the Euro MTF (the "**Euro MTF**"). The Company will ensure that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to such directive. The initial Principal Paying Agent will be Deutsche Bank AG, London Branch with the initial Paying Agent being Deutsche Bank Luxembourg S.A. in Luxembourg.

The Company will also maintain one or more registrars (each, a "**Registrar**") with offices in Luxembourg for so long as the Notes are listed on the Euro MTF. The Company will also maintain a transfer agent (a "**Transfer Agent**") in Luxembourg. The initial Registrar will be Deutsche Bank Luxembourg S.A. in Luxembourg, and the initial Transfer Agent will be Deutsche Bank Luxembourg S.A. in Luxembourg. The Registrar and the Transfer Agent will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Company. Each Transfer Agent shall perform the functions of a transfer agent.

The Company may change the Paying Agents, the Registrars or the Transfer Agent without prior notice to the holders of the Notes. For so long as the Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, the Company will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange.

Transfer and Exchange

The Notes are being sold outside the United States pursuant to Regulation S under the U.S. Securities Act and will initially be represented by a single global note in registered form without interest coupons attached (the "**Global Note**").

During the 40-day distribution compliance period, book-entry interests in the Global Note may be transferred only to non-U.S. Persons in accordance with Regulation S under the U.S. Securities Act or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction.

Ownership of interests in the Global Note ("**Book-Entry Interests**") will be limited to Persons that have accounts with Euroclear or Clearstream, Luxembourg or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarised below and described more fully under *"Subscription and Sale"*. In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream, Luxembourg will be effected by Euroclear or Clearstream, Luxembourg in accordance with customary procedures and will be subject to the applicable rules and procedures established by Euroclear or Clearstream, Luxembourg and their respective participants.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraph will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred.

Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of US$100,000 principal amount and integral multiples of US$1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required under the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as provided in the Indenture or as otherwise determined by the Company in compliance with applicable law, be subject to, and will have a legend with respect to the restrictions on transfer summarised below and described more fully under "*Subscription and Sale*".

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of US$100,000 in principal amount and integral multiples of US$1,000 in excess thereof, to Persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, Luxembourg, where appropriate, furnish certain certificates and opinions, and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Company is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer, an Asset Sale Offer or an Escrow Proceeds Repurchase Offer.

Additional Amounts

All payments made by the Company under or with respect to the Notes (whether or not in the form of Definitive Registered Notes) or any Guarantor with respect to its Note Guarantee will be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Company or any Guarantor (including any successor entity) is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction from or through which payment is made by or on behalf of the Company or any Guarantor (including, without limitation, the jurisdiction of any Paying Agent) (each, a "**Tax Jurisdiction**"), is required by law or by the official interpretation or administration thereof to be made by the Company under or with respect to the Notes or any of the Guarantors with respect to any Note Guarantee, including, without limitation, payments of principal, redemption price, purchase price, interest or premium, the Company or the relevant Guarantor, as applicable, will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received in respect of such payments by each holder (including Additional Amounts) after such withholding or deduction will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes to the extent such Taxes would not have been imposed but for the holder or a Beneficial Owner of the Notes being a citizen or resident or national of, or incorporated or carrying on a business in, the relevant Tax Jurisdiction in which such Taxes are imposed or having any other present or former connection with the relevant Tax Jurisdiction, other than the mere acquisition, holding, exercise or enforcement of rights or the receipt of payment in respect of Notes or with respect to any Note Guarantee;

(2) any Taxes to the extent such Taxes are imposed or withheld as a result of the failure of the holder or a Beneficial Owner of the Notes to comply with any reasonable written request, made to that holder or Beneficial Owner in writing at least 30 days before any such withholding or deduction would be payable, by the Company or any Guarantor to provide timely and accurate information concerning the nationality, residence or identity of such holder or Beneficial Owner or to make any valid and timely declaration or similar claim or satisfy any certification information or other reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from or reduction in all or part of such Taxes;

(3) any Taxes to the extent such Taxes were imposed as a result of presentation of a Note for payment more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);

(4) any estate, inheritance, gift, sale, transfer, personal property or similar Taxes;

(5) any Taxes withheld, deducted or imposed on a payment to an individual and that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;

(6) any Taxes to the extent imposed on or with respect to any payment made to a holder of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(7) any Taxes payable other than by deduction or withholding from payments under or with respect to the Notes or with respect to any Note Guarantee; or

(8) any combination of items (1) through (7) above.

In addition to the foregoing, the Company and the Guarantors will also pay any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property taxes, charges or similar levies or Taxes which are levied by any Tax Jurisdiction on the execution, delivery, registration or enforcement of any of the Notes, the Indenture, any Note Guarantee, or any other document or instrument referred to therein, or the receipt of any payments with respect to the Notes or the Note Guarantees.

No Additional Amounts will be paid with respect to a payment on any Note or the Note Guarantees to a holder that is a fiduciary, limited liability company or partnership or any other person other than the sole Beneficial Owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary, a member of such partnership or limited liability company or the Beneficial

Owner of such payment would not have been entitled to receive payment of the Additional Amounts had the beneficiary, settlor, member or Beneficial Owner been the holder of the Note.

Subject to the exceptions provided above, the Company or the relevant Guarantor, as applicable, will pay Additional Amounts so that the amount received by the holder after currently applicable Turkish withholding tax will equal the amount that would have been received if such withholding tax had not been applicable. The Company or the relevant Guarantor, as the case may be, will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing such payment.

If the Company or any Guarantor, as the case may be, becomes obligated to pay Additional Amounts in excess of the Turkish withholding tax of 10%, with respect to any payment under or with respect to the Notes or any Note Guarantee, the Company or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of such payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Company or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to holders of the Notes on the relevant payment date. The Trustee shall be entitled to rely solely without further investigation or verification on such Officer's Certificate as conclusive proof that such payments are necessary. The Company or the relevant Guarantor, as the case may be, will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of such Additional Amounts.

The Company or the relevant Guarantor, as the case may be, will make all withholdings and deductions required by law in the time required by law and will remit the full amount deducted or withheld to the relevant tax authority in accordance with applicable law. The Company or the relevant Guarantor, as the case may be, will provide to the Trustee an official receipt or, if official receipts are not obtainable, other documentation reasonably satisfactory to the Trustee evidencing the payment of any Taxes so deducted or withheld. The Company or the relevant Guarantor, as the case may be, will attach to each certified copy or other document a certificate stating the amount of such Taxes paid per US$1,000 principal amount, as applicable, of the Notes then outstanding. Upon request, copies of those receipts or other documentation, as the case may be, will be made available by the Trustee to the holders of the Notes.

Whenever in the Indenture or in this description there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

See "—Redemption for Changes in Taxes".

Note Guarantees

The Notes will initially be guaranteed by certain of the Company's Subsidiaries. *See "—Brief Description of the Notes and the Note Guarantees".* The Note Guarantees will be joint and several obligations of the Guarantors and the obligations of each Guarantor under its Note Guarantee will be limited as necessary to prevent that Note Guarantee from constituting a fraudulent conveyance under applicable law.

A Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Company or another Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) either:

(a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under its Note Guarantee, the Indenture and any other appropriate documents satisfactory to the Trustee; or

(b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture.

The Note Guarantee of a Guarantor will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture;

(2) in connection with any sale or other disposition of Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture and the Guarantor ceases to be a Restricted Subsidiary of the Company as a result of such sale or other disposition;

(3) if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under *"—Legal Defeasance and Covenant Defeasance"* and *"—Satisfaction and Discharge"*; or

(5) upon the full and final payment and performance of all obligations of the Company under the Indenture and the Notes.

Upon any occurrence giving rise to a release of a Note Guarantee as specified above, the Trustee will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Note Guarantee.

See "—Repurchase at the Option of Holders—Asset Sales".

Optional Redemption

At any time prior to 10 November 2013, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 109.50% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of an Equity Offering by the Company or a contribution to the Company's common equity capital made with the net cash proceeds of a concurrent Equity Offering by the Company's direct or indirect parent; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes originally issued under the Indenture (excluding Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

At any time prior to 10 November 2013, the Company may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs, the Notes will not be redeemable at the Company's option prior to 10 November 2013.

On or after 10 November 2013, the Company may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on 10 November of the years indicated below, subject to the rights of holders of the Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Percentage
10 November 2013	104.75%
10 November 2014 and thereafter	100.00%

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Redemption for Changes in Taxes

The Company may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described below under *"—Selection and Notice"*), at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption (a "**Tax Redemption Date**") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Company is or would be required to pay Additional Amounts (or, in the case of any Taxes imposed by the Republic of Turkey (or any political subdivision or taxing authority thereof or therein), Additional Amounts in excess of the Additional Amounts that the Company would pay if payments in respect of the Notes were subject to deduction or withholding for Taxes at a rate of 10%), and the Company cannot avoid any such payment obligation by taking reasonable measures available, and the requirement arises as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment becomes effective on or after the date of the Indenture (or, if the relevant Tax Jurisdiction has changed since the date of the Indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture); or

(2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced and becomes effective on or after the date of the Indenture (or, if the relevant Tax Jurisdiction has changed since the date of the Indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture).

The Company will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Company would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee an opinion of counsel of recognised standing, to the effect that there has been such change or amendment which would entitle the Company to redeem the Notes under the Indenture. In addition, before the Company publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Company taking reasonable measures available to it.

The Trustee will accept such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to such directive will not be a change or amendment for such purposes.

Mandatory Redemption

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each holder of Notes will have the right to require the Company to repurchase all or any part (equal to US$100,000 or an integral multiple of US$1,000 in excess thereof) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase (the "**Change of Control Payment**"), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within ten days following any Change of Control, the Company will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the date (the "**Change of Control Payment Date**") specified in such notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required under the Indenture and described in such notice. The Company will comply with the requirements of Rule 14e1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions set forth in the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions set forth in the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The Paying Agent will promptly mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalisation or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if:

(1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer; or

(2) notice of redemption has been given under the Indenture as described above under *"—Optional Redemption",* unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

If and for so long as the Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, the Company will publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange. For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, Luxembourg notices may be given by delivery of the relevant notices to Euroclear or Clearstream, Luxembourg for communication to entitled account holders in substitution of the aforesaid publication and posting mechanisms.

Asset Sales

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration in connection with the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75.0% of the consideration received in connection with the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation or indemnity agreement that releases the Company or such Restricted Subsidiary from or indemnifies against further liability;

(b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are contemporaneously, subject to ordinary settlement periods, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion; and

(c) any stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant set forth below.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds:

(1) to repay (a) Indebtedness and other Obligations of the Company or any of its Restricted Subsidiaries that are secured by a Lien or (b) Indebtedness of a non-Guarantor Restricted Subsidiary of the Company (other than Indebtedness owed to the Company or a Restricted Subsidiary of the Company) and, if in either case, the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of the Company;

(3) to make a capital expenditure; or

(4) to acquire other assets (other than Capital Stock) that are not classified as current assets under IFRS and that are used or useful in a Permitted Business.

Pending the final application of any Net Proceeds, the Company (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds US$10.0 million, within five days thereof, the Company will make an offer (an "**Asset Sale Offer**") to all holders of Notes and all holders of other Indebtedness ranking *pari passu* with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase, prepay or redeem with the proceeds of sales of assets to purchase, prepay or redeem the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or required to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis, based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

Escrow Proceeds Repurchase Offer

Any net proceeds from the offering of the Notes in excess of US$10.0 million that remain in the Escrow Account 120 days after the issue of the Notes will constitute "*Excess Escrow Proceeds*". To the extent any such amounts remain outstanding, within five days following the expiration of the 120-day period, the Company will make an offer (an "**Escrow Proceeds Repurchase Offer**") to all holders of Notes that may be purchased, prepaid or redeemed out of the Excess Escrow Proceeds. The offer price in any Escrow Proceeds Repurchase Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Escrow Proceeds remain after consummation of an Escrow Proceeds Repurchase Offer, such proceeds shall be released to the Company, and the Company may use those Excess Escrow Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes tendered into (or required to be prepaid or redeemed in connection with) such Escrow Proceeds Repurchase Offer exceeds the amount of Excess Escrow Proceeds, the Trustee will select the Notes to be purchased on a *pro rata* basis, based on the amounts tendered or required to be prepaid or redeemed.

The Company will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer, an Asset Sale Offer or an Escrow Proceeds Repurchase Offer. To the extent that the provisions of any securities laws or regulations conflict with the "*Change of Control*", "*Asset Sale*" or "*Escrow Proceeds Repurchase Offer*" provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under any such provision of the Indenture by virtue of such compliance.

The agreements governing the Company's Indebtedness other than the Notes contain, and future agreements may contain, prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale or require the Company to make an Escrow Proceeds Repurchase Offer and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of Notes of their right to require the Company to repurchase Notes upon a Change of Control, an Asset Sale or as required by an Escrow Proceeds Repurchase Offer could cause a default under these other agreements, even if the Change of Control, Asset Sale or Escrow Proceeds Repurchase Offer itself does not, due to the financial effect of such repurchases on the Company. In the event a Change of Control or Asset Sale or requirement to make an Excess Proceeds Repurchase Offer occurs at a time when the Company is prohibited from purchasing Notes, the Company could seek the consent of its lenders under the facilities prohibiting such repurchase to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will remain prohibited from purchasing Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture, which, in turn, could constitute a default under the other Indebtedness. Finally, the Company's ability to pay cash to the holders of Notes upon a repurchase may be limited by the Company's then existing financial resources.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption on a *pro rata* basis (or, in the case of Notes issued in global form, as discussed under *"Book-Entry, Delivery and Form",* based on a method that most nearly approximates a *pro rata* selection as the Trustee deems fair and appropriate) unless otherwise required by law or applicable stock exchange or depositary requirements.

No Notes of US$100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, Luxembourg, notices may be given by delivery of the relevant notices to Euroclear or Clearstream, Luxembourg for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and, in connection with any redemption, the Company will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

Certain Covenants

Changes in Covenants when Notes Rated Investment Grade

If on any date following the date of the Indenture:

(1) the Notes are rated Baa3 or better by Moody's and BBB− or better by Fitch (or, if either such entity ceases to rate the Notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other internationally recognised statistical rating organization); and

(2) no Default or Event of Default shall have occurred and be continuing,

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this description will be suspended:

(a) "*—Repurchase at the Option of Holders—Asset Sales*";

(b) "*—Restricted Payments*";

(c) "*—Incurrence of Indebtedness and Issuance of Preferred Stock*";

(d) clauses (1)(a) and (3) of the covenant described below under "*—Sale and Leaseback Transactions*";

(e) "*—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*";

(f) clause (4)(a)(i) of the covenant described below under "*—Merger, Consolidation or Sale of Assets*";

(g) "*—Transactions with Affiliates*"; and

(h) "*—Designation of Restricted and Unrestricted Subsidiaries*".

During any period that the foregoing covenants have been suspended (the "**Investment Grade Status Period**"), the Company's Board of Directors may not designate any of the Company's Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described below under *"—Designation of Restricted and Unrestricted Subsidiaries"* or the second paragraph of the definition of "**Unrestricted Subsidiary**."

Notwithstanding the foregoing, if the rating assigned by either such rating agency should subsequently decline to below Baa3 or BBB-, respectively, the foregoing covenants will be reinstituted as of and from the date of such rating decline. Calculations under the reinstated "**Restricted Payments**" covenant will be made as if the "**Restricted Payments**" covenant had been in effect since the date of the Indenture, except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. In addition, no action taken during an Investment Grade Status Period (or prior to or after an Investment Grade Status Period in compliance with the covenants then applicable) will require reversal or constitute a default under the Indenture in the event that the suspended covenants are subsequently reinstated or suspended, as the case may be.

There can be no assurance that the Notes will ever achieve or maintain an investment grade rating.

Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends or distributions payable to the Company or a Restricted Subsidiary of the Company);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment

(all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as "**Restricted Payments**"),

unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) The Company would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable two semi-annual periods, have been permitted to incur at least US$1.00 of additional Indebtedness pursuant to the Consolidated Leverage Ratio test set forth in the first paragraph of the covenant described below under "*—Incurrence of Indebtedness and Issuance of Preferred Stock*"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the date of the Indenture (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7) and (8) of the next succeeding paragraph), is less than the sum, without duplication, of:

(i) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first semi-annual period commencing after the date of the Indenture to the end of the Company's most recently ended semi-annual period for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(ii) 100% of the aggregate net cash proceeds received by the Company since the date of the Indenture as a contribution to its common equity capital or from the issue or sale of Qualifying Equity Interests of the Company or from the issue or sale of convertible or exchangeable Disqualified Stock of the Company or convertible or exchangeable debt securities of the Company, in each case, that have been converted into or exchanged for Qualifying Equity Interests of the Company (other than Qualifying Equity Interests and convertible or exchangeable Disqualified Stock or debt securities sold to a Subsidiary of the Company); *plus*

(iii) to the extent that any Restricted Investment that was made after the date of the Indenture is (A) sold for cash or otherwise cancelled, liquidated or repaid for cash, or (B) made in an entity that subsequently becomes a Restricted Subsidiary of the Company that is a Guarantor, the initial amount of such Restricted Investment (or, if less, the amount of cash received upon repayment or sale); *plus*

(iv) to the extent that any Unrestricted Subsidiary of the Company designated as such after the date of the Indenture is re-designated as a Restricted Subsidiary after the date of the Indenture, the lesser of (A) the Fair Market Value of the Company's Restricted Investment in such Subsidiary as of the date of such re-designation or (B) such Fair Market Value of the Company's investment in such Subsidiary as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the date of the Indenture to the extent such investments reduced the Restricted Payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(v) 50% of any dividends received in cash by the Company or any Restricted Subsidiary of the Company that is a Guarantor after the date of the Indenture from an Unrestricted Subsidiary of the Company, to the extent that such dividends were not otherwise included in the Consolidated Net Income of the Company for such period.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilised for any such Restricted Payment will not be considered to be net proceeds of Qualifying Equity Interests for purposes of clause (c)(ii) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Indenture;

(3) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Company to the holders of its Equity Interests on a *pro rata* basis;

(4) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(5) so long as no Default or Event of Default has occurred and is continuing, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any current or former Officer, director or employee of the Company or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed US$7.5 million in any twelve-month period or US$15.0 million since the date of the Indenture; and, *provided further*, that the cancellation of Indebtedness owing to the Company from any current or former Officer, director or employee (or any permitted transferees thereof) of the Company or any of its Restricted Subsidiaries (or any direct or indirect parent company thereof), in connection with a repurchase of Equity Interests of the Company from such Persons will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provisions of the Indenture;

(6) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(7) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any preferred stock of any Restricted Subsidiary of the Company issued on or after the date of the Indenture

in accordance with the covenant described below under *"—Incurrence of Indebtedness and Issuance of Preferred Stock";*

(8) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (a) the exercise of options or warrants or (b) the conversion or exchange of Capital Stock of any such Person; and

(9) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed US$10.0 million since the date of the Indenture.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "**incur**") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided, however*, that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and the Company's Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue preferred stock, in each case, if the Consolidated Leverage Ratio at the time of such incurrence or issuance, after giving *pro forma* effect to such incurrence or issuance as of such date and to the use of proceeds therefrom as if the same had occurred at the beginning of the Company's most recently ended two semi-annual periods for which internal financial statements are available would have been no greater than 4.0 to 1.0; *provided, however,* that the amount of Indebtedness outstanding at any time incurred by the Company's non-Guarantor Restricted Subsidiaries under this paragraph shall not exceed an aggregate of (x) US$50.0 million less (y) the amount of Indebtedness incurred by the Company and the Guarantors under this paragraph that is secured by a Lien.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Indebtedness**"):

(1) the incurrence by the Company or any of its Restricted Subsidiaries of the Existing Indebtedness;

(2) the incurrence by the Company and the Guarantors of Indebtedness represented by the Notes and the related Note Guarantees to be issued on the date of the Indenture;

(3) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in the business of the Company or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (3), not to exceed US$7.5 million at any time outstanding;

(4) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under

the first paragraph of this covenant or clauses (2), (3), (4), (10) or (12) of this paragraph;

(5) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; *provided, however*, that:

(a) if the Company or any Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Company, or the relevant Note Guarantee, in the case of a Guarantor; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company,

will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (5);

(6) the issuance by any of the Company's Restricted Subsidiaries to the Company or to any of its Restricted Subsidiaries of shares of preferred stock*; provided, however*, that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Restricted Subsidiary of the Company; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Restricted Subsidiary of the Company,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (6);

(7) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(8) the guarantee by the Company or any of the Guarantors of Indebtedness of the Company or a Restricted Subsidiary of the Company and the guarantee by any non-Guarantor Restricted Subsidiary of Indebtedness of another non-Guarantor Restricted Subsidiary, in each case, to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(9) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, construction rights, concession rights, performance, bid, surety and other similar bonds, advance payments or completion guarantees in the ordinary course of business;

(10) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of the Company or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and

assumption of related liabilities) the Company or any of its Restricted Subsidiaries (other than Indebtedness incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary of the Company or was otherwise acquired by the Company or any of its Restricted Subsidiaries); *provided, however*, with respect to this clause (10), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred, the Company would have been able to incur US$1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (10);

(11) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five business days; and

(12) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (12), not to exceed US$40.0 million.

The Company will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Indebtedness) that is contractually subordinated in right of payment to any other Indebtedness of the Company or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior priority basis.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (12) above, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence or to later reclassify all or a portion of such item of Indebtedness in any manner that complies with this covenant. The accrual of interest or preferred stock dividends, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of the Company as accrued. For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be utilised, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(a) the Fair Market Value of such assets at the date of determination; and

(b) the amount of the Indebtedness of the other Person.

Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind (other than Permitted Liens) securing Indebtedness or Attributable Debt upon any of their property or assets, now owned or hereafter acquired, unless all payments due under the Indenture and the Notes are secured on at least an equal and ratable basis with the obligations so secured until such time as such obligations are no longer secured by a Lien.

Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction; *provided* that the Company or any Guarantor may enter into a sale and leaseback transaction if:

(1) the Company or that Guarantor, as applicable, could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the Consolidated Leverage Ratio test set forth in the first paragraph of the covenant described above under "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under "*—Liens*";

(2) the gross cash proceeds of that sale and leaseback transaction are at least equal to the Fair Market Value, as determined in good faith by the Board of Directors of the Company and set forth in an Officers' Certificate delivered to the Trustee, of the property that is the subject of that sale and leaseback transaction; and

(3) the transfer of assets in that sale and leaseback transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant described above under "*—Repurchase at the Option of Holders—Asset Sales*".

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(2) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(a) agreements governing Existing Indebtedness as in effect on the date of the Indenture and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the date of the Indenture;

(b) the Indenture, the Notes and the Note Guarantees;

(c) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under "—*Incurrence of Indebtedness and Issuance of Preferred Stock*" and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are not materially more restrictive, taken as a whole, than those contained in the Indenture, the Notes and the Note Guarantees;

(d) applicable laws, rules, regulations or orders;

(e) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(f) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(g) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(h) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(i) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(j) Liens permitted to be incurred under the provisions of the covenant described above under "—*Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens;

(k) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment) entered into with the approval of the Company's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements; and

(l) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business.

Merger, Consolidation or Sale of Assets

The Company will not, directly or indirectly consolidate or merge with or into another Person (whether or not the Company is the surviving corporation), or sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Company is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made is an entity organized or existing under the laws of the Republic of Turkey, any member state of the European Union, the United States, any state of the United States or the District of Columbia; and, if such entity is not a corporation, a co-obligor of the Notes is a corporation organised or existing under any such laws;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Company under the Notes, the Indenture and pursuant to agreements reasonably satisfactory to the Trustee;

(3) immediately after such transaction, no Default or Event of Default exists; and

(4) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance or other disposition has been made:

(a) would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable two semi-annual periods, (i) be permitted to incur at least US$1.00 of additional Indebtedness pursuant to the Consolidated Leverage Ratio test set forth in the first paragraph of the covenant described above under "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" or (ii) have a Consolidated Leverage Ratio that is no worse than prior to such transaction; and

(b) the Company delivers to the Trustee an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this provision.

In addition, the Company will not, directly or indirectly, lease all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

This *"Merger, Consolidation or Sale of Assets"* covenant will not apply to any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among the Company and its Restricted Subsidiaries. Clauses (3) and (4) of the first paragraph of this covenant will not apply to any merger or consolidation of the Company with or into one of its Restricted Subsidiaries for any purpose, or with or into an Affiliate solely for the purpose of reincorporating the Company in another jurisdiction.

Transactions with Affiliates

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an "**Affiliate Transaction**") involving aggregate payments or consideration in excess of US$5.0 million, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million, a resolution of the Board of Directors of the Company set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$20.0 million, an opinion as to the fairness to the Company or such Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, employee benefit plan, Officer or director indemnification agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among the Company and/or its Restricted Subsidiaries;

(3) Qualifying Joint Ventures and transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of Officers, directors, employees or consultants of the Company or any of its Restricted Subsidiaries;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company;

(6) Restricted Payments that do not violate the provisions of the Indenture described above under "*—Restricted Payments*" and Permitted Investments (other than Permitted Investments under clauses (1), (3) and (12) of the definition thereof;)

(7) loans or advances to employees in the ordinary course of business not to exceed US$4.0 million in the aggregate at any one time outstanding;

(8) projects undertaken on construction sites and the performance of obligations under agreements in connection therewith in the ordinary course of business; and

(9) written agreements in existence on the issue date of the Notes under the Indenture.

Business Activities

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole.

Additional Note Guarantees

To the extent that at any time after the date of the Indenture the Company and the Guarantors together fail to contribute or account for at least 80.0% of the Consolidated EBITDA or Consolidated Net Tangible Assets of the Company (to be tested and complied with on a semi-annual basis for any consecutive two semi-annual periods as of the end of any such period), the Company will cause one or more of its Restricted Subsidiaries, as applicable, to become a Guarantor and execute a supplemental indenture and deliver an opinion of counsel satisfactory to the Trustee within 60 days of the date on which financial statements with respect to such period are delivered in accordance with the covenant described below under "*—Reports*".

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under *"—Restricted Payments"* or under one or more clauses of the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing therewith a certified copy of a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under *"—Restricted Payments"*. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under *"—Incurrence of Indebtedness and Issuance of Preferred Stock",* the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described above under *"—Incurrence of Indebtedness and Issuance of Preferred Stock",* calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period, and (2) no Default or Event of Default would be in existence following such designation.

Payments for Consent

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the

Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Maintenance of Listing

The Company will use its reasonable best efforts to maintain the listing of the Notes on the Euro MTF for so long as the Notes are outstanding; *provided* that if, at any time, the Company determines that it can no longer reasonably comply with the requirements for listing the Notes on the Euro MTF, or if maintenance of such listing becomes unduly onerous, it will obtain, prior to the delisting of the Notes from the Euro MTF, and thereafter use its best efforts to maintain, a listing of the Notes on such other "recognised stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Reports

So long as any Notes are outstanding, the Company will furnish to the holders of Notes and the Trustee:

(1) within 150 days after the end of the Company's fiscal year, annual reports containing audited consolidated financial statements of the Company as of and for the fiscal year then ended and comparative audited financial statements of the Company for the prior fiscal year, in each case, prepared in accordance with IFRS, together with reasonably detailed footnote disclosure, and also containing disclosure regarding the business of the Company and its Subsidiaries along with management's analysis and discussion of the consolidated financial condition and results of operations of the Company;

(2) within 75 days following the end of the first six months in each fiscal year of the Company, six-month reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such period and unaudited condensed statements of income and cash flow for such period, and the comparable prior year periods, each under IFRS, together with condensed footnote disclosure; and (b) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations of the Company and any material change between the current period and the corresponding period of the prior year; and

(3) promptly after the occurrence of: (a) a material acquisition, disposition or restructuring; (b) any senior management change at the Company; (c) any change in the auditors of the Company or determination that investors should no longer rely upon previously issued financial statements, audited reports or a completed interim review; (d) any resignation of a member of the Board of Directors of the Company as a result of a disagreement with the Company; (e) the entering into an agreement that will result in a Change of Control; (f) any bankruptcy or receivership; or (g) any material events that the Company announces publicly including, in each case, a report containing a description of such events.

The Company will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant if and so long as the Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, at the offices of the Paying Agent in Luxembourg.

In addition, so long as any Notes are outstanding, the Company will also furnish to the holders of the Notes and the Trustee, within 150 days after the end of each fiscal year, (1) an Officer's Certificate stating the Consolidated Leverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Consolidated Leverage Ratio, including the arithmetic computations of each component thereof, with (2) a certificate from the Company's auditors verifying the accuracy and correctness of such calculation and arithmetic computations.

Events of Default and Remedies

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by the Company or any of its Restricted Subsidiaries to comply with the provisions described above under *"—Repurchase at the Option of Holders—Change of Control", "—Repurchase at the Option of Holders—Asset Sales", "—Repurchase at the Option of Holders—Escrow Proceeds Repurchase Offer", "—Certain Covenants—Restricted Payments", "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"* or *"—Certain Covenants—Merger, Consolidation or Sale of Assets"*;

(4) failure by the Company or any of its Restricted Subsidiaries for 60 days after notice to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in the Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, if that default;

(a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "**Payment Default**"*);* or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates US$7.5 million or more;

(6) failure by the Company or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of US$7.5 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(7) except as permitted by the Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee; and

(8) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, any Restricted Subsidiary of the Company that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts, if any, when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest, Additional Amounts or premium, if any, on, or the principal of, the Notes.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture and confirmation that no Event of Default or potential Event of Default has occurred since the delivery of the last such certificate. Upon becoming aware of any Default or Event of Default, the Company is required to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, Officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

Legal Defeasance and Covenant Defeasance

The Company may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees ("**Legal Defeasance**") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest, Additional Amounts or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture ("**Covenant Defeasance")** and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described above under *"—Events of Default and Remedies"* (except those relating to payments on the Notes or bankruptcy, receivership, rehabilitation or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of an internationally recognised investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest, Additional Amounts and premium, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion of counsel in the jurisdiction of incorporation of the Company and reasonably acceptable to the Trustee to the effect that the holders of the Notes will not recognize income, gain or loss for tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to tax in such jurisdiction on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an opinion of counsel in the jurisdiction of incorporation of the Company and reasonably acceptable to the Trustee to the effect that the holders of the Notes will not recognize income, gain or loss for tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to tax in such jurisdiction on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit (and any similar concurrent deposit relating to other Indebtedness), and the granting of Liens to secure such borrowings);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture and the agreements governing any other Indebtedness being defeased, discharged or replaced) to which the Company or any of the Guarantors is a party or by which the Company or any of the Guarantors is bound;

(6) the Company must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and

(7) the Company must deliver to the Trustee an Officer's Certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture or the Notes or the Note Guarantees may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes or the Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under *"—Repurchase at the Option of Holders"*);

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts, or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);

(5) make any Note payable in money other than that stated in the Notes;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;

(7) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption *"—Repurchase at the Option of Holders"*);

(8) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture; or

(9) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes or the Note Guarantees:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Company's or a Guarantor's obligations to holders of Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder;

(5) to conform the text of the Indenture, the Notes or the Note Guarantees to any provision of this description to the extent that such provision in this description was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Note Guarantees, which intent may be evidenced by an Officers' Certificate to that effect;

(6) to provide for the issuance of additional notes in accordance with the limitations set forth in the Indenture as of the date of the Indenture; or

(7) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and

Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) in respect of clause 1(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other Indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings);

(3) the Company or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officers' Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Judgment Currency

Any payment on account of an amount that is payable in U.S. dollars (the "**Required Currency**") which is made to or for the account of any holder or the Trustee in lawful currency of any other jurisdiction (the "**Judgment Currency**"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Company or any Guarantor, shall constitute a discharge of the Company or the Guarantor's obligation under the Indenture and the Notes or the Note Guarantee, as the case may be, only to the extent of the amount of the Required Currency with such holder or the Trustee, as the case may be, could purchase in the New York foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first business day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such holder or the Trustee, as the case may be, the Company and the Guarantors shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture, the Notes or the Note Guarantees, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Concerning the Trustee

If the Trustee becomes a creditor of the Company or any Guarantor, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an

Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of their own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Listing

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF. As long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF, an agent for making payments on, and transfers of, Notes will be maintained in Luxembourg. The Company has initially designated Deutsche Bank Luxembourg S.A. as its agent for those purposes. The address of Deutsche Bank Luxembourg S.A. is 2 Boulevard Konrad Adenauer, L-1115 Luxembourg.

Additional Information

So long as the Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Company's annual audited consolidated and unconsolidated financial statements, unaudited consolidated interim semi-annual financial statements and the offering memorandum may be obtained, free of charge, during normal business hours at the offices of the Paying Agent in Luxembourg.

Consent to Jurisdiction and Service of Process

The Company and the Guarantors will each irrevocably submit to the jurisdiction of any New York state or U.S. federal court located in The Borough of Manhattan, City of New York, State of New York in relation to any legal action or proceeding arising out of, related to or in connection with the Indenture, the Notes or the Note Guarantees. The Company will appoint CT Corporation as its agent for service of process in any such action or proceeding.

Enforceability of Judgments

Since all of the assets of the Company and the Guarantors are located outside the United States, any judgment obtained in the United States against such entities, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalised terms used herein for which no definition is provided.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Note; or

(2) the excess of:

the present value at such redemption date of (i) the redemption price of the Note at 10 November 2013 (such redemption price being set forth in the table appearing above under *"—Optional Redemption"*) plus (ii) all required interest payments due on the Note through 10 November 2013, (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over (iii) the principal amount of the Note.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights by the Company or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption *"—Repurchase at the Option of Holders—Change of Control"* and/or the provisions described above under the caption *"—Certain Covenants—Merger, Consolidation or Sale of Assets"* and not by the provisions of the "**Asset Sale**" covenant; and

(2) the issuance of Equity Interests by any of the Company's Restricted Subsidiaries or the sale by the Company or any of its Restricted Subsidiaries of Equity Interests in any of the Company's Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than US$5.0 million;

(2) a transfer of assets between or among the Company and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary of the Company to the Company or to a Restricted Subsidiary of the Company;

(4) the sale, lease or other transfer of interests in real estate, products, services or accounts receivable, in each case, in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Company, no longer economically practicable to maintain or useful in the conduct of the business of the Company and its Restricted Subsidiaries taken as whole;

(5) licenses and sublicenses by the Company or any of its Restricted Subsidiaries of software or intellectual property in the ordinary course of business;

(6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Liens not prohibited by the covenant described above under *"—Liens;"*

(8) the sale or other disposition of cash or Cash Equivalents; and

(9) a Restricted Payment that does not violate the covenant described above under *"—Certain Covenants—Restricted Payments"* or a Permitted Investment or a transaction specifically excluded from the definition of a Restricted Payment.

"*Asset Sale Offer"* has the meaning assigned to that term in the Indenture governing the Notes.

"*Attributable Debt*" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with IFRS; *provided, however*, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of **"Capital Lease Obligation."**

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "**Beneficially Owns**" and "**Beneficially Owned**" have a corresponding meaning.

"*Board of Directors*" means: (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorised to act on behalf of such board; (2) with respect to a partnership, the board of directors of the general partner of the partnership; (3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and (4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means: (1) in the case of a corporation, corporate stock; (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock; (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means: (1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of the Republic of Turkey, a member state of the European Union (including any agency or instrumentality thereof) or of the United States of America (including any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the Republic of Turkey, the relevant member state of the European Union or the United States of America, as the case may be, and which are not callable or redeemable at the Company's option; (2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organised under, or authorised to operate as a bank or trust company under, the laws of the Republic of Turkey, a member state of the European Union or of the United States of America or any state thereof; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of US$500.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "A-3" or higher by Moody's or "A–"or higher by S&P or the equivalent rating category of another internationally recognised rating agency or, if a bank or trust company organised under the laws of the Republic of Turkey, whose long-term debt is rated in the top two categories of all bank and trust companies then rated in the Republic of Turkey; (3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above; (4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P or, if in the Republic of Turkey, being in the top two categories of ratings for commercial paper, and, in each case, maturing within six months after the date of acquisition; and (5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

"*Change of Control*" means the occurrence of any of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole to any Person other than the Permitted Holders or a Related Party of the Permitted Holders; (2) the adoption of a plan relating to the liquidation or dissolution of the Company; (3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that the Permitted Holders fail to be the Beneficial Owners, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares; or (4) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.

"*Change of Control Offer*" has the meaning assigned to that term in the Indenture.

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

(1) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(2) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*

(3) the Transaction Costs for such period, to the extent that such Transaction Costs were deducted in computing such Consolidated Net Income; *plus*

(4) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness) of such Person and its Restricted Subsidiaries for such period, to the extent that such losses were taken into account in computing such Consolidated Net Income; *plus*

(5) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash charges and expenses (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in

a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash charges or expenses were deducted in computing such Consolidated Net Income; *minus*

(6) any foreign currency translation gains (including gains related to currency remeasurements of Indebtedness) of such Person and its Restricted Subsidiaries for such period, to the extent that such gains were taken into account in computing such Consolidated Net Income; *minus*

(7) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

"*Consolidated Leverage Ratio*" means with respect to any specified Person for any period, the ratio of the Consolidated Indebtedness of such Person as at the end of such period to the Consolidated EBITDA of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the "**Calculation Date**"), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable two semi-annual reference period.

For purposes of calculating the Consolidated Leverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the two semi-annual reference periods or subsequent to such reference periods and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by the chief financial officer or chief accounting officer of the specified Person) as if they had occurred on the first day of the two semi-annual reference periods;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such two semi-annual periods;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such two semi-annual periods; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary of such Person), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

(1) all extraordinary gains (losses) and all gains (losses) realised in connection with any Asset Sale or the disposition of securities or the early extinguishment of Indebtedness, together with any related provision for taxes on any such gain, will be excluded;

(2) the net income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(3) any net income or loss of any Restricted Subsidiary will be excluded if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture and (c) contractual restrictions in effect on the date of the Indenture with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favourable to the holders of the Notes than such restrictions in effect on the date of the Indenture) except that specified Person's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the specified Person or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(4) the cumulative effect of a change in accounting principles will be excluded; and

(5) non-cash gains and losses attributable to movement in the mark-to-market valuation of Hedging Obligations pursuant to Financial Accounting Standards Board Statement No. 133.

"*Consolidated Net Tangible Assets*" of any Person as of any date means the total assets of such Person and its Restricted Subsidiaries as of the most recent semi-annual period end for which a consolidated balance sheet of such Person and its Restricted Subsidiaries is available, minus all liabilities of such Person and its Subsidiaries reflected on such balance sheet and minus total goodwill and other intangible assets of such Person and its Subsidiaries reflected on such balance sheet, all calculated on a consolidated basis in accordance with IFRS.

"Consolidated Total Assets" of any Person as of any date means the total assets of such Person and its Restricted Subsidiaries as of the most recent semi-annual period end for which a

consolidated balance sheet of such Person and its Restricted Subsidiaries is available, calculated on a consolidated basis in accordance with IFRS.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Company who:

(1) was a member of such Board of Directors on the date of the Indenture; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption *"—Certain Covenants—Restricted Payments."* The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the Indenture will be the maximum amount that the Company and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means a public sale either (1) of Equity Interests of the Company by the Company (other than Disqualified Stock and other than to a Subsidiary of the Company) or (2) of Equity Interests of a direct or indirect parent entity of the Company (other than to the Company or a Subsidiary of the Company) to the extent that the net proceeds therefrom are contributed to the common equity capital of the Company.

"*European Union*" means the European Union, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which becomes a member of the European Union after the date of the Indenture.

"*Existing Indebtedness*" means all Indebtedness of the Company and its Subsidiaries in existence on the date of the Indenture, until such amounts are repaid.

"Existing Qualifying Joint Venture" means each of NCKY, Makyol İnşaat-Yüksel, Anadolu Metro, Yüksel Yenigün Doğuş Yapı, YMTYZ Ltd., GEBZE-IZMIR JV and Katar Midmac for so long as (i) such joint venture is in the infrastructure construction or energy business and (ii) the Issuer and its Restricted Subsidiaries continue to hold an interest of at least 20% in such joint venture (or 15% in the case of GEBZE-IZMIR JV).

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Company (unless otherwise provided in the Indenture).

"Fitch" means Fitch Ratings Group Inc.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Note Guarantee or Lien is called upon; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of the Company (other than Disqualified Stock) or to the Company or a Restricted Subsidiary of the Company, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with IFRS.

"*Future Qualifying Joint Venture*" means any joint venture (other than an Existing Qualifying Joint Venture) so long as (i) such joint venture is not consolidated for financial reporting purposes, (ii) the Issuer and its Restricted Subsidiaries hold an interest of at least 25% in such joint venture and (iii) such joint venture is in the infrastructure construction or energy business.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Guarantors*" means any Subsidiary of the Company that executes a Note Guarantee in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"*IFRS*" means international financial reporting standards promulgated as in effect as of the date of the Indenture by the International Accounting Standards Board (or any successor board or agency) and as adopted by the European Union.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof, except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 20 days of incurrence);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term "**Indebtedness**" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person. Indebtedness shall be calculated without giving effect to the effects of International Accounting Standard No. 39 and related interpretations to the extent such effects would otherwise increase or decrease an amount of Indebtedness for any purpose under the Indenture as a result of accounting for any embedded derivatives created by the terms of such Indebtedness.

The term "*Indebtedness*" shall not include:

(1) any lease of property which would be considered as an operating lease under IFRS; and

(2) for the avoidance of doubt, any contingent obligations with respect to workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to Officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet prepared in accordance with IFRS. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity

Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under *"—Certain Covenants—Restricted Payments"*. The acquisition by the Company or any Restricted Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under *"—Certain Covenants—Restricted Payments"*. Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*Moody's*" means Moody's Investors Service, Inc.

"*Net Proceeds*" means the aggregate cash proceeds and Cash Equivalents received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness, other than any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise; and

(2) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries (other than the Equity Interests of an Unrestricted Subsidiary).

"*Note Guarantee*" means the guarantee by each Guarantor of the Company's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officer*" means, with respect to any Person, the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Managing Director or any Vice-President of such Person.

"*Officer's Certificate*" means a certificate signed on behalf of the Company by two Officers, one of whom must be either the Chief Executive Officer, the Chief Financial Officer, the Treasurer or a Managing Director of the Company.

"*Permitted Business*" means any business that is the same as, or reasonably related, ancillary or complementary to, any of the businesses in which the Company and its Restricted Subsidiaries are engaged on the date of the Indenture.

"*Permitted Holder*" means the Sazak family and the Sert family and any Related Party thereto.

"*Permitted Investments*" means:

(1) any Investment in the Company or in a Restricted Subsidiary of the Company;

(2) any Investment in Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment:

  (a) such Person becomes a Restricted Subsidiary of the Company; or

  (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under *"—Repurchase at the Option of Holders—Asset Sales"*;

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

(6) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments represented by Hedging Obligations entered into in the ordinary course of business;

(8) loans or advances to employees made in the ordinary course of business of the Company or any Restricted Subsidiary of the Company in an aggregate principal amount not to exceed US$4.0 million at any one time outstanding;

(9) repurchases of the Notes;

(10) any Guarantee of Indebtedness permitted to be incurred by the covenant entitled *"—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"* other than a Guarantee of Indebtedness of an Affiliate of the Company that is not a Restricted Subsidiary of the Company;

(11) any Investment existing on, or made pursuant to binding commitments existing on, the date of the Indenture and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the date of the Indenture; *provided* that the amount of any such Investment may be increased (a) as required by the terms of the agreement relating to

such Investment as in existence on the date of the Indenture or (b) as otherwise permitted under the Indenture*; provided further*, that in the case of Existing Qualifying Joint Ventures, any such Investment made pursuant to this clause (11) shall not exceed US$225.0 million in the aggregate;

(12) Investments acquired after the date of the Indenture as a result of the acquisition by the Company or any Restricted Subsidiary of the Company of another Person, including by way of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption *"—Merger, Consolidation or Sale of Assets"* after the date of the Indenture to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(13) Investments in Future Qualifying Joint Ventures to the extent that the aggregate Investments made in all Future Qualifying Joint Ventures at any time do not exceed (i) 5.0% of the Company's Consolidated Total Assets *plus* (ii) up to 50% of the aggregate amount of extraordinary gains realised by the Company and its Restricted Subsidiaries from the sale of any assets of or Equity Interests in any Restricted Subsidiary of the Company engaged in the energy business after the date of the Indenture, but only to the extent any such amounts have not otherwise been included in Consolidated Net Income, and (b) the Company is entitled on the initial date of such Investment and after giving *pro forma* effect thereto to incur US$1.00 of additional Indebtedness under the Consolidated Leverage Ratio test set forth under *"—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"*; and

(14) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (14) that are at the time outstanding not to exceed US$5.0 million.

"*Permitted Liens*" means:

(1) Liens existing on the date of the Indenture;

(2) Liens securing Indebtedness of the Company or any of its Restricted Subsidiaries permitted to be incurred under the Consolidated Leverage Ratio test set forth under *"—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"; provided* that the amount of such Indebtedness of the Company and the Guarantors subject to such Liens does not exceed (x) US$50.0 million less (y) the amount of outstanding Indebtedness incurred under such test by non-Guarantor Restricted Subsidiaries of the Company;

(3) Liens in favor of the Company or any of its Restricted Subsidiaries;

(4) Liens on property of a Person existing at the time such Person becomes a Restricted Subsidiary of the Company or is merged with or into or consolidated with the Company or any Restricted Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Company or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary of the Company or is merged with or into or consolidated with the Company or any Restricted Subsidiary of the Company;

(5) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to such acquisition and not incurred in contemplation of, such acquisition;

(6) Liens to secure the performance of statutory obligations, insurance, surety or appeal bonds, workers compensation obligations, performance bonds, construction rights, concession rights or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(7) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (3) of the second paragraph of the covenant entitled *"—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"* covering only the assets acquired with or financed by such Indebtedness;

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(9) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(10) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(11) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(12) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided, however,* that:

  (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

  (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(13) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(14) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under the laws of applicable jurisdiction) as a precautionary measure in connection with operating leases;

(15) bankers' Liens, rights of setoff, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights

related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(16) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(17) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(18) Liens incurred in connection with Hedging Obligations in the ordinary course of business and permitted to be incurred under the Indenture;

(19) grants of software and other technology licenses in the ordinary course of business;

(20) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business; and

(21) Liens to secure Indebtedness of the Company or any Restricted Subsidiary of the Company permitted to be incurred under clause (12) of the definition of Permitted Indebtedness.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the Net Proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity that is (a) equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged or (b) more than 90 days after the final maturity date of the notes;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the notes on terms at least as favorable to the holders of notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) such Indebtedness is incurred either by the Company or by the Restricted Subsidiary of the Company that was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged and is Note Guaranteed only by Persons who were obligors on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Qualifying Equity Interests*" means Equity Interests of the Company other than Disqualified Stock.

"*Qualifying Joint Venture*" means any Existing Qualifying Joint Venture or Future Qualifying Joint Venture.

"*Related Party*" means:

(1) any controlling stockholder, majority owned Subsidiary, or immediate family member (in the case of an individual) of any Permitted Holder; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding a majority (and controlling) interest of which consist of any one or more Permitted Holders and/or such other Persons referred to in the immediately preceding clause (1).

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Ratings Group.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date of the Indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties and interest related thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax).

"*Transaction Costs*" means any costs incurred by the Company or its Restricted Subsidiaries in connection with the issuance of the Notes and the application of the proceeds therefrom, including the repayment of Existing Indebtedness (including any accrued interest on such Indebtedness and the amount of fees and expenses, including premiums, incurred in connection therewith).

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to 10 November 2013; *provided, however*, that if the period from the redemption date to 10 November 2013 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company (other than the Guarantors as at the date of the Indenture or any successor to any of them) that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "—Certain Covenants—Transactions with Affiliates," is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes issued on the closing date will be issued in the form of a single Global Note in fully registered form without interest coupons and will represent the aggregate principal amount of the outstanding Notes. The Global Note will be deposited with, or on behalf of, a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System, which the Company refers to in this offering memorandum as "Euroclear," and for Clearstream Banking, société anonyme, which the Company refers to in this offering memorandum as "Clearstream or Clearstream, Luxembourg."

The Company will issue notes in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof.

Book-Entry Interests will be limited to persons that have accounts with Euroclear and/or Clearstream or Persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the notes are in global form, owners of interest in the Global Note will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the Indenture for any purpose.

The information concerning Euroclear and Clearstream has been derived from information obtained from Euroclear and Clearstream and other sources. Neither the Company nor the initial purchasers make any representation or warranty regarding the accuracy or completeness thereof.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive notes in registered form (the "**Definitive Registered Notes**") only in the following circumstances:

(1) if either Euroclear or Clearstream notifies the Company that it is unwilling or unable to continue to act as depositary or that the common depositary with whom the Global Note is deposited is unwilling or unable to continue to act as common depositary and a successor depositary is not appointed by the Company within 120 days;

(2) if Euroclear or Clearstream so request following an Event of Default under the Indenture;

(3) in whole, but not in part, at any time if the Company in its sole discretion determines that the Global Note should be exchanged for Definitive Registered Notes; or

(4) if the owner of a book-entry interest requests such exchange in writing delivered through either Euroclear or Clearstream following an Event of Default.

Each of Euroclear and Clearstream has advised the Company that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (4), its current procedure is to request that the Company issue or cause to be issued notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or

Clearstream, as applicable (in accordance with their respectively customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Company, the Trustee, the Paying Agents and the Registrars shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof.

The Company will not impose any fees or other charges in respect of the Notes; however, holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Neither the Trustee nor any of its agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of Global Note

In the event a Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received by them in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided, however,* that no Book-Entry Interest of less than US$1,000 principal amount may be redeemed in part.

Payments on Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium interest and Additional Amounts) will be made by the Company in U.S. dollars to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with its procedures.

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Note (*e.g.,* the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Company or the Trustee or any of their respective agents has or will have any responsibility or liability for:

(1) any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or

(2) Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name."

In order to tender Book-Entry Interests in the Change of Control Offer, Asset Sale Offer or Escrow Proceeds Repurchase Offer, the holder of the applicable Global Note must, within the time period specified in such offer, give notice of such tender to the Principal Paying Agent and specify the principal amount of Book-Entry Interests to be tendered.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Company that they will take any action permitted to be taken by a holder (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Note are credited and only in respect of such portion to the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. However, if there is an Event of Default under the notes, each of Euroclear and Clearstream reserve the right to exchange the Global Note for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to its participants.

Global Clearance and Settlement under the Book-Entry System

Initial Settlement

Initial settlement for the Notes will be made in U.S. dollars. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand the following with respect to Euroclear and Clearstream:

- Euroclear and Clearstream hold securities for their respective participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants;
- Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing;
- Euroclear and Clearstream interface with domestic securities markets;
- Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations; and

- Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Custody Risks

Investors that acquire, hold and transfer interests in the Notes by book-entry through accounts with Euroclear and/or Clearstream or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Insolvency of Euroclear

Euroclear has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear have a co-property right in the fungible pool of interests in securities on deposit with Euroclear in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear, clearing system participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear. If Euroclear did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all clearing system participants credited with such interests in securities on Euroclear's records, all clearing system participants having an amount of interests in securities of such type credited to their accounts with Euroclear would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Procedures Subject to Change

Although Euroclear and Clearstream have agreed to these procedures in order to facilitate transfers of securities among Euroclear and Clearstream, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium, if any, on and sale or redemption of, the Notes or any interest therein.

Certain Turkish Tax Considerations

General

The following summary of certain Turkish tax matters in force on 5 November 2010 describes the principal tax consequences of an investment in the Notes by a person who is not a resident of Turkey and will not hold the Notes or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment in Turkey. This summary does not intend to be a comprehensive description of all of the tax considerations that may be relevant to a decision to make an investment in the Notes. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a person resident outside Turkey but with a fixed base or permanent establishment in Turkey.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes for trading income made through a permanent establishment, a permanent representative, or for income otherwise sourced in Turkey. A natural person is a resident of Turkey if such person has an established domicile in Turkey, or stays in Turkey for more than six months in a calendar year. On the other hand, foreigners who stay in Turkey for six months or more for a specific job, business or other particular purposes which are specified in the Income Tax Law are not treated as a resident of Turkey. A resident individual is liable for Turkish taxes on his worldwide income, while a non-resident individual is only liable for Turkish taxes on his income sourced in Turkey.

Trading income is deemed as sourced in Turkey when it is provided through a permanent establishment or permanent representative. Income from movable capital investment is deemed as sourced in Turkey when capital is invested in Turkey. Capital gain is deemed as sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term “accounted for” means that a payment is made in Turkey or, if the payment is made abroad, it is recorded in the books in Turkey.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Capital gains obtained by a non-resident individual or corporation may be subject to income tax or corporate tax if the Notes are sold to a resident of Turkey by the non-resident holder depending on the holding period of the Notes before sale and the double tax treaty status of the holders of the Notes. The current rate of corporate tax is 20%. The corporate profit remaining after-tax of the non-resident corporate tax payers would also be subject to 15% withholding tax when such profits are transferred from Turkey to abroad. Current income tax rate for individuals ranges between 15% and 35% depending on the level of income. The holding period criteria for taxation varies upon the Double Tax Treaties concluded between Turkey and the relevant country where the investor is resident. If the Notes are transferred between the non-residents, regardless of the holding period, there would be no taxation on the capital gains in Turkey.

Provision of Beneficial Owner Information

Under current Turkish laws and regulations, interest payments on the Notes by the Issuer to a non-resident holder will be subject to withholding at a rate of 10% in Turkey. This rate may be mitigated by double taxation treaties. As of 5 November 2010, financial institutions tax resident in Singapore (for which the withholding rate is 7.5%) and certain government related entities in Singapore (which are exempt from withholding) may benefit from a lower withholding tax rate.

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in "*Description of the Notes—Additional Amounts*") imposed or levied by or on behalf of the relevant jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Notes after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction.

The Issuer may be required pursuant to a potential new tax legislation to make available to the tax authorities of Turkey or one of its administrative subdivisions, as the case may be ("**Turkish Tax Authorities**"), certain details and documentation relating to Beneficial Owners who receive payments of interest or income from the redemption or repayment of the Notes paid by the Issuer.

The Issuer has arranged certain procedures with Acupay that will facilitate the collection of information and documentation regarding the identity of Beneficial Owners who (a) are direct participants in Euroclear or Clearstream, (b) hold their interests through securities brokers, dealers, banks, trust companies, or clearing systems that clear through or maintain a direct or indirect custodial relationship with a direct participant of Euroclear or Clearstream, or (c) hold their interests through participants in clearing systems which are direct or indirect participants in Euroclear or Clearstream. These procedures are set forth in Annexes A and B to this offering memorandum.

Beneficial Owners, their custodians, or clearing system participants with questions about the Turkish tax information reporting procedures, including the submission of beneficial owner information and documentation, may contact Acupay at one of the following locations. Please mention the ISIN for the Notes when contacting Acupay. There is no cost for this assistance.

Via e-mail: iTroy@acupay.com

By post or telephone:

In London:
Acupay System LLC
Attention: Ida Troy
28 Throgmorton Street, 1st Floor
London EC2N 2AN
United Kingdom
Tel. +44 (0)20 7382 0340

In New York:
Acupay System LLC
Attention: Helen Oxford
30 Broad Street, 46th Floor
New York, N.Y. 10004
USA
Tel. +1 212 422 1222

European Union Directive on the Taxation of Savings Interest

The EU has adopted Council Directive 2003/48/EC regarding the taxation of savings income (the "**Directive**"). Member States are required to provide to the tax authorities of other Member States details of payments of interest or other similar income paid by a person to an individual in another Member State, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period unless, during such period, they elect otherwise.

Additional Amounts will not be payable if any tax is required to be withheld or deducted as a result of the implementation of the Directive or the introduction of any law implementing or complying with, or introduced in order to conform to, the Directive.

SUBSCRIPTION AND SALE

Each of the Managers has, pursuant to a purchase agreement (the "**Purchase Agreement**"), dated 5 November 2010, jointly and severally agreed with the Issuer to subscribe or procure subscribers for the Notes at the issue price of 98.069% of the nominal amount thereof, less certain commissions as agreed upon with the Issuer. In addition, the Issuer may, at its discretion, pay the Managers a discretionary performance-related fee. The Issuer will also reimburse the Managers in respect of certain of their expenses, and the Issuer and the Guarantors have agreed to indemnify the Managers against certain liabilities that may be incurred in connection with the offer, issue and sale of the Notes. The Purchase Agreement may be terminated in certain circumstances prior to the issue, sale and delivery of the Notes.

General

This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Notes by or on behalf of the Issuer, the Guarantors, or the Managers in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this offering memorandum and the offer or sale of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this offering memorandum comes are required by the Issuer, the Guarantors and the Managers to inform themselves about and to observe such restrictions. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations, and all offers and sales of the Notes made by it will be made on the same terms.

In connection with the offer, issue and sale of the Notes, each of the Managers and any of their respective affiliates acting as an investor for its own account may take up Notes and, in such capacity, may retain, purchase or sell for its own account such securities and any securities of the Issuer or the Guarantors or related investments, and may offer or sell such securities or other investments otherwise than in connection with the offer, issue and sale of the Notes. Accordingly, references in this offering memorandum to the Notes being offered, issued or sold should be read as including any offer, issue or sale of securities to the Managers and any of their respective affiliates acting in such capacity. The Managers do not intend to disclose the extent of any such transactions or investments otherwise than in accordance with any legal or regulatory obligation to do so.

In addition, certain of the Managers and their respective affiliates have performed, and may in the future perform, various financial advisory, investment banking and/or commercial banking services for, and may arrange loans and other non-public market financing for and enter into derivative transactions with, the Issuer, the Guarantors and their respective affiliates, for which they have and may receive customary fees.

United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act. The Notes and the Guarantees are being offered and sold outside the United States by the Managers in accordance with Regulation S, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has represented and agreed that, except as permitted by the Purchase Agreement, it has not offered, sold or delivered, and will not offer, sell or deliver, the Notes or the Guarantees:

(1) as part of their distribution at any time; or

(2) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes and the Guarantees (the "**distribution compliance period**"), within the United States or to, or for the account or benefit of, US persons, and that it will have sent to each dealer to which it sells any Notes and Guarantees during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes and the Guarantees within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes or Guarantees within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

In the United Kingdom, this offering memorandum is being distributed only to and is directed only at:

(1) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**");

(2) high net worth entities falling within Article 49(2)(a)-(d) of the Order; and

(3) any other persons to whom it may otherwise lawfully be communicated.

In addition, each Manager has represented and agreed that:

(1) it has complied, and will comply, with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom; and

(2) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to-engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors.

Turkey

The international offering of the Notes will only be registered with the CMB under the provisions of Decree 32, the Capital Markets Law and the Communiqué for the purpose of the sale of the Notes outside Turkey. The Notes (or beneficial interests therein) will neither be offered nor sold to Turkish residents nor will the Notes be offered or sold within Turkey under current capital markets regulations. The Notes were registered with the CMB on 19 October 2010. However, according to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the Notes by residents of the Republic of Turkey, provided that they purchase or sell such Notes in the financial markets outside of the Republic of Turkey and such sale and purchase is made through banks and/or licensed brokerage institutions in the Republic of Turkey.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Issuer and the Guarantors are companies incorporated under the laws of Turkey and certain other jurisdictions. A considerable portion of the assets of the Issuer and the Guarantors are located in Turkey and all of the directors and officers of the Issuer and the Guarantors are residents of Turkey. As a result, it may not be possible for investors to effect service of process on such entities or persons outside Turkey or to enforce against them in courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated on the laws of such other jurisdictions. In accordance with Article 54 of Law No. 5718, the courts of Turkey will not enforce any judgment obtained in a court established in a jurisdiction other than Turkey unless either: (a) there is in effect a treaty between such jurisdiction and Turkey providing for reciprocal enforcement of court judgments; (b) there is *de facto* enforcement in such jurisdiction of judgments rendered by Turkish courts; or (c) there is a provision in the law of such jurisdiction that provides for the enforcement of judgments rendered by Turkish courts (except with respect to penal judgments). There is no treaty between either the US or the UK and Turkey providing for reciprocal enforcement of judgments, except for penal judgments in respect of the US. There is, however, *de facto* reciprocity between the UK and Turkey.

In addition, the courts of Turkey will not enforce any judgment obtained in a court in a jurisdiction other than Turkey if either: (a) the judgment was rendered by an inconvenient forum where the subject matter and parties of the dispute are concerned and the defendant objected to enforcement of the judgment on this ground before the Turkish court; (b) the defendant was not duly summoned or represented, or the judgment was unlawfully rendered in the defendant's absence and the defendant objected to enforcement of the judgment on these grounds before the Turkish court; (c) the judgment was rendered in respect of a matter within the exclusive jurisdiction of the courts of Turkey; (d) the judgment is clearly against any public policy rules of Turkey; (e) the judgment is not final and binding with no further recourse for appeal under the laws of the jurisdiction where the judgment was rendered; (f) the judgment is not of a civil nature; or (g) the judgment is incompatible with a judgment rendered by a court in Turkey between the same parties and relating to the same issues or, in certain circumstances, with an earlier judgment that satisfies the same criteria and is enforceable in Turkey. There are also limitations on the enforcement of arbitral awards in Turkey in certain circumstances.

Furthermore, under Law No. 5718, in any suit or action against the Issuer or the Guarantors in Turkish courts, a foreign plaintiff may be required to deposit security for court costs (*cautio judicatum solvi*); provided, however, that the court will waive such requirement for security in the event that the plaintiff is considered to be a national of one of the contracting states to the Convention Relating to Civil Procedure signed at The Hague on 1 March 1954 (ratified by Turkey pursuant to Law No. 1574) or a national of a state that has signed a bilateral treaty with Turkey that has been duly ratified and which contains, *inter alia*, a waiver of the *cautio judicatum solvi* requirement on a reciprocal basis.

Before enforcement or giving of any judgement by a court in Turkey, court process may require a claimant to pay certain fees. Under Tariff No. 1 of the Law No. 492 (Decision and Judgement Fees), a *pro rata* court fee of 5.94% of the amount in dispute will be payable by the claimant with 25% of this court fee payable on filing the lawsuit and the balance due upon entry of the judgment. Where judgment is passed in favour of the claimant, the court may, at its discretion, provide that the advance payment of 25% of the court fee be reimbursed by the defendant to the claimant.

In connection with the issuance of the Notes and the Guarantees, the Issuer and the Guarantors will designate CT Corporation, with offices at 111 Eighth Avenue, 13th Floor, New York, New York 10011, United States of America, as their agent upon whom process may be served in connection with any proceedings in the State of New York.

LEGAL MATTERS

Certain legal matters are being passed upon for the Issuer and the Guarantors by White & Case LLP with respect to matters of US federal and New York State law and Akol Avukatlık Bürosu with respect to matters of Turkish law. Certain legal matters will be passed upon for the Managers by Latham & Watkins LLP with respect to matters of US federal and New York State law and by ELİG, attorneys at law with respect to matters of Turkish law.

INDEPENDENT AUDITORS

The independent auditors of the Issuer and the Guarantors are Eren Bağımsız Denetim ve Y.M.M.A.Ş., a member of Grant Thornton International, Abide-i Hürriyet Caddesi, Bolkan Center, 211 C, Kat. 2 Şişli, 34381—İstanbul, Turkey, who have audited the Issuer's accounts without qualification as at and for each of the financial years ended 31 December 2009 and 2008 and have reviewed the Issuer's accounts for the six months ended 30 June 2010, each as contained elsewhere in this offering memorandum. Eren Bağımsız Denetim ve Y.M.M.A.Ş.'s registration number is 658491.

WHERE YOU CAN FIND MORE INFORMATION

Yüksel is not currently subject to the periodic reporting and other information requirements of the US Securities Exchange Act of 1934, as amended.

Each purchaser of the Notes from the Managers will be furnished with a copy of this offering memorandum and, to the extent provided to the Managers by Yüksel for such purpose, any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to this offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from Yüksel, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Managers or any person affiliated with the Managers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorised to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorised by the Company, the Guarantors or the Managers.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to the Luxembourg Stock Exchange and the Notes have been admitted to listing on the Official list and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange in accordance with the rules of that exchange. The Issuer and each of the Guarantors will use their best efforts to have the Notes listed on the Luxembourg Stock Exchange and to maintain such listing as long as the Notes are outstanding.

Notice of any optional redemption, change of control, or change in the rate of interest payable on the Notes will be published in a Luxembourg newspaper of general circulation (which is expected to be the *Luxemburger Wort*), or on the website of the Luxembourg Stock Exchange at *www.bourse.lu*.

For so long as the Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange require, copies of the following documents may be inspected and obtained at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the memorandum and articles of association (with an English translation thereof) of the Issuer and each of the Guarantors;
- the audited consolidated financial statements of the Issuer as at and for each of the financial years ended on 31 December 2009 and 2008, in each case, together with the audit reports prepared in connection therewith;
- the unaudited consolidated interim financial statements of the Issuer as at and for the six months ended 30 June 2010 and 2009, together with the auditors' review report prepared in connection therewith;
- the Purchase Agreement;
- the Indenture;
- the Guarantees;
- the forms of the Global Note and the Notes in definitive form; and
- this offering memorandum.

In addition, copies of this offering memorandum are also available on the website of the Luxembourg Stock Exchange at *www.bourse.lu*.

Yüksel will maintain a paying and transfer agent in Luxembourg for as long as any of the Notes are listed on the Euro MTF. Yüksel reserves the right to vary such appointment and will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if the rules of the Luxembourg Stock Exchange so permit, on the website of the Luxembourg Stock Exchange at *www.bourse.lu*.

The total expenses related to the admission of the Notes to trading on the Luxembourg Stock Exchange are expected to be less than US$6,500.

As of 5 November 2010, Yüksel Holding does not have commercial operations, apart from or, in connection with, the transactions, and no financial statements have been produced for them.

Authorisation

The issue of the Notes has been duly authorised by resolutions of the shareholders and the Board of Directors of the Issuer dated 6 October 2010 and 7 October 2010, respectively, and the issue of the Guarantees has been duly authorised by resolutions of the Board of Directors of each of the Guarantors, each dated 6 October 2010.

Ratings

The Notes offered hereby have received a rating of B1 from Moody's Investors Service, Inc. and B from Fitch Ratings.

Clearing Information

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream Banking under common code 055861838. The international securities identification number for the Notes is XS0558618384.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels, and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Organisational Information

Yüksel is an incorporated company (*Anonim Şirket*) organised under the laws of Turkey on 3 November 1972 with registration number 25160. Yüksel's principal executive office is located at Söğütözü Cad. No: 14/A-B, 06560 Beştepeler, Ankara. The Company's telephone number at its principal executive office is +90 312 284 2545. The Company maintains an internet website at www.yüksel.net.

The amount of issued share capital of the Company is set out on note 26 on pages F-50 and F-51 of the financial statements. The issued share capital of the Company is TL 200,000,000. The shares are totally paid up and divided in 2,000,000,000 registered shares of a nominal value of 0.10 TL each, and there is one class only.

Yüksel Holding is an incorporated company (*Anonim Şirket*) organised under the laws of Turkey on 5 April 2002 with registration number 169586. Yüksel Holding's principal executive office is located at Söğütözü Cad. No: 14/A, 06560 Beştepeler, Ankara. Yüksel Holding's telephone number at its principal executive office is +90 312 284 2545. Yüksel Holding maintains an internet website at www.yüksel.net.

Information about the Guarantors

Sasel Elektromekanik Sanayi ve Ticaret A.Ş. is an incorporated company (*Anonim Şirket*) organised under the laws of Turkey on 20 January 1984 with registration number 52847. Sasel's principal executive office is located at Odtü Met Eskişehir Yolu 9.km No: 280 Teknokent, Ankara. Sasel's telephone number at its principal executive office is +90 312 312 287 1100. Sasel maintains an internet website at www.sasel.com.tr.

Yüksel Yapı Elemanları A.Ş. is an incorporated company (*Anonim Şirket*) organised under the laws of Turkey on 26 May 1997 with registration number 370817. Yapı Elemanları's principal executive office is located at Kültür Mahallesi, Otlukbeli Sokak, Arnavutköy Yolu Üzeri, No:1 Etiler, İstanbul. Yapı Elemanları's telephone number at its principal executive office is +90 212 263 0945. Yapı Elemanları maintains an internet website at www.yukselyapielemanlari.com.

For the avoidance of doubt, any website referred to in this offering memorandum does not form part of this offering memorandum.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

No Significant or Material Adverse Change

Save as disclosed in this offering memorandum, there has been no significant change in the financial or trading position of the Issuer, the Guarantors or the Group since 30 June 2010, and there has been no material adverse change in the financial position or prospects of the Issuer, the Guarantors or the Group since 31 December 2009.

Litigation

Save as disclosed in this offering memorandum, none of the Issuer, the Guarantors nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Issuer or the Guarantors are aware) in the 12 months preceding the date of this offering memorandum which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantors or the Group.

ANNEX A

BENEFICIAL OWNER IDENTIFICATION AND DOCUMENTATION PROCEDURES

A. Submission and Maintenance of Beneficial Owner Information by Clearing System Participants

1. Twenty-three Business Days (all references to Business Days herein shall refer to any day other than a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (Target2) payment system which utilizes a single shared platform and which was launched on November 19, 2007 (or any successor thereto) is closed) prior to each Interest Payment Date ("**PD**") Yüksel İnşaat A.Ş. (the "**Issuer**") shall provide Acupay, and Acupay will forward to the common depositary for Euroclear and Clearstream and also to such clearing systems, an announcement (an "**Issuer Announcement**") which will form the basis for custody notices to be created by Euroclear, Clearstream and any clearing systems which are direct or indirect participants of Euroclear and Clearstream (collectively, the "clearing systems") regarding the Issuer's upcoming PD and its request for beneficial owner information and documentation. The Issuer Announcement shall request the clearing systems to send the custody notices to their participants, notifying them of the requirements described in this Annex A.

2. Approximately 20 calendar days prior to each PD, the clearing systems will release the custody notices to their participants with positions in the Notes, notifying them of the requirements described in this Annex A.

3. Beginning at 6:00 a.m. CET/CEDT on the first Business Day following the issuance of the relevant custody notice(s) and continuing until 6:45 p.m. CET/CEDT on the Business Day preceding each relevant PD ("**PD-1**") (the "**Routine Report Deadline**"), each clearing system participant must enter the beneficial owner identification information that may be required by existing or potential new Turkish tax law or regulations, as determined from time to time by the Issuer (the "**Beneficial Owner Information**") directly into the system established and maintained for that purpose (the "**Acupay System**") by Acupay System LLC ("**Acupay**"). The current scope of such Beneficial Owner Information (as of 5 November 2010) is laid out in Annex B. However, such scope may change from time to time. Information regarding changes to the scope of Beneficial Owner Information shall be available during normal business hours at the offices of Acupay, at the contact details laid out at in this Offering Memorandum. *See "Tax Considerations—Provision of Beneficial Owner Information".*

4. Each clearing system participant must ensure that Beneficial Owner Information transmitted via the Acupay System is accurate and that it is maintained in line with the participant's aggregate income entitlement determined based on its holdings at the close of business on PD-1. All changes in beneficial ownership must be reflected, including those changes (via Acupay) which do not impact the clearing system participant's overall position at its clearing system.

5. Each clearing system participant, at the time of the delivery of Beneficial Owner Information via Acupay, must request that the relevant clearing system through which the notes are held confirm to Acupay the aggregate securities entitlement for such participant as of (i) the date of transmission of Beneficial Owner Information and (ii) the close of business on PD-1.

B. Beneficial Owner Information Production and Execution

1. After entry of Beneficial Owner Information into the Acupay System by a clearing system participant, the Acupay System will produce a report (the "**Interest Payment Recipient Report**"), which shall summarise the Beneficial Owner Information introduced by such clearing system participant into the Acupay System, and which shall indicate, per Beneficial

Owner, any relevant additional documentation required by the Issuer (the "**Beneficial Owner Documentation**") which must be provided to Acupay. When any PD is also the maturity date or a redemption date for the Notes, and if the Notes were initially issued below par with an Original Issue Discount ("**OID**"), a separate set of reports (the "**OID Income Recipient Reports**" and together with the Interest Payment Recipient Reports, the "**Income Recipient Reports**") will be generated by the Acupay System reporting income resulting from the payment of OID at maturity or such earlier redemption date. Such clearing system participant will then be required to (i) print out, (ii) review, (iii) sign the Income Recipient Report(s) and (iv) fax or send by e-mail a PDF copy of the Income Recipient Report(s), along with the indicated Beneficial Owner Documentation required, to Acupay for receipt by the Routine Report Deadline. The original paper Beneficial Owner Documentation must be stored by the clearing system participant for five years starting from the beginning of the year following the withholding tax due date with respect to the relevant PD (the 26th day of the month following the PD), and shall, during such period, be made available to Acupay upon request.

C. Additional Acupay and Clearing System Procedures

In addition to its other duties and obligations set forth herein, Acupay will be responsible for the following tasks (collectively, the "**Acupay Verification Procedures**"):

1. comparing the Beneficial Owner Information and Beneficial Owner Documentation provided in respect of each clearing system participant's aggregate position, as confirmed by the relevant clearing system and such clearing system's aggregate position, as confirmed by the Principal Paying Agent or the Common Depositary to Acupay, in order to determine whether any discrepancies exist between such information, the Beneficial Owner Information and the clearing system participant's position in the Notes at the relevant clearing system;

2. collecting and collating all Beneficial Owner Documentation received from the clearing system participants;

3. reviewing the Beneficial Owner Information, the Income Recipient Reports and the Beneficial Owner Documentation using appropriate methodology in order to determine whether the requisite fields of Beneficial Owner Information have been supplied on the Income Recipient Reports and that the requisite Beneficial Owner Documentation has been supplied, and that such Reports and Documentation are responsive to the requirements of the Issuer or Turkish law;

4. liaising with the relevant clearing system participants in order to request that such clearing system participants:

    a. complete any missing or correct any erroneous Beneficial Owner Information identified pursuant to the procedures set forth in 1. and 3. above;

    b. submit any Beneficial Owner Documentation as necessary to correct previously submitted Beneficial Owner Documentation identified as missing, outdated or otherwise defective; and

    c. revise any Income Recipient Reports identified pursuant to the procedures set forth in 1. and 3. above as containing incomplete or inaccurate information.

D. Updating and Verification of Beneficial Owner Information

1. The Paying Agent (or the Common Depositary on its behalf) will transmit to Acupay via the Acupay System position confirmations (of the aggregate settled positions of Euroclear and Clearstream by 6:30 p.m. CET/CEDT on PD-1 (reporting each clearing system's aggregate settled position as of 6:00 p.m. CET/CEDT on such date).

2. Beginning on the first Business Day following the issuance of the respective clearing system custody notices and continuing through to the Routine Report Deadline, Acupay will utilise the Acupay Verification Procedures to attempt to identify any problems that may exist with Income Recipient Reports and Beneficial Owner Documentation that has been received via the Acupay System and will seek to notify the affected clearing system participants of any inconsistencies among these data, or erroneous or incomplete information provided with respect to such clearing system participant's position.

3. At the Routine Report Deadline, the Acupay System will be closed to clearing system participants, unless Acupay in consultation with the Issuer, should agree to allow clearing system participants to access the Acupay System for exceptional late cancellations or late submissions of Beneficial Owner Information or Beneficial Owner Documentation. At 7:00 p.m. CET/CEDT on PD-1, Acupay will produce a "**Prior Night Status Report**". This report will indicate, for each Note position held by clearing system participants, the production of Beneficial Owner Information, Documentation and the related Turkish withholding tax status.

4. Beginning at 9:00 a.m. CET/CEDT on the relevant PD, Acupay will perform a final review of each clearing system participant's Beneficial Owner Information, clearing system positions and changes in such clearing systems' aggregate position since the Routine Report Deadline, using the Acupay Verification Procedures. Based on this final review, Acupay will seek to notify any affected clearing system participant of any inconsistencies among these data, or erroneous or incomplete information provided with respect to such clearing system participant's position and may (but only as described above in paragraph D.3 of this Annex A) accept revised Income Recipient Reports or Beneficial Owner Documentation from clearing system participants as necessary to correct such inconsistencies. No changes to Beneficial Owner Information or Income Recipient Reports or Beneficial Owner Documentation should occur. However, in case of incomplete Beneficial Owner Information, errors in Income Recipient Reports or Beneficial Owner Documentation, or the need to input new Beneficial Owner Information or to provide new Income Recipient Reports or Beneficial Owner Documentation after the Routine Report Deadline, Acupay, in consultation with the Issuer, may agree to allow clearing system participants with access to the Acupay System on PD for exceptional late (i) cancellations of previously submitted Income Recipient Reports or Beneficial Owner Documentation and/or (ii) submissions of new Beneficial Owner Documentation. Such exceptional operations must be completed prior to 11:45 a.m. CET/CEDT on PD and must be accompanied, as necessary, by appropriate (x) position confirmations by the relevant clearing system, and (y) aggregate position confirmations by the Paying Agent (or the Common Depositary on its behalf) with respect to the aggregate holdings by the relevant clearing system(s).

5. By 2:00 p.m. CET/CEDT on PD, Acupay will release to the Issuer PDF copies of all Income Recipient Reports and Beneficial Owner Documentation which have been properly verified, and the final Beneficial Owner Identification and Documentation Report with respect to such payment date.

6. Acupay shall maintain records of all Income Recipient Reports and Beneficial Owner Documentation (and other information received through the Acupay System) for five years starting from the beginning of the year following the withholding tax due date with respect to the relevant PD (26th of the month following the PD), and shall, during such period, make copies of such records available to the Issuer at all reasonable times upon request. In the event that the Issuer notifies Acupay in writing that it is the subject of a tax audit, Acupay shall maintain such duplicate backup copies until the relevant statute of limitations applicable to any tax year subject to audit expires.

E. Interest Payments

1. On or prior to each PD, the Issuer will transmit to the Principal Paying Agent an amount of funds sufficient to make interest payments on the outstanding principal amount of the Notes gross of any Turkish withholding tax being assessed.

2. On or prior to each PD, the Principal Paying Agent will, subject to receipt of cleared funds from the Issuer, pay to the Common Depositary for the benefit of the relevant clearing systems (or to the cash correspondents for such clearing systems as designated by the Common Depositary) the aggregate interest to be distributed on the notes on the PD gross of any Turkish withholding taxes.

ANNEX B

DOCUMENTATION REQUIRED PURSUANT TO THE BENEFICIAL OWNER IDENTIFICATION AND DOCUMENTATION PROCEDURES

Capitalised terms used but not otherwise defined in this Annex B shall have the meaning ascribed to them in Annex A.

1. If the holder of a Note is not resident in Turkey for tax purposes and is a natural person, the Beneficial Owner Documentation required for the holder in question is a certificate of tax residency issued by the tax authorities of the country of tax residence of such Beneficial Owner (a "**Government Tax Residency Certificate**"). If a copy of such document will be provided such copy must be officially stamped or confirmed or accompanied by an official stamp or other form of confirmation from a government agency attesting that such copy is a true copy of the original document. Such Government Tax Residency Certificate, including any related governmental attestation of the veracity of such document, will be valid until the end of the fourth month of the calendar year following the calendar year of its issuance.

2. If the holder of a Note is a legal entity, the Beneficial Owner Documentation required for the holder in question is a copy of the certificate of incorporation, or other similar document which has been validly filed with one or more government authorities of the government in which the investor entity is domiciled and a **Government Tax Residency Certificate**. The certificate of incorporation or other similar document must indicate (i) trade name of the investor entity, (ii) the year in which the investor entity was formed, (iii) type of legal entity and (iv) the activities which such investor entity is authorised or intended to undertake. The copies of both the Government Tax Residency Certificate and the Certificate of Incorporation must be officially stamped or confirmed or accompanied by an official stamp or other form of confirmation from a government agency attesting that such copies are true copies of the original documents. Each Government Tax Residency Certificate including any related governmental attestation of the veracity of such document will be valid until the end of the fourth month of the calendar year following the calendar year of its issuance. The Certificate of Incorporation, including the related governmental attestation of the veracity of such document, will be valid for three years following the date of the governmental attestation of veracity.

3. The Beneficial Owner Documentation required for each class or type of Beneficial Owner is subject to change in accord with potential new Turkish tax regulations or tax laws. In the event of any such change, the Beneficial Owner Documentation required for each class or type of Beneficial Owner would be set forth in the then current Issuer Announcements as described in Annex A. In addition to such guidance, the Acupay System would produce investor-specific indications regarding the forms of Beneficial Owner Documentation which should be provided at the time of each PD. After entry of Beneficial Owner Information into the Acupay System by a clearing system participant, the Acupay System would produce Income Recipient Reports which indicate, per Beneficial Owner, the relevant documentation which would be required at the time of each such PD, which should be provided to Acupay.

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YÜKSEL İNŞAAT A.Ş. AND ITS SUBSIDIARIES
INDEPENDENT AUDITOR'S REPORT
FOR PERIOD ENDED 30 JUNE 2010

To the Shareholders and the Board of Directors of
Yüksel İnşaat A.Ş. and Its Subsidiaries
Ankara

Introduction

We have reviewed the accompanying interim balance sheet of Yüksel İnşaat A.Ş. ("the Company") and its subsidiaries and foreign branches listed under Note 1 ("the Group") as of 30 June 2010 and the related interim statements of income, changes in equity and cash flow for the six month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards.

EREN Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Member Firm of GRANT THORNTON International

Nazım Hikmet, YMM, FCCA
Partner

Istanbul, 07 October 2010

YÜKSEL İNŞAAT A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF 30.06.2010, 31.12.2009 AND 2008

(All amounts in Turkish Lira “TL”)

(Amounts are translated into of U.S. Dollars at the relative period end exchange rate for convenience purposes)

		30.06.2010		31.12.2009		31.12.2008	
	Note	USD	TL	USD	TL	USD	TL
ASSETS							
CURRENT							
Cash and Cash Equivalents	6	49,379,587	77,758,036	84,767,665	127,634,673	61,406,815	92,865,526
Marketable Securities	7	740,637	1,166,281	1,599,651	2,408,595	1,125,170	1,701,595
Financial Assets	8	—	—	191,628	288,535	185,764	280,931
Trade Receivables	9	286,677,689	451,431,357	236,862,641	356,644,078	189,801,085	287,036,181
Due from Related Parties	10	9,104,025	14,336,108	5,273,889	7,940,895	7,452,513	11,270,435
Due from Joint Ventures	11	3,532,982	5,563,386	2,481,029	3,735,686	1,399,319	2,116,190
Inventories	12	131,506,907	207,083,927	152,938,489	230,279,483	118,784,678	179,638,069
Other Current Assets	13	66,760,762	105,128,172	52,707,316	79,361,405	34,775,837	52,591,498
Total Current Assets		**547,702,589**	**862,467,267**	**536,822,308**	**808,293,350**	**414,931,181**	**627,500,425**
Costs of Uncompleted Construction Contracts	**14**	**67,910,425**	**106,938,546**	**51,692,402**	**77,833,250**	**23,133,651**	**34,985,020**
NON-CURRENT							
Trade Receivables	9	3,550,127	5,590,385	7,332,516	11,040,569	9,512,540	14,385,814
Investments	15	944,955	1,488,020	982,388	1,479,181	283,794	429,181
Property, Plant and Equipment	16	389,248,462	612,949,553	398,101,479	599,421,397	391,210,452	591,627,567
Intangible Assets	16	96,083,975	151,303,436	93,071,418	140,137,634	86,721,276	131,148,585
Other Non-Current Assets	13	18,940,958	29,826,327	20,837,898	31,375,623	34,778,377	52,595,339
Deferred Tax Asset	23	2,860,007	4,503,653	2,349,809	3,538,107	2,142,764	3,240,502
Total Non-Current Assets		**511,628,484**	**805,661,374**	**522,675,508**	**786,992,511**	**524,649,203**	**793,426,988**
TOTAL ASSETS		**1,127,241,498**	**1,775,067,187**	**1,111,190,218**	**1,673,119,111**	**962,714,035**	**1,455,912,433**
LIABILITIES							
CURRENT							
Financial Liabilities	17	80,535,813	126,819,744	106,776,086	160,772,752	59,287,480	89,660,456
Financial Lease Liabilities	18	2,687,443	4,231,916	5,479,821	8,250,967	7,792,699	11,784,899
Trade Payables	20	191,836,940	302,085,630	166,378,660	250,516,349	140,382,108	212,299,862
Due to Related Parties	10	3,199,667	5,038,516	5,109,864	7,693,922	6,823,044	10,318,489
Due to Joint Ventures	11	769,222	1,211,294	3,514,634	5,291,984	966,593	1,461,778
Taxation on Income	23	189,643	298,631	1,874,380	2,822,254	1,710,609	2,586,954
Advances Received	21	39,202,686	61,732,469	52,187,160	78,578,207	43,495,572	65,778,353
Other Payables and Accrued Expenses	22	19,652,026	30,946,045	18,072,152	27,211,240	19,630,102	29,686,604
Total Short Term Liabilities		**338,073,440**	**532,364,245**	**359,392,757**	**541,137,675**	**280,088,207**	**423,577,395**
Deferred Revenue on Uncompleted Construction Contracts	**14**	**28,733,361**	**45,246,423**	**30,058,303**	**45,258,787**	**16,372,068**	**24,759,478**
NON-CURRENT							
Financial Liabilities	17	169,920,795	267,574,276	132,057,865	198,839,527	129,844,389	196,363,670
Financial Lease Liabilities	18	456,730	719,212	271,249	408,420	5,537,338	8,374,117
DSİ liability	19	90,224,448	142,076,438	89,921,638	135,395,010	84,192,808	127,324,784
Trade Payables	20	1,480,057	2,330,645	1,503,551	2,263,897	706,784	1,068,869
Reserve for Employee Termination Benefits	24	5,105,285	8,039,292	4,955,972	7,462,202	4,855,013	7,342,233
Advances Received	21	115,923,152	182,544,188	123,806,609	186,415,608	100,444,557	151,902,303
Deferred Tax Liability	23	9,259,312	14,580,638	8,369,214	12,601,529	7,119,005	10,766,072
Total Long Term Liabilities		**392,369,779**	**617,864,689**	**360,886,098**	**543,386,193**	**332,699,894**	**503,142,048**
SHAREHOLDERS’ EQUITY							
Share Capital	26	127,008,319	200,000,000	132,828,585	200,000,000	132,248,892	200,000,000
General Reserves	27	219,070,206	344,969,854	198,963,509	299,579,356	183,821,328	277,992,994
Net Profit for the Period / Year		17,953,007	28,270,603	24,492,029	36,877,651	13,387,827	20,246,411
Equity Attributable to Owners of the Parent		**364,031,532**	**573,240,457**	**356,284,123**	**536,457,007**	**329,458,047**	**498,239,405**
Minority Interest		4,033,386	6,351,373	4,568,937	6,879,449	4,095,819	6,194,107
Total Shareholders’ Equity		**368,064,918**	**579,591,830**	**360,853,060**	**543,336,456**	**333,553,866**	**504,433,512**
Commitments and Contingencies	25	—	—	—	—	—	—
TOTAL LIABILITIES AND SHAREHOLDERS’EQUITY		**1,127,241,498**	**1,775,067,187**	**1,111,190,218**	**1,673,119,111**	**962,714,035**	**1,455,912,433**

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

YÜKSEL İNŞAAT A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30.06.2010, 2009 AND 2008

(All amounts in Turkish Lira "TL")

(Amounts are translated into of U.S. Dollars at the relative period end exchange rate for convenience purposes)

		Unaudited 01.01-30.06.2010		Unaudited 01.01-30.06.2009		Unaudited 01.01-30.06.2008	
	Note	**USD**	**TL**	**USD**	**TL**	**USD**	**TL**
Sales	28	406,715,990	640,455,670	366,220,682	560,354,266	333,384,836	407,963,024
Cost of Sales	29	(360,102,905)	(567,054,044)	(333,133,386)	(509,727,394)	(297,347,681)	(363,864,357)
Gross Profit		46,613,085	73,401,626	33,087,296	50,626,872	36,037,155	44,098,667
Meksa Yatırım Gross Profit		4,798,466	7,556,145	2,324,071	3,556,061	2,769,847	3,389,462
Total Gross Profit		51,411,551	80,957,771	35,411,367	54,182,933	38,807,002	47,488,129
Operating Expenses		(25,370,995)	(39,951,706)	(26,049,267)	(39,857,983)	(23,316,958)	(28,532,962)
Basic Operating Profit		26,040,556	41,006,065	9,362,100	14,324,950	15,490,044	18,955,167
Other Income / (Expenses), net	30	(1,545,826)	(2,434,212)	1,608,377	2,460,977	(1,981,894)	(2,425,244)
Financial Income / (Expense), net	31	(6,190,458)	(9,748,114)	(2,114,452)	(3,235,323)	1,557,003	1,905,304
Profit Before Tax For The Period		18,304,272	28,823,739	8,856,025	13,550,604	15,065,153	18,435,227
Tax	23	(189,643)	(298,631)	(43,432)	(66,455)	(11,746)	(14,373)
Deferred Tax Income / (Charge)	23	(643,655)	(1,013,563)	(247,773)	(379,117)	(555,842)	(680,184)
Profit For The Period From Continuing Operations		17,470,974	27,511,545	8,564,820	13,105,032	14,497,565	17,740,670
Minority Interest		482,033	759,058	(265,495)	(406,234)	(2,219,333)	(2,715,798)
NET PROFIT FOR THE PERIOD		**17,953,007**	**28,270,603**	**8,299,325**	**12,698,798**	**12,278,232**	**15,024,872**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3.2	44,480,979	70,044,197	21,709,192	33,217,234	28,315,849	34,650,104

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

YÜKSEL İNŞAAT A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD / YEAR ENDED 30.06.2010, 31.12.2009 AND 2008

(All amounts in Turkish Lira "TL")

	Share Capital	General Reserves	Net Profit for the Year / Period	Minority Interest	Total Equity
Balance, 31.12.2007	**188,743,083**	**276,665,035**	**63,936,059**	**4,697,454**	**534,041,631**
Capital increase—general reserves	11,256,917	(11,256,917)	—	—	—
Transfer to general reserves	—	63,936,059	(63,936,059)	—	—
Dividend paid for the year	—	(74,136,333)	—	—	(74,136,333)
Revaluation of tangible fixed assets (note 16)	—	54,862,422	—	—	54,862,422
Previous years restatement (inflation) differences of equity participation in Yüksel Seramik and Aspendos which were sold in 2008	—	(24,334,506)	—	—	(24,334,506)
Foreign currency translation difference in overseas work sites	—	(7,742,766)	—	—	(7,742,766)
Share of minority in current year	—	—	—	1,496,653	1,496,653
Net profit for the year	—	—	20,246,411	—	20,246,411
Balance, 31.12.2008	**200,000,000**	**277,992,994**	**20,246,411**	**6,194,107**	**504,433,512**
Transfer to general reserves	—	20,246,411	(20,246,411)	—	—
Dividend paid for the year	—	(370,000)	—	—	(370,000)
Revaluation of tangible fixed assets (note 16)	—	2,050,082	—	—	2,050,082
Effect of exclusion of Ersel İnşaat at 31.12.2009	—	1,080,852	—	—	1,080,852
Foreign currency translation difference in overseas work sites	—	(1,420,983)	—	—	(1,420,983)
Share of minority in current year	—	—	—	685,342	685,342
Net profit for the year	—	—	36,877,651	—	36,877,651
Balance, 31.12.2009	**200,000,000**	**299,579,356**	**36,877,651**	**6,879,449**	**543,336,456**
Transfer to general reserves	—	36,877,651	(36,877,651)	—	—
Dividend paid for the year	—	—	—	—	—
Revaluation of tangible fixed assets (note 16)	—	689,036	—	—	689,036
Foreign currency translation difference in overseas work sites	—	7,823,811	—	—	7,823,811
Share of minority in current year	—	—	—	(528,076)	(528,076)
Net profit for the period	—	—	28,270,603	—	28,270,603
Balance, 30.06.2010	**200,000,000**	**344,969,854**	**28,270,603**	**6,351,373**	**579,591,830**

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

YÜKSEL İNŞAAT A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30.06.2010 AND 30.06.2009

(All amounts in Turkish Lira "TL")

	Unaudited 01.01-30.06.2010	**Unaudited 01.01-30.06.2009**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	28,270,603	12,698,798
Adjustment to reconcile net profit to net cash:		
Depreciation and amortization expenses	29,038,132	18,892,284
Provision for employment termination benefits	577,090	79,860
Deferred tax asset / liability, (net)	1,013,563	379,117
Foreign currency translation difference in overseas work sites	7,823,811	1,678,892
Operating cash flows provided before changes in working capital	66,723,199	33,728,951
Changes in operating assets and liabilities:		
Short-term trade receivables	(94,787,279)	4,235,237
Long-term trade receivables	5,450,184	6,775,958
Due from related parties	(8,222,913)	(7,879,095)
Inventories	23,195,556	(16,393,900)
Other assets	(24,217,471)	(598,763)
Trade payables	51,636,029	(17,051,016)
Due to related parties	(6,736,096)	6,365,481
Advances received	(20,717,158)	18,558,988
Other payables	3,734,805	(8,792,697)
Costs of uncompleted construction contracts	(29,105,296)	(22,855,072)
Deferred revenue in excess of costs on uncompleted construction contracts	(12,364)	22,286,842
Tax paid	(2,523,623)	(2,520,499)
Net Cash Flows Generated From (Used in) Operating Activities	(35,582,427)	15,860,415
CASH FLOWS FROM FINANCING ACTIVITIES		
Financial liabilities	34,781,741	34,577,675
Financial lease liabilities	(3,708,259)	(6,580,060)
DSİ liability	6,681,428	—
Increase / (decrease) in minority interest	(528,076)	333,963
Dividend paid for the year	—	—
Effect of exclusion of Ersel İnşaat at 31.12.2009	—	—
Previous years restatement (inflation) differences of equity participation in Yüksel Seramik and Aspendos which were sold in 2008	—	—
Net Cash Flows Generated From / (Used in) Financing Activities	37,226,834	28,331,578
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Changes in investments, (net)	(8,839)	(74,948)
Marketable Securities	1,242,314	210,781
Changes in financial assets, (net)	288,535	280,931
Acquisitions/ proceeds from sales of tangible fixed assets, (net)	(40,905,647)	(34,516,023)
Acquisitions/ proceeds from sales of intangible assets, (net)	(12,137,407)	(4,810,777)
Net Cash Flows Used in Investment Activities	(51,521,044)	(38,910,036)
Net Increase/(Decrease) in Cash and Cash Equivalents	**(49,876,637)**	**5,281,957**
Cash and Cash Equivalents at the Beginning of the Year	**127,634,673**	**92,865,526**
Cash and Cash Equivalents at the End of the Period	**77,758,036**	**98,147,483**

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

(Currency—Turkish Lira "TL" unless otherwise expressed)

1. Organization and Nature of Activities

Nature of business and respective business segments of the Parent Company's consolidated subsidiaries and domestic and foreign branches are as follows:

Company name	Nature of business	Country of registration
1- Yüksel Libya Branch	Construction	Libya
2- Yüksel Dubai LLC and Dubai Branch	Construction	Dubai
3- Yüksel Qatar Branch	Construction	Qatar
4- Yüksel Afghanistan Branch	Construction	Afghanistan
5- Yüksel Jordan Branch	Construction	Jordan
6- Yüksel Uzbekistan Branch	Construction	Uzbekistan
7- Yüksel Saudia Co. and Saudi Arabia Branch	Construction	Saudi Arabia
8- Yüksel Iraq Branch	Construction	Iraq
9- Sasel Elektromekanik Sanayi ve Ticaret A.Ş.	Construction	Turkey
10- Fiba Yüksel Uluslararası Proje Geliştirme ve Yat. A.Ş.	Construction	Turkey
11- Yüksel Yapı Elemanları A.Ş.	Concrete production	Turkey
12- Yüksel Yatçılık Turizm Ticaret A.Ş.	Tourism	Turkey
13- Kask Sigorta Aracılık Hizmetleri A.Ş.	Insurance	Turkey
14- Datasel Bilgi Sistemleri A.Ş.	Information systems	Turkey
15- Meksa Holding A.Ş.	Investment—Property	Turkey
16- Meksa Yatırım Menkul Değerler A.Ş.	Securities	Turkey
17- Aysel Invest Privat Stock Company JVC.	Tourism	Uzbekistan
18- Yüksel-Turkuaz-YDA İnşaat ve Ticaret Ltd. Şti.	Construction	Kazakhstan
19- Yüksel Enerji Elektrik Üretim ve Ticaret A.Ş.	Energy	Turkey
20- Yüksel Enerji Holding A.Ş.	Energy	Turkey
21- Can Elektrik Üretim Ltd. Şti.	Energy	Turkey
22- Yılmaz Elektrik Üretim Enerji ve Ticaret A.Ş.	Energy	Turkey
23- Tuna Elektrik Üretim Enerji ve Ticaret A.Ş.	Energy	Turkey
24- Kaan Elektrik Üretim Enerji ve Dağıtım Ticaret A.Ş.	Energy	Turkey
25- Güven Elektrik Üretim Enerji ve Dağıtım Ticaret A.Ş.	Energy	Turkey
26- Yüksel Elektrik Enerjisi Toptan Satış A.Ş.	Energy	Turkey
27- Aydıncık Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
28- Çayönü Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
29- Çubuklu Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
30- Elmadağ Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
31- Esenköy Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
32- Kangal Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
33- Karacaören Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
34- Kurucaşile Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
35- Şahinyurdu Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
36- Tisan Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
37- Adsel Elektrik Enerji Üretim Ltd. Şti.	Energy	Turkey
38- S.H. Enerji Elektrik Üretim Ticaret A.Ş.	Energy	Turkey
39- Hidro-D Hidroelektrik Enerji Üretim A.Ş.	Energy	Turkey
40- Ağrı Enerji Üretimi A.Ş.	Energy	Turkey

As of 30 June 2010, 31 December 2009 and 2008 shareholding of the consolidated subsidiaries and domestic and foreign branches are as follows:

Name of the company	30.06.2010 Ratio of direct ownership %	30.06.2010 Ratio of indirect ownership %	31.12.2009 Ratio of direct ownership %	31.12.2009 Ratio of indirect ownership %	31.12.2008 Ratio of direct ownership %	31.12.2008 Ratio of indirect ownership %
Construction Group:						
1- Yüksel Libya Branch	100	100	100	100	100	100
2- Yüksel Dubai LLC ve Dubai Branch	100	100	100	100	100	100
3- Yüksel Qatar Branch	100	100	100	100	100	100
4- Yüksel Afghanistan Branch	100	100	100	100	100	100
5- Yüksel Jordan Branch	100	100	100	100	100	100
6- Yüksel Uzbekistan Branch	100	100	100	100	100	100
7- Yüksel Saudia Co. and Saudi Arabia Branch	100	100	100	100	100	100
8- Yüksel Iraq Branch	100	100	100	100	100	100
9- Sasel Elektromekanik San. ve Tic. A.Ş.	93.88	—	93.88	—	86.05	—
10- Fiba Yüksel Uluslararası Proje Geliştirme ve Yat. A.Ş.	49.20	—	49.20	—	49.20	—
Ersel İnşaat Tesisat ve Sanayi A.Ş.	—	—	—	—	99.92	—
18- Yüksel-Turkuaz-YDA İnşaat ve Tic. Ltd. Şti.(*)	50.00	—	50.00	—	50.00	—
Concrete Production Group:						
11- Yüksel Yapı Elemanları A.Ş.	99.84	—	99.84	—	99.80	—
Tourism Group:						
12- Yüksel Yatçılık Turizm Ticaret A.Ş.	98.07	0.12	98.07	0.12	95.50	0.26
17- Aysel Invest Privat Stock Company	98.99	—	98.99	—	98.99	—
Insurance Group:						
13- Kask Sigorta Aracılık Hizmetleri A.Ş.	69.00	19.39	69.00	19.39	69.00	18.60
Information Systems Group:						
14- Datasel Bilgi Sistemleri A.Ş.	99.97	—	99.97	—	99.97	—
Securities—Financial Investments Holding:						
15- Meksa Holding A.Ş.	88.51	—	88.51	—	88.51	—
16- Meksa Yatırım Menkul Değerler A.Ş.	—	79.23	—	78.68	—	78.68

(*) Yüksel-Turkuaz-YDA İnşaat ve Ticaret Ltd. Şti. was established in 2006 to make construction projects in Kazakhstan. Partnership agreement with Turkuaz-YDA Construction has been signed with 50% equal shares. Yüksel-Turkuaz YDA İnşaat ve Ticaret Ltd. Şti. and its Kazakhstan Branch has been included in the accompanying financial statements using the proportional consolidation method.

Name of the company	30.06.2010 Ratio of direct ownership %	30.06.2010 Ratio of indirect ownership %	31.12.2009 Ratio of direct ownership %	31.12.2009 Ratio of indirect ownership %	31.12.2008 Ratio of direct ownership %	31.12.2008 Ratio of indirect ownership %
Energy Group:						
19- Yüksel Enerji Elektrik Üretim Tic. A.Ş...	96.00	—	96.00	—	96.00	—
20- Yüksel Enerji Holding A.Ş.	98.00	—	98.00	—	98.00	—
21- Can Elektrik Üretim Ltd. Şti....................	—	97.02	—	95.04	—	97.02
22- Yılmaz Elektrik Ürt. Enerji ve Tic. A.Ş. .	—	96.04	—	94.08	—	94.08
23- Tuna Elektrik Ürt. Enerji ve Tic. A.Ş.	—	96.04	—	94.08	—	94.08
24- Kaan Elektrik Ürt. Enerji ve Tic. A.Ş......	—	96.04	—	94.08	—	94.08
25- Güven Elektrik Ürt. Enerji ve Tic. A.Ş. ..	98.00	—	—	94.08	—	94.08
26- Yüksel Elektrik Enerjisi Top. Satış A.Ş. .	—	96.04	—	96.04	—	94.08
27- Aydıncık Elektrik Enerji Ürt. A.Ş.	—	96.04	—	94.08	—	94.08
28- Çayönü Elektrik Enerji Ürt. Tic. A.Ş.	—	96.04	—	94.08	—	94.08
29- Çubuklu Elektrik Enerji Ürt. Tic A.Ş.	—	96.04	—	94.08	—	94.08
30- Elmadağ Elektrik Enerji Ürt. Tic. A.Ş.....	—	96.04	—	94.08	—	94.08
31- Esenköy Elektrik Enerji Ürt. Tic. A.Ş.	—	96.04	—	94.08	—	94.08
32- Kangal Elektrik Enerji Ürt. Tic. A.Ş.	—	96.04	—	94.08	—	94.08
33- Karacaören Elektrik Enerji Ticaret A.Ş...	—	96.04	—	94.08	—	94.08
34- Kurucaşile Elektrik Enerji Ticaret A.Ş. ...	—	96.04	—	94.08	—	94.08
35- Şahinyurdu Elektrik Enerji Ticaret A.Ş...	—	96.04	—	94.08	—	94.08
36- Tisan Elektrik Enerji Ürt. Ticaret A.Ş.	—	96.04	—	94.08	—	94.08
37- Adsel Elektrik Enerji Üretim Ltd. Şti.	—	98.00	—	98.00	—	98.00
38- S.H. Enerji Elektrik Üretim Ticaret A.Ş..	—	96.04	—	96.04	—	96.04
39- Hidro-D Hidroelektrik Enerji Ürt. A.Ş. ...	—	96.04	—	96.04	—	96.04
40- Ağrı Enerji Üretimi A.Ş..........................	—	97.61	—	97.61	—	—

Subsidiaries and branches of Yüksel İnşaat have been included in the accompanying financial statements fully and the joint ventures established in the foreign countries and Yüksel—Turkuaz YDA İnşaat ve Ticaret Ltd. Şti. and its Kazakhstan Branch stated above have been included in the accompanying financial statements using the proportional consolidation method.

Besides, the joint ventures in Turkey which are as follows and Yüksel-Turkuaz-YDA İnşaat ve Ticaret Ltd. Şti. and its Kazakhstan Branch has been included in the accompanying financial statements using the proportional consolidation method. Nature of business and shareholding of these joint ventures are as follows:

Name of the company	Nature of business	Share Rate %
41- Nurol-Cengiz-Kiska-Yüksel Joint Venture	Construction	25
42- Makyol-Yüksel Joint Venture	Construction	50
43- Anadolu Metro Joint Venture..	Construction	49
44- Yüksel-Yenigün-Doğuş-Yapı Merkezi Joint Venture	Construction	26
45- Yüksel-Metak-Tepe-Yenigün-Zafer Joint Venture	Construction	20
46- Nurol-Özaltın-Makyol-Astaldi-Yüksel-Göçay Joint Venture	Construction	16.6
47- Yüksel-Turkuaz-YDA İnşaat ve Ticaret Ltd. Şti.	Construction	50

For the purpose of the consolidated financial statements, Yüksel İnşaat A.Ş., its consolidated domestic and foreign subsidiaries, joint ventures and foreign branches are referred to as “the Group”.

Entities in which the Group, directly or indirectly, has 50% and above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, have been fully consolidated. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The Company has always exercised effective control over the management of each of these companies. These entities are consolidated in the financial statements in accordance with the treatment proposed by International Accounting Standards 27 (Consolidated Financial Statements and Accounting for Investments in Subsidiaries).

As of 30.06.2010, 31.12.2009 and 2008 the breakdown of personnel employed within the Group by company is as follows:

	30.06.2010	31.12.2009	31.12.2008
Yüksel İnşaat A.Ş.	9,337	8,567	8,802
Sasel Elektromekanik Sanayi ve Ticaret A.Ş.	310	312	312
Fiba Yüksel Uluslararası Proje Geliştirme ve Yat. A.Ş.	18	28	41
Yüksel Yapı Elemanları A.Ş.	80	82	115
Yüksel Yatçılık Turizm Ticaret A.Ş.	17	18	17
Kask Sigorta Aracılık Hizmetleri A.Ş.	6	6	6
Datasel Bilgi Sistemleri A.Ş.	84	79	85
Meksa Yatırım Menkul Değerler A.Ş.	156	147	106
Aysel Invest Privat Stock Company JVC.	136	120	132
Yüksel-Turkuaz-YDA İnşaat ve Ticaret Ltd. Şti.	3	4	10
Yüksel Enerji Elektrik ÜretimTic. A.Ş.	2	—	—
Total	**10,149**	**9,363**	**9,626**

The operations of the consolidated entities in the accompanying financial statements are summarized below:

Yüksel İnşaat A.Ş.:

Yüksel İnşaat A.Ş. (“the Company” or “Yüksel İnşaat”) was established in 1972. The head office is located in Ankara. The Company is part of Yüksel Holding Group, a prominent Turkish industrial and trade group principally engaged in construction, contracting, commitment, trade, tourism and various other sectors in Turkey and overseas countries. The local construction sites are located in Ankara, İstanbul, Kahramanmaraş, Kastamonu, Ordu, Adana, Gaziantep, Artvin, Şanlıurfa, Niğde and the foreign construction sites in Romania, S.Arabia, Kazakhstan, Russia, Iraq, Afghanistan, Qatar, Libya, Dubai, Jordan, Ukraine and Uzbekistan. The range of activities include the construction of public infrastructure and upper structure comprising roads, motorways, bridges, dams, ports, airports, hydroelectric power plants, subways, energy plants, factory buildings, schools, mass housing complexes, holiday villages, touristic resorts, hospitals, universities, schools and industrial sites.

Ongoing projects undertaken by the Company are summarized below:

– Ünye-Piraziz Road Improvement Construction,

– Melen Pump Station Construction,

– Hacınınoğlu Regulator and Hydroelectric Power Plant Construction,

– Sarıgüzel Regulator and Hydroelectric Power Plant Construction,

– Kandil Dam and Hydroelectric Power Plant Construction,

– Karkamış Dam and Hydroelectric Power Plant Construction,

– Adana Waste Water Clarification Facility Construction,

– Jordan Armed Forces Military Institutions Construction (Jordan),

– Sirte-Ajdabiyah Road Extension and Maintenance Project (Libya),

– Dernah-Imsaad Coast Road Repair and Maintenance Project (Libya),

– Al Fateh University Agriculture, Veterinary Medicine and Science Faculty Buildings Project (Libya),

– Al Fateh University Infrastructure Works (Libya),

– NDIA Project Airside / Landside Roadways and Parking / Bridge Construction Works (Qatar),

– Construction of North / South Ras Abu Abboud Road (Qatar),

- Kabul International Airport NATO Facilities (Afghanistan),
- Administrative Building at Bagram Airfield (Afghanistan),
- Bagram Airport FY08-FY09 Projects Construction (Afghanistan),
- Turkish Armed Forces Dormitory Construction (Afghanistan),
- KBR Camp Project (Afghanistan),
- Baysh Dam Construction (Saudi Arabia),
- Damad Dam Construction (Saudi Arabia),
- Murwani Dam Construction (Saudi Arabia),
- Al Hasa Infrastructure Construction Phase III King Faysal University Project (Saudi Arabia),
- King Faysal University Constant Campus Project—Hospital Area Phase II (Saudi Arabia),
- Eastern Province Water Transmission System Phase II (Saudi Arabia),
- Kora Şaklava-Kandil Highway Construction Project (Iraq),
- Ankara-Pozantı Highway Construction (Nurol-Cengiz-Kiska-Yüksel Joint Venture),
- Urfa-Suruç Highway Construction (Makyol-Yüksel Joint Venture),
- Yenikapı-Unkapanı and Unkapanı-Taksim Subway Construction (Anadolu Metro Joint Venture),
- Kadıköy-Kartal Public Transportation Line (Yüksel-Yenigün-Doğuş-Yapı Merkezi J.V.),
- The Highway Project of Gebze-Orhangazi-İzmir (including İzmit Gulf Crossing and Connection Roads) (Nurol-Özaltın-Makyol-Astaldi-Yüksel-Göçay Joint Venture).

The details of the projects are presented in note 14.

Sasel Elektromekanik Sanayi ve Ticaret A.Ş. (Sasel):

Sasel Elektromekanik Sanayi ve Ticaret A.Ş. was established in 1984 to provide services such as design consulting, engineering, assembling, contracting, and representation for all types of electrical issues and electronics.

Fiba Yüksel Uluslararası Proje Geliştirme ve Yatırım A.Ş. (Fiba Yüksel):

Fiba Yüksel Uluslararası Proje Geliştirme ve Yatırım A.Ş. was established for the construction projects built on the land at Çubuklu, Istanbul.

Yüksel Yapı Elemanları A.Ş. (Yüksel Yapı Elemanları):

Yüksel Yapı Elemanları A.Ş. was established to produce concrete, reinforced and pre-stressed pipes.

Yüksel Yatçılık Turizm ve Ticaret A.Ş. (Yüksel Yatçılık):

Yüksel Yatçılık Turizm ve Ticaret A.Ş. engages in the yacht tourism in Marmaris, Turkey.

Kask Sigorta Aracılık Hizmetleri A.Ş. (Kask Sigorta):

Kask Sigorta Aracılık Hizmetleri A.Ş., works as an insurance agent.

Datasel Bilgi Sistemleri A.Ş. (Datasel):

Datasel Bilgi Sistemleri A.Ş. was founded in 1989 and is engaged in providing turn key solutions in data processing and information technology areas.

Meksa Holding A.Ş. (Meksa Holding):

Meksa Holding A.Ş. was established to carry out the transactions of Meksa Group companies that operate in security-exchange markets.

Meksa Yatırım Menkul Değerler A.Ş. (Meksa Yatırım):

Meksa Yatırım Menkul Değerler A.Ş. was established in 1990. The Company is operating in securities market in accordance with Capital Market Legislation.

Aysel Invest Privat Stock Company JVC. (Aysel Invest):

Aysel Invest, was established in Uzbekistan in 2002 to invest and make tourism activities. In 2002 the Company started Radisson SAS Hotel investment and completed in 2003. Radisson SAS Hotel, which is in Tashkent, has multi purposed meeting and business floors. In addition, Radisson SAS Hotel is rendering its services with outdoor pool, terrace cafe, and 110 business and suite room capacity.

Yüksel-Turkuaz-YDA İnşaat ve Ticaret Ltd. Şti. (Yüksel-Turkuaz-YDA):

Yüksel-Turkuaz-YDA was established in 02.05.2006 to make construction projects in Kazakhstan. Partnership agreement with Turkuaz-YDA. Contract has been signed with 50% equal shares. The Company was engaged in Cp Logistic Center and AFD Blocks projects in Kazakhstan. The estimated value of these projects is 300 million USD.

Yüksel Enerji Elektrik Üretim ve Ticaret A.Ş. (Yüksel Enerji):

Yüksel Enerji, was established in 2005 for establishing and commissioning electricity energy power plants, generating electrical energy and selling the generated electrical energy. In 2006, the Company has bought Köprübaşı Dam from DSİ for 49 years, which is located in Bolu-Mengen. Köprübaşı Dam and HEPP Project will have 78.88 Mw of installed capacity and 203.12 GWh of generated energy annually, when it is completed.

Yüksel Enerji Holding A.Ş. (Yüksel Enerji Holding):

Yüksel Enerji Holding A.Ş. was established in 28.10.2008. The Company is engaged in joining, investing, financing, organization and management of Yüksel Energy Group of Companies.

Can Elektrik Üretim Ltd. Şti. (Can Elektrik):

Can Elektrik, within the context of DSİ's "projects developed by legal entities" work, has prepared the required feasibility report for Çayaltı Regulator and HEPP Project which is planned to be constructed in Zonguldak-Devrek and submitted it to DSİ General Directorate. The report is currently under review.

Yılmaz Elektrik Üretim Enerji ve Ticaret A.Ş (Yılmaz Elektrik).

Yılmaz Elektrik was established in order to construct and operate electricity power plants and the project development works are still continuing.

Tuna Elektrik Üretim Enerji ve Ticaret A.Ş. (Tuna Elektrik):

Tuna Elektrik has prepared the required feasibility report for Çınar Regulator and HEPP Project and Göksel I and IA Regulator and HEPP Project and submitted it to DSİ General Directorate. The report is currently under review.

Kaan Elektrik Üretim Enerji ve Dağıtım Ticaret A.Ş. (Kaan Elektrik):

Kaan Elektrik was established in order to construct and operate electricity power plants and the project development works are still continuing.

Güven Elektrik Üretim Enerji ve Dağıtım Ticaret A.Ş. (Güven Elektrik):

Güven Elektrik was established in order to construct and operate electricity power plants and the project development works are still continuing.

Yüksel Elektrik Enerjisi Toptan Satış A.Ş. (Yüksel Toptan Satış):

Yüksel Toptan Satış, was established to wholesale electric energy. The Company had Electricity Wholesale License 29.04.2010 from EMRA.

Aydıncık Elektrik Enerji Üretim ve Ticaret A.Ş. (Aydıncık Elektrik):

Aydıncık Elektrik was established in order to generate and sell electrical energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Aydıncık WEPP Project with 50 MW installed power capacity which is planned to be constructed in Mersin-Aydıncık is still ongoing.

Çayönü Elektrik Enerji Üretim ve Ticaret A.Ş. (Çayönü Elektrik):

Çayönü Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Çayönü WEPP Project with 35 MW installed power capacity which is planned to be constructed in Kayseri-Pınarbaşı is still ongoing.

Çubuklu Elektrik Enerji Üretim ve Ticaret A.Ş. (Çubuklu Elektrik):

Çubuklu Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Çubuklu WEPP Project with 70 MW installed power capacity which is planned to be constructed in Muğla-Ula is still ongoing.

Elmadağ Elektrik Enerji Üretim ve Ticaret A.Ş. (Elmadağ Elektrik):

Elmadağ Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Elmadağ WEPP Project with 72 MW installed power capacity which is planned to be constructed in Ankara-Elmadağ is still ongoing.

Esenköy Elektrik Enerji Üretim ve Ticaret A.Ş. (Esenköy Elektrik):

Esenköy Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Esenköy WEPP Project with 10 MW installed power capacity which is planned to be constructed in Kastamonu-İnebolu is still ongoing.

Kangal Elektrik Enerji Üretim ve Ticaret A.Ş. (Kangal Elektrik):

Kangal Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Kangal WEPP Project with 128 MW installed power capacity which is planned to be constructed in Sivas-Kangal is still ongoing.

Karacaören Elektrik Enerji Üretim ve Ticaret A.Ş. (Karacaören Elektrik):

Karacaören Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Karacaören WEPP Project with 35 MW installed power capacity which is planned to be constructed in Samsun-Havza is still ongoing.

Kurucaşile Elektrik Enerji Üretim ve Ticaret A.Ş. (Kurucaşile Elektrik):

Kurucaşile Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Kurucaşile WEPP Project with 27 MW installed power capacity which is planned to be constructed in Bartın-Kurucaşile is still ongoing.

Şahinyurdu Elektrik Enerji Üretim ve Ticaret A.Ş. (Şahinyurdu Elektrik):

Şahinyurdu Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Şahinyurdu WEPP Project with 38 MW installed power capacity which is planned to be constructed in Bursa-Gemlik is still ongoing.

Tisan Elektrik Enerji Üretim ve Ticaret A.Ş. (Tisan Elektrik):

Tisan Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Tisan WEPP Project with 9 MW installed power capacity which is planned to be constructed in Mersin-Silifke is still ongoing.

Adsel Elektrik Enerji Üretim Ltd. Şti. (Adsel Elektrik):

Adsel Elektrik was established to construct and operate electricity power plants. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Yeşilırmak I Regulator and HEPP and Yeşilırmak II Regulator and HEPP is still ongoing.

S.H. Enerji Elektrik Üretim Ticaret A.Ş. (S.H. Enerji):

S.H. Enerji has obtained License from EMRA for the Karabük-Yenice Alaboğa Regulator and HEPP and signed Water Usage Agreement with DSİ General Directorate. Application assessment for Karabük-Yenice Uzunburun Regulator and HEPP with EMRA is still ongoing.

Hidro-D Hidroelektrik Enerji Üretim A.Ş. (Hidro-D Enerji):

Hidro-D Hidroelektrik has obtained License from EMRA for Sivas-Gölova Çobanlı Regulator and HEPP.

Ağrı Enerji Üretimi A.Ş. (Ağrı Enerji):

Ağrı Enerji was established to construct and operate electricity power plants. The Company obtained licenses for Yağmur Dam and HEPP, Bulut HEPP, Yıldırım HEPP and Şimşek HEPP.

2. Basis of Presentation of the Financial Statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect.

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code ("TCC") and tax legislation. Subsidiaries operating in foreign countries maintain their books of account in the currencies of those countries and prepare their statutory financial statements in accordance with the legislation effective in those countries. The consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

Consolidated financial statements are prepared in accordance with the historical costs principle except the revaluation of tangible fixed assets and investment property.

Translation of financial statements of branches and foreign subsidiaries

Branches and foreign subsidiaries' assets and liabilities are translated into Turkish Lira from the foreign exchange rate at the balance sheet date and income and expenses are translated into Turkish Lira at the average foreign exchange rate. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the "cumulative translation differences" under the equity.

Presentation and functional currency

For the purpose of the consolidated financial statements, the presentation currency of the Group is accepted as TL. The currency of the primary economic environment (functional currency) of the Group is USD.

Convenience translation of financial statements

Translation of financial statements from functional currency to reporting currency is done as follows:

- Assets and liabilities for each balance sheet presented at 30 June 2010, 31 December 2009 and 31 December 2008 are translated at respective closing buying rates.

- Income and expenses for each income statements are translated at respective buying closing rates at 30 June 2010, 2009 and 2008.

Such convenience translations are not intended to comply with the provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates". All resulting exchange differences are recognized as a separate item of translation difference in the "General Reserves" account.

Adoption of new and revised international financial reporting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are effective as at 31.12.2009 and that are relevant to its operations.

The new standards, amendments, changes and interpretations of current standards effective as of 31.12.2009:

– Amendments to IFRS 1 "First-time Adoption" and IAS 27 "Consolidated and Separate Financial Statements—Cost" of investments in subsidiaries, jointly controlled entities or associates

– Amendments to IFRS 2, "Share Based Payments"—Vesting Conditions

– Amendments to IFRS 7 "Financial Instruments"—Changes in Footnotes

These amendments require further explanations about measurement of net realizable value and liquidity risk. Net realizable value should be measured by using a three level hierarchical distribution depending on source of benefits obtained for each financial instrument. The Company has provided sufficient explanations in accounting policies and footnotes about financial risk management.

– IFRS 8, "Operating Segments"

– IAS 1, "Presentation of Financial Statements" (Revised)

– IAS 23, "(Revised) Borrowing Costs"

– Amendments to IAS 32 and IAS 1: "Puttable Financial Instruments and Obligations Arising on Liquidation"

– IFRIC 9 "(Revised) Reassesment of Embedded Derivatives" and IAS 39 "(Revised) Financial instruments: Recognition and Measurement"

– IFRIC 13, "Customer Loyalty Programmes" (effective for fiscal periods beginning on or after 01.07.2008)

– IFRIC 15, "Agreements for Construction of Real Estates"

– IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (effective for fiscal periods beginning on or after 01.10.2008).

– IFRIC 18, "Transfer of Assets from Customers"

Improvements to IFRS (issued in 2008), effective from 01.01.2009

In May 2008, the International Accounting Standards Board (IASB) issued its first set of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Each standard has a different date of execution the most recent standard will be in execution as of 01.01.2009.

Standards Announced by International Accounting Standards Board (IASB) on May 2008:

- IFRS 5, "Non-current assets held-for-sale and discontinued operations"
- IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors"
- IAS 10, "Events after the Reporting Period"
- IAS 16, "Property, Plant and Equipment"
- IAS 18, "Revenue"
- IAS 19, "Employee Benefits"
- IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance"
- IAS 27 (Amendment), "Consolidated and separate financial statements"
- IAS 28 (Amendment), "Investments in Associates"
- IAS 29, "Financial Reporting in Hyperinflationary Economies"
- IAS 31, "Interests in Joint Ventures"
- IAS 36, "Impairment of Assets"
- IAS 38, "Intangible Assets"
- IAS 39, "Financial Instruments: Recognition and Measurement"
- IAS 40, "Investment Property"
- IAS 41, "Agriculture" (Revised)
- IFRIC 9 "(Revised) Reassesment of Embedded Derivatives" and IAS 39 "(Revised) Financial instruments: Recognition and Measurement"
- IAS 34, "Interim Financial Reporting"

Improvements to IFRS (issued in 2009) effective from 01.07.2009

In April 2009, the International Accounting Standards Board (IASB) has issued amendments in order to eliminate the inconsistencies and clarify the explanations related to standards. Transitional provisions and application periods vary for each amendment which is 01.07.2009 for the earliest.

Standards amended by International Accounting Standards Board (IASB) are as follows:

- IFRS 2, "Scope of IFRS 2 and revised IFRS 3"
- IFRS 5, "Disclosures of non-current assets (or disposal groups) classified as held-for-sale and discontinued operations"
- IFRS 8, "Disclosure of information about segment assets"
- IAS 1, "Current/non-current classification of convertible instruments"
- IAS 7, "Classification of expenditures on unrecognized assets"
- IAS 17, "Classification of leases of land buildings"
- IAS 18, "Determining whether an entity is acting as a principal or as an agent"

- IAS 36, "Unit of accounting for goodwill impairment test"
- IAS 38, "Additional consequential amendments arising from revised IFRS 3"
- IAS 38, "Measuring the fair value of an intangible asset acquired in a business combination"
- IAS 39, "Treating loan prepayment penalties as closely related embedded derivatives"
- IAS 39, "Scope exemptions for business combination contracts"
- IAS 39, "Cash flow hedge accounting"
- IFRIC 9, "Scope of IFRIC 9 and revised IFRS 3"
- IFRIC 16, "Amendment to the restriction on the entity that can hold hedging instruments"

New and amended standards and interpretations applicable to 31.12.2010 financial statements:

- Amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards—Additional exemptions for first-time adopters"
- Amendments to IFRS 2, "Group cash settled share based Payment Transactions"
- Amendments to IFRS 3 "Business Combinations" and IAS 27 "Amendments to separate financial statements"(*)
- Amendments to IAS 39, "Financial Instruments: Recognition and Measurement"—Eligible hedged items
- IFRIC 17, "Distributions of Non-cash Assets to Owners"

The Group management will consider the effects of these amendments to its financial statements and will apply them from their effective date.

New and amended standards and interpretations issued that are effective subsequent to 31.12.2010 (These amendments have not been adopted by European Union yet):

- IFRIC 9, "Reassesment of Embedded Derivatives" (effective for periods beginning on or after 01.01.2013)
- IFRS 9, "(Revised) Financial Instruments, Classification and Measurement of Financial Assets" (effective for fiscal periods beginning on or after 01.01.2013)
- Amendment to IAS 24, "Related Party Disclosure's" (effective for periods beginning on or after 01.01.2011)
- Amendment to IAS 32, "Classification of Right Issues" (effective for periods beginning on or after 01.02.2010)
- Amendment to IFRIC 14, "Prepayments of a Minimum Funding Requirement" (effective for periods beginning on or after 01.01.2011, with earlier application permitted)
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments" (effective for periods beginning on or after 01.07.2010, with earlier application permitted)
- IFRIC 12, "Service Concession Arrangements" (effective for periods beginning on or after 01.01.2008)
- IFRIC 13, "Customer Loyalty Programmes" (effective for periods beginning on or after 01.07.2008)
- IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" (effective for periods beginning on or after 01.01.2008)

(*) These standards can not be implemented for the periods prior to 30.06.2007.

– IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (effective for periods beginning on or after 01.10.2008).

The Group management is considering the effects of the first time application of these amendments to its financial statements.

3. Principles of Consolidation and Summary of Significant Accounting Policies

3.1 Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its entities controlled by the Company and foreign branches as explained in Note 1.

Entities in which the Group, directly or indirectly, has above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, have been fully consolidated. Certain companies in which the Group has a controlling interest or significant influence are not consolidated or equity accounted, as they are immaterial individually and in aggregate to the results and financial position of the Group.

The balance sheets and statements of income of the Group are consolidated on a line by line basis, and the carrying value of the investment held by the Group is eliminated against the related shareholders' equity accounts. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The purchase method of accounting is used for acquired business. Subsidiaries, joint ventures or investment in associates, acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Investments in associates are undertakings over which the Group generally has between 20% and 50% of the voting rights and the Group has significant influence and which are not subsidiaries or joint ventures of the Group. The Group's investments in associates are accounted for using the equity method. Under the equity method, an associate is carried at net asset amount in the consolidated balance sheet and the share of the Group from the associate's results of operations is recognized in the statement of income. Unless net assets of the investment in associates are subject to a temporary impairment, the investment in associates is disclosed with the impaired value in the accompanying financial statements.

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and its subsidiaries together with one or more other parties. The Group's interest in joint ventures is accounted for by way of proportionate consolidation; in other words, the Group includes its share of the assets, liabilities, income and expenses of each joint venture in the relevant components of the financial statements. Proportionate consolidation method principally has the similar procedures as the line by line consolidation method.

3.2 Other Significant Accounting Policies

The principal accounting policies followed in the preparation of the accompanying consolidated financial statements are set forth below:

Related parties

For the purpose of the accompanying financial statements, key personnel in management and board of directors, their family and controlled or dependent companies, participations and subsidiaries of the Group are referred to as related parties.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, bank deposits and short-term investments, which can easily be converted into cash for a known amount, has high liquidity with maturities of 3 months or less. The amounts paid under the reverse repurchase agreements are included in the cash and cash equivalents. Recorded value is estimated market value of other cash and bank deposits on the balance.

Repurchase and resale transactions

The Group enters into short-term purchase of securities under agreements to resell such securities. Such securities purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognized in the balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in cash and cash equivalents. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement.

Trade receivables and allowance for doubtful receivables

Trade receivables and notes receivable are recognized at original invoice amount and discounted to present value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. In case the provision decreases as a result of an event that occurs after write off, the amount is reflected on the income statement in the current period.

Based on an evaluation of its trade portfolio such as volume, character of outstanding loans, past loan experience and general economic conditions management provides a general reserve that it believes is adequate to cover possible losses and uncollectible amounts in the Group's receivables, in addition to specific reserves provided for receivables in legal follow-up.

Trade payables

Trade payables are stated at their nominal values, discounted to present value as appropriate.

Inventories

Inventories are valued on the basis of the weighted average cost method by considering the cost or the net realizable value, whichever is the lowest. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. The cost of inventories cover all purchasing costs, conversion costs and other expenses made to bring the inventories into their current state and condition.

Cost of under construction projects (Fiba Çubuklu Villas) and development comprise direct cost, attributable indirect costs, raw material and cost of borrowing related to projects. These inventories are stated at the lower of cost or net realizable value.

Investments

The unconsolidated equity investments are carried at cost, reduced where necessary to reflect permanent impairment in value.

Joint ventures

The Group has signed partnership agreements with various companies to perform many projects. The purposes and completion times of these joint ventures are specified. The financial statements of the joint ventures are combined in the attached consolidated financial statements. The detailed explanations of the joint ventures are given at note 14.

Construction contract activities

Contract revenue and costs are recognized as revenue and expenses, respectively, when the outcome of a construction contract can be estimated reliably. The percentage of completion method is used to recognize revenue on a contract as work progresses by matching contract revenue with contract costs incurred based on the proportion of work completed which is determined by the ratio of actual costs incurred through to the end of each reporting period divided by the total estimated contracts costs of the projects. Contracts to manage, supervise or coordinate the construction activity of others are recognized only to the extent of the fee revenue.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to the income statements as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

Costs of uncompleted construction contracts represent the costs incurred les the sum of recognized costs (in the income statements) for all contracts in progress. Deferred revenue in excess of costs on uncompleted contracts represents future billings in excess of revenues recognized (in the income statements). These cost and deferred revenue are subsequently recognized in the income statement based on completion method which is based on engineering reports.

Finance leases

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property after tax advantages or incentives have been deducted, or the present value of the minimum lease payments. Principal lease payments are recorded as a payable and are reduced as paid; the interest element is charged to the statement of income as expense during the lease period. Property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset.

Property, plant and equipment and related depreciation

Property, plant and equipment are carried at acquisition cost, less any accumulated depreciation and any impairment loss. Profit and loss arising out of the sale of property, plant and equipment are included in the other income and expense accounts. In cases when the carrying value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Repair and maintenance expenditure related to property, plant and equipment is expensed as incurred.

Land and buildings are recorded on the basis of estimated fair value and difference between book values and fair values are reflected under Fair Value Reserve account which is part of the Group equity. Estimated fair values are based on the best estimates made by the management of the Group.

Depreciation is provided on straight-line basis over the useful lives of the assets. The estimated useful lives of property, plant, equipment are as follows:

	Years
Buildings	25 - 50
Land improvements	4 - 50
Machinery and equipment	4 - 20
Furniture, fixtures and office equipment	4 - 20
Motor vehicles	4 - 20
Rights	3 - 5

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. The land acquired by the Group from Çubuktaş A.Ş. is carried at fair market value. The decrease or increase in the appraised carrying amount of such property as a result of revaluation has been debited or credited to general reserves under shareholders equity. Considering the Group management's intention to hold such property for future development or investment purposes deferred taxes has not been recognized for the transaction.

Impairment of assets

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

Financial instruments

(i) Financial assets

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

Financial assets are classified into the following specified categories as ‘at fair value through profit or loss’, ‘held to maturity investments’, ‘available for sale financial assets’ and ‘loans and receivables’.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Debt instruments that are held to maturity, are available for sale, or are loans and receivables recognize in income on an effective interest rate basis.

Effective interest method

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

Financial assets held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group’s management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows.

Financial assets available-for-sale

Available-for-sale securities are those that are not (a) held-to-maturity investments, or (b) securities held for trading. Subsequent to acquisition, available for sale securities are valued at their fair value if reliably measurable. Otherwise, they are accounted for at the amortized cost. Unrealized gains or losses arising from changes in the fair value of securities classified as available for sale are deferred in equity until the financial asset is sold, collected or otherwise is disposed of when available for sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement. All investment securities are initially recognized at cost. Transaction costs are included in the initial measurement of debt securities. Available for sale securities are measured at fair value.

Fair value of available for sale monetary assets denominated in foreign currency is determined in that foreign currency and converted using the spot rate at the reporting date. Change in fair value attributable to conversion differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market, not held for trading, and not designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Loans and receivables are measured at amortized cost using the effective interest method.

Impairment of financial assets

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

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

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

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

(ii) Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recorded at fair value upon initial measurement and re-measured to fair value at each reporting period. Changes in the fair values are accounted in the income statement. Net gains and losses accounted for in the income statement includes interest paid expense incurred on the financial liability.

Other financial liabilities

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

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

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

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs. After initial recognition, bank borrowings are subsequently measured at amortized cost using the effective interest rate method. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are shown in current liabilities to the extent that they are not settled in the period in which they arise.

Provisions

Provisions are recognized when, and only when the Group has a present obligation as a result of a past event and 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. Provisions are recognized by the amortized amount as of balance sheet date in case that the monetary loss is material. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a considerable time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned by the temporary investment of the part of the borrowing not yet used is deducted from the borrowing costs eligible for capitalization.

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

Taxation and deferred income taxes

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

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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax related to the equity items is carried under the equity and not reflected to income statement. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. 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 profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly.

Employee benefits / Retirement pay provision

Under the Turkish law and union agreements, severance payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 (revised) "Employee Benefits". The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Revenue recognition

Revenue involves the goods and service sales invoiced value. Revenues are recognized on an accrual basis at the time deliveries of goods and services or acceptances are made, the transfer of risks and benefits related to good are realized, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. The significant risks and benefits in sales are transferred when the goods are delivered or legal proprietorship is transferred to the customer. Interest income and expenses are recognized in the income statement on an accrual basis. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes.

Construction / Contracting Works: Revenue earned from contracting work is recognized by using a reference to the stage of completion of the contract.

Fiba Çubuklu Villa Project: Revenue earned from this project will be recognized when the Company completed all of its contractual tasks and transfer all legal risks and benefits arising from owning the property to the purchaser.

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

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

Rental income: Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Foreign currency transactions

Transactions in foreign currencies during the periods have been translated at the exchange rates prevailing at the dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. The foreign exchange gains and losses are recognized in the income statement.

The year-end foreign currency rates used are shown below:

	30.06.2010	30.06.2009	30.06.2008	31.12.2009	31.12.2008
USD	1.5747	1.5301	1.2237	1.5057	1.5123
EURO	1.9217	2.1469	1.9271	2.1603	2.1408
GBP	2.3696	2.5272	2.4292	2.3892	2.1924
LYD	1.2051	1.2484	1.0347	1.2287	1.2181
AED	0.4288	0.4168	0.3331	0.41192	0.41372
UZS	0.001	0.001	0.001	0.001	0.00109
KZT	0.0107	0.01	0.009	0.01	0.0125

Provisions

Provisions are recognized when, and only when the Group has a present obligation as a result of a past event and 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. Provisions are recognized by the amortized amount as of balance sheet date in case that the monetary loss is material. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Commitments and contingencies

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non-occurrence of certain future events, unless the expected performance is remote. Accordingly, contingent losses are recognized in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect 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 these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Cash flow statement

Cash and cash equivalents include cash and deposits with banks.

Significant management judgment in applying accounting policies

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the financial statements:

Revenue: Management needs to make significant judgment in determining when to recognize the revenue earned from rendering of services by using a reference to the stage of completion of the contract and income from after-sales services.

Impairment: An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management makes assumptions about future events and circumstances.

Inventories: In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made.

Provisions: The Group is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Group's position in the related disputes.

EBITDA

EBITDA is defined as earnings before interest expense, income tax expense (benefit), depreciation and amortization. This information should be read with the statements of cash flows contained in the accompanying financial statements.

(Currency—Turkish Lira "TL" unless otherwise expressed)

4. Geographical Segment Reporting

As of 30.06.2010, 31.12.2009 and 2008 information per geographical segment is as follows:

30.06.2010	Turkey	Libya	Dubai	Qatar	Afghanistan	Jordan	Uzbekistan	Saudi Arabia	Ira
Total Assets	1,651,746,169	149,098,767	60,810,861	18,767,828	78,242,274	6,790,322	23,335,871	221,133,968	172,41
Total Liabilities	1,651,746,169	149,098,767	60,810,861	18,767,828	78,242,274	6,790,322	23,335,871	221,133,968	172,41

31.12.2009	Turkey	Libya	Dubai	Qatar	Afghanistan	Jordan	Uzbekistan	Saudi Arabia	Ira
Total Assets	1,543,022,670	140,566,421	79,338,906	35,515,700	70,220,826	9,401,955	21,107,924	204,359,599	112,94
Total Liabilities	1,543,022,670	140,566,421	79,338,906	35,515,700	70,220,826	9,401,955	21,107,924	204,359,599	112,94

31.12.2008	Turkey	Libya	Dubai	Qatar	Afghanistan	Jordan	Uzbekistan	Saudi Arabia	Ira
Total Assets	1,310,145,515	87,725,829	130,118,595	55,830,210	33,738,584	7,499,968	20,432,852	126,267,253	31,21
Total Liabilities	1,310,145,515	87,725,829	130,118,595	55,830,210	33,738,584	7,499,968	20,432,852	126,267,253	31,21

(Currency—Turkish Lira "TL" unless otherwise expressed)

30.06.2010	Turkey	Libya	Dubai	Qatar	Afghanistan	Jordan	Uzbekistan	Saudi Arabia	I
Sales	198,297,190	101,228,066	232,489	11,855,468	92,548,147	7,004,355	3,388,555	220,303,027	40
Cost of Sales	(161,381,240)	(77,269,679)	(10,394,204)	(13,902,607)	(72,068,138)	(4,566,708)	(2,873,205)	(211,519,198)	(31,
Meksa Yatırım gross profit	7,556,145	—	—	—	—	—	—	—	
Gross Profit / (Loss)	**44,472,095**	**23,958,387**	**(10,161,715)**	**(2,047,139)**	**20,480,009**	**2,437,647**	**515,350**	**8,783,829**	**9**

31.12.2009	Turkey	Libya	Dubai	Qatar	Afghanistan	Jordan	Uzbekistan	Saudi Arabia	I
Sales	1,156,944,312	158,971,027	34,007,877	84,995,332	199,226,584	17,275,295	14,584,559	405,423,632	27
Cost of Sales	(1,082,043,073)	(141,486,140)	(56,740,247)	(63,422,128)	(117,260,676)	(11,939,803)	(7,372,595)	(378,280,401)	(15,
Meksa Yatırım gross profit	9,788,494	—	—	—	—	—	—	—	
Gross Profit / (Loss)	**84,689,733**	**17,484,887**	**(22,732,370)**	**21,573,204**	**81,965,908**	**5,335,492**	**7,211,964**	**27,143,231**	**12**

31.12.2008	Turkey	Libya	Dubai	Qatar	Afghanistan	Jordan	Uzbekistan	Saudi Arabia	I
Sales	1,001,818,679	71,269,887	208,436,856	58,293,506	90,402,732	70,249,592	13,372,768	132,001,961	89
Cost of Sales	(941,125,974)	(74,306,976)	(222,129,855)	(32,470,251)	(78,742,208)	(85,707,337)	(5,923,372)	(107,709,506)	(69,
Meksa Yatırım gross profit	6,306,741	—	—	—	—	—	—	—	
Gross Profit / (Loss)	**66,999,446**	**(3,037,089)**	**(13,692,999)**	**25,823,255**	**11,660,524**	**(15,457,745)**	**7,449,396**	**24,292,455**	**20**

(Currency—Turkish Lira "TL" unless otherwise expressed)

5. Segment Reporting

As of 30.06.2010 segment reporting is as follows:

	Construction	Concrete Production	Tourism	Insurance	Information Systems	Financial Investments Holding	Energy
Total Assets	2,035,376,441	29,793,985	20,268,427	2,690,850	8,483,929	7,733,956	229,729,1
Total Liabilities	2,035,376,441	29,793,985	20,268,427	2,690,850	8,483,929	7,733,956	229,729,1
Sales	657,786,834	9,630,148	3,259,646	303,625	6,374,061	—	-
Cost of sales	(575,246,254)	(9,639,736)	(2,333,367)	—	(1,192,786)	—	-
Meksa Yatırım gross profit	—	—	—	—	—	—	-
Gross Profit	82,540,580	(9,588)	926,279	303,625	5,181,275	—	-
Operating expenses	(29,849,238)	(458,585)	(2,035,813)	(291,660)	(1,970,746)	(20,338)	(472,76
Other income/(expenses), net	(1,992,379)	(20,261)	47,804	5	(45,779)	49,940	556,9
Financing income/(expenses), net	(9,067,121)	(274,125)	148,097	28,801	(16,349)	—	(243,90
Profit Before Tax	41,631,842	(762,559)	(913,633)	40,771	3,148,401	29,602	(159,77

(Currency—Turkish Lira "TL" unless otherwise expressed)

As of 31.12.2009 segment reporting is as follows:

	Construction	Concrete Production	Tourism	Insurance	Information Systems	Financial Investments Holding	Energy
Total Assets	1,944,204,166	21,665,399	16,269,966	1,322,089	4,124,825	7,800,210	198,430,770
Total Liabilities	1,944,204,166	21,665,399	16,269,966	1,322,089	4,124,825	7,800,210	198,430,770
Sales	2,084,485,837	18,016,805	6,496,874	544,946	3,394,083	—	—
Cost of sales	(1,860,997,649)	(15,236,329)	(3,825,618)	—	(3,184,570)	—	—
Meksa Yatırım gross profit	—	—	—	—	—	—	—
Gross Profit	**223,488,188**	**2,780,476**	**2,671,256**	**544,946**	**209,513**	**—**	**—**
Operating expenses	(78,004,335)	(742,546)	(3,880,375)	(552,058)	(2,496,887)	(43,238)	(885,347)
Other income/(expenses), net	4,696,359	14,803	537,821	(10,424)	(364,224)	11,441	160
Financing income/(expenses), net	(16,793,416)	(445,461)	(209,226)	63,138	(180,867)	(227,646)	321,133
Profit Before Tax	**133,386,796**	**1,607,272**	**(880,524)**	**45,602**	**(2,832,465)**	**(259,443)**	**(564,054)**

(Currency—Turkish Lira "TL" unless otherwise expressed)

As of 31.12.2008 segment reporting is as follows:

	Construction	Concrete Production	Tourism	Insurance	Information Systems	Financial Investments Holding	Energy
Total Assets	1,637,951,586	17,873,744	15,911,256	927,722	3,231,782	7,763,474	132,742,639
Total Liabilities	1,637,951,586	17,873,744	15,911,256	927,722	3,231,782	7,763,474	132,742,639
Sales	1,798,210,874	13,479,231	6,381,693	557,778	2,777,719	—	—
Cost of sales	(1,680,054,969)	(13,016,786)	(3,647,655)	—	(3,252,465)	—	—
Meksa Yatırım gross profit	—	—	—	—	—	—	—
Gross Profit	**118,155,905**	**462,445**	**2,734,038**	**557,778**	**(474,746)**	**—**	**—**
Operating expenses	(64,676,263)	(5,362,305)	(2,901,918)	(575,548)	(2,307,249)	(34,777)	(435,068)
Other income/(expenses), net	5,875,862	329,465	8,437	43	56,283	(2,277,627)	15,001
Financing income/(expenses), net	(699,983)	(326,182)	(333,665)	80,272	(32,148)	(180,390)	1,947
Profit Before Tax	**58,655,521**	**(4,896,577)**	**(493,108)**	**62,545**	**(2,757,860)**	**(2,492,794)**	**(418,120)**

6. Cash and Cash Equivalents

As of 30 June 2010, 31 December 2009 and 2008, cash and cash equivalents were as follows:

	30.06.2010	31.12.2009	31.12.2008
Cash on hand	1,951,586	1,346,126	1,785,643
Banks			
—Demand deposits	18,962,255	78,572,821	36,684,018
—Time deposits	32,837,687	27,973,474	47,703,845
—Blocked deposits	4,575,205	4,752,660	—
Receivables from repurchase agreements (Meksa Yatırım)	19,209,975	14,910,458	6,560,729
Receivables from stock money markets (Meksa Yatırım)	—	—	40,016
Other liquid assets	221,328	79,134	91,275
	77,758,036	**127,634,673**	**92,865,526**

As of 30.06.2010 the terms of the time deposits varied between 1 and 311 days. Effective interest rates were between 4.75% - 9.50% on the TL accounts and 1% - 5% on the USD time deposit accounts.

As of 30.06.2010, 2,200,000 EURO of the bank balance has been blocked in exchange for the letter of guarantee obtained for Libya Odaq project.

As of 30 June 2010, 31 December 2009 and 2008, details of banks were as follows:

Yüksel İnşaat Turkey	16,171,146	29,686,980	16,595,089
Yüksel Libya Branch	2,438,760	1,034,284	1,635,403
Yüksel Dubai Branch	2,210,387	1,407,775	1,019,866
Yüksel Qatar Branch	—	13,018,478	3,572,896
Yüksel Afghanistan Branch	48,616	1,061,563	1,127,956
Yüksel Jordan Branch	472,275	—	365,139
Yüksel Uzbekistan Branch	1,682,691	733,978	1,072,082
Yüksel Saudi Arabia Branch	1,319,434	35,635,991	8,889,539
Sasel Elektromekanik Sanayi ve Ticaret A.Ş.	1,579,657	954,931	861,112
Fiba Yüksel Uluslararası Proje Gel. ve Yat. A.Ş.	26,112,792	25,496,417	42,095,893
Yüksel Yapı Elemanları A.Ş.	327,042	32,129	181,502
Meksa Yatırım Menkul Değerler A.Ş.	1,694,095	1,146,584	4,356,166
Aysel Invest Privat Stock Company JVC.	50,701	526,634	977,233
Yüksel Turkuaz YDA İnşaat ve Ticaret Ltd. Şti.	297,924	246,744	1,509,674
Yüksel Enerji Elektrik Üretim San. ve Tic. A.Ş.	1,560,025	236,810	30,982
Other	409,602	79,657	97,331
	56,375,147	**111,298,955**	**84,387,863**

7. Marketable Securities

As of 30 June 2010, 31 December 2009 and 2008, marketable securities were as follows:

	30.06.2010	31.12.2009	31.12.2008
Ready for sale bill of exchange and stock certificate	876,963	1,518,071	1,104,072
Derivative financial instruments	—	334,648	43,745
Funds under repurchase agreement	270,623	501,106	340,318
Investment funds	18,695	54,770	213,460
	1,166,281	**2,408,595**	**1,701,595**

8. Financial Assets

As of 30 June 2010, 31 December 2009 and 2008 financial assets were as follows:

	30.06.2010	31.12.2009	31.12.2008
T.M. Enerji Elektrik Üretim Ticaret A.Ş.	—	172,936	150,079
Bereketli Elektrik Enerji Üretim ve Ticaret A.Ş.	—	49,000	44,406
Çayören Elektrik Enerji Üretim ve Ticaret A.Ş.	—	—	45,925
Ekinli Elektrik Enerji Üretim ve Ticaret A.Ş.	—	29,449	18,365
Hereke Elektrik Enerji Üretim ve Ticaret A.Ş.	—	37,150	22,156
	—	**288,535**	**280,931**

T.M. Enerji Elektrik Üretim Ticaret A.Ş. (T.M. Elektrik):

T.M. Elektrik, has received "Production License" from EMRA and has signed "Water Usage Right" agreement with DSİ for Şimşir Regulator and HEPP Project which is planned to be constructed in Karabük-Yenice. Company's shares were sold on 18.06.2010.

Bereketli Elektrik Enerji Üretim ve Ticaret A.Ş. (Bereketli Elektrik):

Bereketli Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Bereketli WEPP Project with 30 MW installed power capacity which is planned to be constructed in Tokat-Reşadiye is still ongoing. Company's shares were sold on 31.05.2010.

Çayören Elektrik Enerji Üretim ve Ticaret A.Ş. (Çayören Elektrik):

Çayören Elektrik was established to build Çayören WPP of 145 MW in Tokat, Merkez. Company's shares were sold on 06.07.2009.

Ekinli Elektrik Enerji Üretim ve Ticaret A.Ş. (Ekinli Elektrik):

Ekinli Elektrik was established in order to generate and sell wind electric energy. The Company was established to build Ekinli WEPP with 30 MW installed power capacity which is planned to be constructed in Bursa-Karacabey. Company's shares were sold on 20.05.2010.

Hereke Elektrik Enerji Üretim ve Ticaret A.Ş. (Hereke Elektrik):

Hereke Elektrik was established in order to generate and sell wind electric energy. The Company was established to build Hereke WEPP with 55 MW installed power capacity which is planned to be constructed in İzmit-Körfez. Company's shares were sold on 12.05.2010.

9. Trade Receivables

As of 30 June 2010, 31 December 2009 and 2008, trade receivables were as follows:

	30.06.2010	31.12.2009	31.12.2008
Short term:			
Accrued contract receivables:			
– Yüksel İnşaat Turkey	23,146,060	40,431,538	51,976,569
– Yüksel Libya Branch	64,811,165	42,918,928	18,128,073
– Yüksel Dubai LLC ve Dubai Branch	19,309,280	50,122,374	45,219,101
– Yüksel Qatar Branch	3,692,077	9,623,539	28,253,044
– Yüksel Afghanistan Branch	28,398,634	30,281,659	14,860,883
– Yüksel Jordan Branch	—	2,801,504	347,939
– Yüksel Uzbekistan Branch	245,124	1,147,757	581,537
– Yüksel Saudia Co. ve Saudi Arabia Branch	155,811,642	91,320,855	57,752,674
– Yüksel Iraq Branch	21,287,270	2,864,469	726,711
– Yüksel Turkuaz YDA İnşaat ve Ticaret Ltd. Şti	770,271	35,918	618,442
Meksa Yatırım trade receivables	45,265,874	26,659,512	4,947,668
Other trade receivables	42,637,625	17,561,331	14,089,618
Post dated checks and notes receivable	14,541,575	11,577,875	13,994,021
Unearned interest on notes receivable (−)	(148,182)	(170,807)	(269,347)
Deposits and guarantees given	31,662,942	29,467,626	35,809,248
Doubtful receivables	8,356,413	8,294,188	6,529,291
Provision for doubtful receivables (−)	(8,356,413)	(8,294,188)	(6,529,291)
	451,431,357	**356,644,078**	**287,036,181**
Long term:			
Deposits and guarantees given	5,590,385	11,040,569	14,385,814
	5,590,385	**11,040,569**	**14,385,814**

Maturity breakdown of checks and notes receivable were as follows:

	30.06.2010	31.12.2009	31.12.2008
Up to 3 months	7,270,265	3,204,059	3,367,848
Between 3 months and 6 months	7,232,426	2,293,708	670,043
6 months and more	38,884	6,080,108	9,956,130
	14,541,575	**11,577,875**	**13,994,021**

10. Related Party Disclosures

As of 30 June 2010, 31 December 2009 and 2008, due from related parties were as follows:

	30.06.2010	31.12.2009	31.12.2008
Yüksel Holding A.Ş.	4,214,678	3,132,037	402
Yüksel İnşaat ve Ticaret Ltd. Şti	995,839	987,923	779,497
Sazak Ziraat İş. Gıda San. ve Tic. A.Ş.	332,405	—	—
Yüksel Özel Güvenlik Hizmetleri A.Ş.	36,451	39,837	314,570
Yüksel Savunma Sistemleri A.Ş.	858,109	115,150	2,313
Yüksel Ulus. Proje Geliştirme Yatırım A.Ş.	1,393	—	1,272
Yüksel Yönetim Hijyen Servis Peyzaj Temizlik Organizasyon Otomotiv Güvenlik Sistemleri A.Ş.	—	2,922	—
Sys Middle East Trade (Dubai)	2,157,392	—	—
Ayşe Altınörs	171,000	—	—
Sert Family	101,183	2,336	1,834,561
Sazak Family	5,387,165	3,659,056	8,337,820
Other	80,493	1,634	—
	14,336,108	**7,940,895**	**11,270,435**

As of 30 June 2010, 31 December 2009 and 2008, due to related parties were as follows:

Yüksel Holding A.Ş.	355	—	6,024,553
Yüksel Seramik Sanayi Tic. A.Ş.	50	36,309	2,150,827
Sert Holding A.Ş.	—	—	69,251
Yüksel Özel Güvenlik Hizmetleri A.Ş.	565,108	191,532	26,196
Makyol İnşaat A.Ş.	138,284	—	—
Yüksel Yönetim Hijyen Servis Peyzaj Temizlik Organizasyon Otomotiv Güvenlik Sistemleri A.Ş.	13,018	—	—
Sazak Turizm A.Ş.	394,065	608,238	—
Sazak Family	3,224,702	5,046,033	1,705,466
Sert Family	673,135	1,772,760	340,000
Other	29,799	39,050	2,196
	5,038,516	**7,693,922**	**10,318,489**

11. Joint Ventures Disclosures

As of 30 June 2010, 31 December 2009 and 2008, due from joint ventures were as follows:

Anadolu Metro Joint Venture	1,642	—	—
Makyol-Yüksel Joint Venture	374,996	—	—
Yüksel-Makimsan-Ener Joint Venture	—	—	2,804
Yüksel-Çiltuğ Joint Venture	30,373	30,373	34,054
Yüksel-Turkuaz Joint Venture	—	—	366,185
Yüksel-Ener Joint Venture	—	—	83,463
Yapı Merkezi-Doğuş-Yüksel-Yenigün-Belen Joint Venture	4,989,612	3,705,313	1,629,684
Vestel-Birim-Datasel Joint Venture	166,763	—	—
	5,563,386	**3,735,686**	**2,116,190**

As of 30 June 2010, 31 December 2009 and 2008, due to joint ventures were as follows:

	30.06.2010	31.12.2009	31.12.2008
Yüksel-Ener Joint Venture	—	—	22,791
Yüksel-Makimsan-Ener Joint Venture	1,211,294	1,275,472	1,438,987
Lw Yüksel-UCG Joint Venture	—	4,016,512	—
	1,211,294	**5,291,984**	**1,461,778**

12. Inventories

As of 30 June 2010, 31 December 2009 and 2008, inventories were as follows:

Construction materials	40,900,998	54,483,323	40,111,191
Work-in-process	1,927,197	370,327	1,253,146
Fiba Çubuklu Villa Project (note 21)	126,248,819	127,293,172	104,360,239
Finished goods	14,495,150	15,234,038	15,094,125
Merchandises	2,185,449	1,778,096	2,776,822
Other inventories	3,813,212	179,078	1,275,552
Advances given(*)	17,513,102	30,941,449	14,766,994
	207,083,927	**230,279,483**	**179,638,069**

(*) As of 30.06.2010, advances given are comprised of the following:

Yüksel İnşaat Turkey	5,647,009	2,975,849
Yüksel Libya Branch	6,279,874	24,868,009
Yüksel Dubai LLC and Dubai Branch	525,535	239,618
Yüksel Afghanistan Branch	2,076,202	654,730
Yüksel Saudia Co. ve Saudi Arabia Branch	1,148,139	320,038
Yüksel Iraq Branch	1,518,199	—
Yüksel Turkuaz YDA İnşaat ve Ticaret Ltd. Şti.	—	1,630,863
Other	318,144	252,342
	17,513,102	**30,941,449**

13. Other Assets

As of 30 June 2010, 31 December 2009 and 2008, other assets were as follows:

	30.06.2010	31.12.2009	31.12.2008
Other current assets:			
Prepaid expenses	13,695,153	13,521,747	18,253,859
VAT receivables	28,424,791	24,335,388	15,834,698
Prepaid taxes(*)	26,242,346	28,185,417	3,261,028
Advances given for business purposes	1,181,749	840,420	1,574,551
Advances given to personnel	3,365,640	2,351,536	3,646,088
Income accruals	280,702	155,758	408,167
Advance given to subcontractors(**)	31,423,787	9,761,190	9,469,751
Other current assets	514,004	209,949	143,356
	105,128,172	**79,361,405**	**52,591,498**
Other non-current assets:			
Prepaid taxes(***)	28,899,184	26,298,217	45,171,342
Prepaid expenses	927,143	5,077,406	7,423,997
	29,826,327	**31,375,623**	**52,595,339**

(*) As of 30.06.2010, TL 24,536,163 of the prepaid taxes comprises of the progress payment withholding taxes of Borçka Dam and HEPP construction project.

(**) As of 30.06.2010, advances given to subcontractors are comprised of the following:

Hacınınoğlu Regulator and HEPP Construction	1,333,995	1,253,091	587,642
Gaziantep Şanlıurfa Highway Suruç Şanlıurfa Segment (Makyol-Yüksel Joint Venture)	240,954	218,245	218,245
Kadıköy-Kartal Public Transportation Lines Construction	—	—	105,386
Sarıgüzel Regulator and HEPP Construction	558,006	325,439	—
Kandil Regulator and HEPP Construction	760,738	1,039,084	—
Yüksel Saudia Co. and Saudi Arabia Branch	8,469,492	—	548,130
Yüksel Jordan Branch	6,140,188	5,871,139	5,961,166
Yüksel Libya Branch	12,521,293	310,858	1,071,060
Yüksel Qatar Branch	10,453	334,100	357,358
Yüksel Afghanistan Branch	1,314,906	253,985	27,991
Other	73,762	155,249	592,773
	31,423,787	**9,761,190**	**9,469,751**

(***) According to Article 94 of the Income Tax Law, for construction and repair works extending over one calendar year performed by persons or legal entities, both work advances and progress invoice amounts paid to those performing the work such as contractors, subcontractors, are subject to withholding tax at rate of 3%.

14. Contract Costs and Deferred Billings

As of 30 June 2010, 31 December 2009 and 2008 contract costs and deferred billings were as follows:

	30.06.2010			**31.12.2009**			**31.12.2008**		
	Completion %	**Contract Cost**	**Deferred Billings**	**Completion %**	**Contract Cost**	**Deferred Billings**	**Completion %**	**Contract Cost**	**Deferred Billings**
Borçka Dam and HEPP Construction (Turkey)	100	—	—	100	—	—	100	5,194,044	4,820,696
Ünye Piraziz Road Improvement Const. (Turkey)	93	6,606,384	6,029,343	93	6,321,279	5,882,343	80	16,044,927	14,815,248
Melen Pump Station Project (Turkey)	99	1,070,508	1,198,124	99	1,061,140	1,198,124	99	1,018,807	1,170,560
Hacınınoğlu Regulator and HEPP Const. (Turkey)	83	14,133,367	14,200,120	54	35,047,469	30,109,207	6	12,727,242	3,952,974
Sarıgüzel Regulator and HEPP Const. (Turkey)	26	26,368,667	23,617,385	7	13,037,420	8,069,113	—	—	—
Kandil Dam and HEPP Construction (Turkey)	7	21,169,652	—	—	6,562,404	—	—	—	—
Libya Projects	—	26,714,581	—	—	9,101,819	—	—	—	—
Saudi Arabia Projects	—	6,443,063	—	—	6,701,719	—	—	—	—
Sasel Electromachanical Projects	—	4,432,324	201,451	—	—	—	—	—	—
		106,938,546	**45,246,423**		**77,833,250**	**45,258,787**		**34,985,020**	**24,759,478**

I. The principal domestic projects in progress of Yüksel İnşaat cover the following:

Borçka Dam and HEPP Construction: This project involves the construction of a dam and a hydroelectric power plant on Çoruh River. Transfer of the Borçka-Artvin state highway to over the dam lake is also included into the contract and this is being executed by Yüksel İnşaat A.Ş. This project has been completed in 2009.

Ünye-Piraziz Road Improvement Construction: This project is done under the scope of the project of Black Sea Coast Road Construction project and comprises of the construction of 49km of roads and betterment of existing roads. This project includes 8 rivers bridges with total length of 320m and 23 level crossing intersections.

Melen Pump Station Construction: This project comprises of the construction of the pumping systems project that is being built between Çerkezköy and Gebze to supply drinking water for Istanbul.

Kandil Group Projects: The project comprises of three construction works:

* **Hacınınoğlu Regulator and HEPP Construction:** Construction of frontal type concrete body with gated water intake regulator located at Ceyhan River Basin within the boundaries of Kahramanmaraş Province having

energy tunnel of 5,500 m. in length, Power Plant Total Installed Capacity: 130 MW, Total Annual Energy Production: 359.8 GWh and hydro mechanical equipment supply and erection.

* **Sarıgüzel Regulator and HEPP Construction:** Construction of concrete face sand-gravel fill type dam located at Ceyhan River Basin within the boundaries of Kahramanmaraş Province having energy tunnel of 4,000 m. in length, Power Plant Total Installed Capacity: 100 MW, Total Annual Energy Production: 256.6 GWh and hydro mechanical equipment supply and erection.

* **Kandil Regulator and HEPP Construction:** Construction of concrete face rock fill type dam located at Ceyhan River Basin within the boundaries of Kahramanmaraş Province having energy tunnel of 9,400 m. in length, Power Plant Total Installed Capacity: 210 MW, Total Annual Energy Production: 502.1 GWh and hydro mechanical equipment supply and erection.

II. The principal overseas projects in progress of Yüksel İnşaat cover the following:

Jordan:

Jordan Armed Forces Military Institutions Construction: Contract date is 08.09.2004. Final contract value was USD 177,663,229. As part of the contract there is construction of Jordan Armed Forces General Staff's having construction area of 112,000 m^2 over 400,000 m^2 of land with all structural, architectural, mechanical and electrical works and 4,000 m. of perimeter wall, 106,000 m^2 of asphalt roads, 2 heliports and car park for 864 vehicles.

Dubai:

Extension of Dubai Bypass Road Phase 1 and 2: Contract date is 06.01.2007. Project value amounts to USD 64,870,779. The project has been completed in 2009. The final acceptance of the project with the employer is to be signed during 2010.

Improvement and Enlargement of Dubai International Airport Roads Phase 2 Beirut and Al Nahda Crossection: Contract date is 12.02.2007. Project value amounts to USD 79,178,508. The project has been completed in 2009. The final acceptance of the project with the employer is to be signed during 2010.

Libya:

Sirte-Ajdabiyah Road Extension and Maintenance: Contract date is 29.04.2007. Project value amounts to USD 79,281,932. The Company has 90% share in this project. This project is planned to be completed in 2011.

Dernah-Imsaad Coast Road Repair and Maintenance Project: Contract date is 14.05.2007. Project value amounts to USD 80,830,142. The Company has 90% share in this project. This project is planned to be completed in 2011.

Al Fateh University Agriculture, Veterinary Medicine and Science Faculty Buildings Project: Contract date is 05.09.2007. Project value amounts to USD 134,702,803. This project is planned to be completed in 2010.

Al Fateh University Infrastructure Works: Contract date is 25.09.2008. Project value amounts to USD 106,169,066. The project will start in 2010 and planned to be completed in 2012.

Qatar:

NDIA Project Airside / Landside Roadways and Parking / Bridge Construction Works: The contract was signed on 25 February 2006. Contract value is USD 29,129,732. This project relates to construction of approach bridges and viaducts for New Doha International Airport project. This project has been completed in 2009.

Construction of North / South Ras Abu Abboud Road / Qatar / Doha: Contract value amounts to USD 210.8 million. This is a Joint Venture with a local company named Midmac and the project is to be done on fifty-fifty basis. Contract date is 7 June 2007. This project is planned to be completed in 2010.

Salwa Yolu 2. Kısım İnşaatı / Katar-Doha: A new road project has been signed with a local company called Midmac with joint venture partnership agreement. The contract value amounts to USD 440 million. The project is planned to be completed in 2011.

Afghanistan:

Kabul International Airport NATO Facilities: As a part of the contract that has been signed on 10 April 2008, construction works of infrastructure facilities and superstructure consisting 30 buildings to be used as terminal, main office, temporary and permanent accommodation facilities, canteen, treatment and maintenance have about total 30,000 m^2 of construction area. Contract value amounts to USD 106,593,921.

Kabul International Airport US Embassy Automobile Vehicle Maintenance Facility: The contract has been signed on 29 August 2008. Project covers the construction of a 2 story vehicle maintenance and repair building including design services at the additional premises of the American Embassy within the International Airport of Kabul. Contract value amounts to USD 2,891,045. The project is completed in 2009.

Administrative Building at Bagram Airfield: As a part of the contract that has been signed on 13 November 2008, construction works of the administrative building for US Army Corps of Engineers (USACE) at Bagram Air Base located approximately 60 km. to the north east of Kabul. Contract value amounts to USD 9,319,157. This project is planned to be completed on 2010.

Bagram Airport FY08-FY09 Projects Construction: The contract has been signed on 09.01.2009. The employer of the project is the American contractor firm CH2M Hill. In scope of this project, 400,000 m^2 concrete apron and taxi way construction, 6 km. fuel filling pipeline, 2 big plane barns and airport electricity production and course marking works will be done in Bagram Airport. As of 31.12.2009, the contract value amounts to USD 92,833,135 and the project is planned to be completed in 2010.

KBR Dining Facility Construction: The contract has been signed on 20.02.2010. The employer of the project is the KBR English. In scope of this contract, concrete dining facility construction will be done in Kabul International Airport. The contract value amounts to USD 5,026,325 and the project is planned to be completed in 2010.

Bagram Air Base Military Housing Construction: Within the scope ofthe contract that has been signed with US Army Corps of Engineers (USACE) on 31.03.2010, a ilitary housing site is being constructed at Bagram Air Base (Afghanistan-Kabul). The contract value amounts to USD 8,746,700. The project is being constructed by a joint venture which is formed by four Turkish companies (Yüksel-Metak-Tepe-Yenigün-Zafer Joint Venture). The project is planned to be completed in 2011.

Turkish Armed Forces Dormitory Construction: The contract has been signed with Turkish Armed Forces on 14.10.2009, includes a two storey, 104 rooms reinforced concrete dormitory building construction in Kabul International Airport. Besides construction and architectural works, the project includes the production works of all the electrical and mechanical equipment. As of 31.12.2009, the contract value amounts to USD 3,950,000. The project is planned to be completed in 2010.

KBR Camp Project: The contract has been signed with KBR England on 14.12.2009 and includes the construction of camp/mobilization facility in Kabul International Airport. Besides construction and architectural works, the project includes the production works of all the electrical, mechanical and kitchen equipment. As of 31.12.2009, the contract value amounts to USD 2,291,725. The project is planned to be completed in 2010.

Saudi Arabia:

Baysh Dam: Baysh Dam is located in Baysh Valley, City of Jizan, Saudi Arabia. The purpose of the dam is flood control and supply of water to downstream farmlands for irrigation. The dam is of concrete gravity type. Employment date of the project is 14 April 2003 and contract value amounts to USD 54,356,670. This project has been completed in 2009.

Damad Dam: Damad Dam is located in about 50 km North-East of Jizan city of Saudi Arabia. The purpose of the dam is flood control and supply of water to downstream farmlands for irrigation. The dam is of roller compacted concrete gravity type. Contract value is USD 39,274,986. This project is planned to be completed in 2010.

Murwani Dam: Murwani Dam is located in Murwani Valley, city of Cidda, Saudi Arabia. Dam is constructed to maintain flood control and to feed underground water. Impermeability will be provided by using asphalt core at the rock fill type dam. Contract value is USD 76,947,362 and employment date of the project is 13 July 2004. This project is planned to be completed in 2010.

Al Hasa Infrastructure Construction Phase III King Faysal University Project: Project value amounts to USD 72,549,561. This is a joint venture with a company named Femco and the project is to be done on fifty-fifty basis. Contract date is 23 July 2007. This project is planned to be completed in 36 months.

King Faysal University Constant Campus Project—Hospital Area Phase II: Project value amounts to USD 54.1 million. Contract date is 01 July 2007. This is a joint venture with a company named Femco and the project is to be done on fifty-fifty basis. This project is to be completed on 31 December 2010.

Eastern Province Water Transmission System Phase II: As a part of the contract that has been signed on 22 March 2008, 500,000 m^3 capacity 133 km. in length transmission line to transfer the treated water from Marafig Saline Water Treatment Plant in Jubail to Dammam and Al Khobar, 12 steel water tanks of 7,300m^3 and pumping station. Contract value amounts to USD 229,642,638. This project is planned to be completed on 2010.

Iraq

Maintenance Jobs: Jobs in Iraq are mainly short term nature where the U.S. Main Contractor as KBR and Flour has an important role. Due to long term relationship with this U.S. Contractors, Yüksel has privilege and advantage of getting jobs as subcontractor, some of these construction or repair jobs are very short term where they are completed in four to five months. In addition to these, Yüksel İnşaat have ongoing maintenance and construction jobs in Iraq. These are the maintenance of Military facilities which were constructed by Yüksel during the pre-war period. Construction works generate revenue as much as maintenance works which generate a solid consistent income base for Yüksel; USD 3-5 million on monthly basis.

Kora Şaklava-Kandil Highway Construction Project (Erbil-Iraq): Project value amounts to USD 178,884,749 and the contract has been signed on 22.10.2009. The project comprises of the construction of 51 km. highway road including 2 tunnels 935 m. and 1,315 m. respectively, is planned to be completed in 30 months.

Kazakhstan

Almaty Financial District Blocks (A-B-C-D): This project comprised of planning and application of 9 floored 2 buildings of financial district C and D blocks will be constructed on 33,009 m^2 and 45,000 m^2 land in Almaty city of Kazakhstan. Roject is held by Yüksel-YDA-Turkuaz Joint Venture, estimated project value for C and D blocks are USD 51,285,698 and USD 79,054,474. Besides, project also covers finishing works of A and B blocks in the same district with a project value of USD 8,509,293 and USD 9,332,711.

JOINT VENTURES:

Yüksel İnşaat has joint ventures formed with a number of local and foreign entities for the purpose of carrying out diverse projects. These ventures are established for a specific purpose and duration. Interest in joint ventures has been accounted for on the proportionate consolidation method. The joint ventures were set up as follows:

Nurol-Cengiz-Kiska-Yüksel Joint Venture: This partnership, where partners have equal shares of 25% each, was established for Ankara-Pozantı highway construction for the duration 09.10.1998 - 20.08.2010. The initial project value amounts to USD 311,141,276.

Makyol-Yüksel Joint Venture: This partnership, where partners have equal shares of 50% each, has been established for Urfa-Suruç highway construction. The partnership was set up for the duration 26.06.1998 - 31.12.2010. The initial project value amounts to USD 285,127,216.

Anadolu Metro Joint Venture: This partnership, where Yüksel İnşaat A.Ş. has 49% of shares, has been established by the Yüksel İnşaat, Güriş İnşaat ve Mühendislik A.Ş, Başyazıcıoğlu İnşaat Ltd. Şti. and Reha İnşaat Ticaret A.Ş. for Yenikapı-Unkapanı and Unkapanı-Taksim subway constructions.

* The partnership was set up for the Yenikapı-Unkapanı subway construction project. The initial project value amounts to TL 14,825,275 plus USD 71,925,457. This project is planned to be completed in 2012.

* The partnership was set up for the Taksim-Unkapanı subway construction project. The initial project value amounts to TL 9,664,090 plus USD 83,501,350. The project has been completed in 2010.

Yüksel-Yenigün-Doğuş-Yapı Merkezi Joint Venture: This partnership, where Yüksel İnşaat A.Ş. has 26% of shares, has been established for Kadıköy-Kartal public transportation lines construction. The partnership was set up for the duration 28.01.2005 - 28.01.2010. The initial project value amounts to USD 181,447,084.

Yüksel-Metak-Tepe-Yenigün-Zafer Joint Venture: This partnership where Yüksel İnşaat A.Ş. has 20% of share has been established on 20.08.2007, for construction works of US Army Corps of Engineers' subcontractor MATOC (Multiple award task order). This joint venture, where Yüksel İnşaat A.Ş. is the main partner, was registered in Afghanistan.

Nurol-Özaltın-Makyol-Astaldi-Yüksel-Göçay Joint Venture: The joint venture has been established for the highway project of Gebze-Orhangazi-İzmir (including İzmit Gulf Crossing and Connection Roads). This partnership share of Yüksel İnşaat A.Ş. is 16.6%. The project is comprised of 377 km. of highway and 44 km connection roads. The scope of the project includes approximately 3 km. long chain bridge, 30 viaducts which are 18.212 meters in total, 4 tunnels which are 7.395 meters long, 209 bridges, 18 fields of counter, 5 highway maintenance and operation centers, 7 service fields and 7 parking areas.

The duration of construction and operation of the project is 22 years and 4 months, the contract and attachments of the project was initialized and sent to Supreme Planning Council for analysis and approval as of July 2009. After the Council's approval, the contract will be signed and the construction will begin. The approximate amount of investment to the project is USD 6.3 million, which is the largest one time investment in Turkey. The construction and operation of the project is going to be held by a "Joint Company" which will be established by 6 preferred bidder companies that are members of a consortium.

15. Investments

As of 30 June 2010, 31 December 2009 and 2008 the unconsolidated investments and joint ventures were as follows:

	30.06.2010		**31.12.2009**		**31.12.2008**	
	%	**Amount**	**%**	**Amount**	**%**	**Amount**
Meksa Satış ve Pazarlama A.Ş.	67.21	4,555,800	67.21	4,555,800	67.21	4,555,800
Haksel Ltd.	1.00	90,901	1.00	90,901	1.00	90,901
Odagem A.Ş.	3.33	4,000	3.33	4,000	3.33	4,000
Yüksel Europa Construction S.A.	50.00	16,995	50.00	16,995	50.00	16,995
Yüksel Savunma Sanayi A.Ş.	28.00	1,330,000	28.00	1,330,000	28.00	280,000
Türksoft Bilgisayar A.Ş.	3.90	37,285	3.90	37,285	3.90	37,285
Yüksel Yönetim Hijyen Servis Tem. Org. Otom. Güv. Sist. A.Ş.	20	8,839	—	—	—	—
		6,043,820		6,034,981		4,984,981
Provision for impairment:						
Meksa Satış ve Pazarlama A.Ş. (in liquidation)		(4,555,800)		(4,555,800)		(4,555,800)
		1,488,020		**1,479,181**		**429,181**

The subject of activity of the unconsolidated subsidiaries and associated companies are summarized below.

Meksa Satış Pazarlama A.Ş. (Sales, Marketing): The Company operates in security-exchange markets. The Company is in dissolution and the provision for impairment has been made.

Hak-Sel Ltd. Şti. (Foreign Contracting Services): The Company is engaged in construction and management of hotel business abroad.

Odagem A.Ş. (Research and Development, Consulting and Education): Established in 2007 in Ankara. The company gives research and development, consultancy and training services for product development, processing and quality betterment, new technology development and adaptation subjects.

Yüksel Europa Construction S.A. (Construction Engagements): The shareholding structure and company name of Yüksel- Makimsan-Ener S.A. which has been established in Romania has been changed and became Yüksel Europa Construction S.A. Yüksel İnşaat A.Ş. owns 50%, Yüksel Holding A.Ş. owns 46% and Yüksel İnşaat A.Ş.'s personal shareholders own 4% of this new company. The company is engaged in construction business and follows up of the new projects in Romania.

Yüksel Savunma Sistemleri A.Ş. (Sale, Purchase, Maintenance, Import, Export and Installation Aimed at Defence Industry): Established in 2008 in Ankara to work on defence systems integration performing multidisciplinary engineering and Research-Development (R&D) applications and aims to realize system solution and products with up to date technology, continuous development and integrated logistic support.

16. Property, Plant and Equipment and Intangible Assets

As of 30 June 2010, property, plant and equipment and intangible assets were as follows:

	31.12.2009	Additions	Disposals	Foreign currency revaluation differences	Revaluation	Transfer	30.06.2010
Cost							
Çubuklu land	190,132,585	—	—	—	—	—	190,132,585
Lands, infrastructures and land improvements and buildings	263,565,752	6,644,233	(8,471,631)	821,980	—	—	262,560,334
Hotel building (Uzbekistan)	18,324,211	345,895	—	839,723	689,036	—	20,198,865
Machinery and equipment	375,385,225	65,223,195	(85,759,467)	7,912,919	—	111,782	362,873,654
Vehicles	21,699,198	8,834,526	(3,245,209)	247,666	—	282,168	27,818,349
Furniture and fixtures	67,651,714	11,558,976	(9,893,197)	1,231,838	—	1,461	70,550,792
Other tangible assets	31,804	1,759	(22,926)	1,457	—	—	12,094
Construction in progress(*)	11,877,189	10,688,813	—	—	—	10,988,924	33,554,926
Advances given	3,683,867	7,700,468	—	—	—	(11,384,335)	—
Köprübaşı Dam(**)	135,395,010	6,681,428	—	—	—	—	142,076,438
Intangible assets	8,409,848	5,454,479	—	14,846	—	—	13,879,173
	1,096,156,403	123,133,772	(107,392,430)	11,070,429	689,036	—	1,123,657,210
Accumulated depreciation (−)	356,597,372	29,038,132	(29,761,723)	3,530,440	—	—	359,404,221
Net book value	**739,559,031**						**764,252,989**

As of 31 December 2009, property, plant and equipment and intangible assets were as follows:

	31.12.2008	Additions	Disposals	Foreign currency revaluation differences	Revaluation	Transfer	31.12.2009
Cost							
Çubuklu land	190,132,585	—	—	—	—	—	190,132,585
Lands, infrastructures and land improvements and buildings	270,802,362	4,338,929	(11,544,580)	(69,130)	—	38,171	263,565,752
Hotel building (Uzbekistan)	16,583,377	1,813,208	—	(2,122,456)	2,050,082	—	18,324,211
Machinery and equipment	373,477,576	41,243,786	(38,613,598)	(802,243)	—	79,704	375,385,225
Vehicles	22,378,020	2,217,341	(2,878,462)	(17,701)	—	—	21,699,198
Furniture and fixtures	71,904,145	5,979,179	(10,170,048)	(164,033)	—	102,471	67,651,714
Other tangible assets	29,999	1,936	—	(131)	—	—	31,804
Construction in progress(*)	2,772,969	11,213,135	—	—	—	(2,108,915)	11,877,189
Advances given	1,304,076	2,383,730	(3,939)	—	—	—	3,683,867
Köprübaşı Dam(**)	127,324,784	8,070,226	—	—	—	—	135,395,010
Intangible assets	6,099,804	1,118,179	(695,284)	(1,420)	—	1,888,569	8,409,848
	1,082,809,697	78,379,649	(63,905,911)	(3,177,114)	2,050,082	—	1,096,156,403
Accumulated depreciation (−)	360,033,545	45,788,947	(48,814,092)	(411,028)	—	—	356,597,372
Net book value	**722,776,152**						**739,559,031**

As of 31 December 2008, property, plant and equipment and intangible assets were as follows:

	31.12.2007	Additions	Disposals	Foreign currency revaluation differences	Revaluation	Transfer	31.12.2008
Cost							
Çubuklu land	190,132,585	—	—	—	—	—	190,132,585
Lands, infrastructures and land improvements and buildings	207,498,679	12,486,268	(6,701,434)	1,213,612	52,238,726	4,066,511	270,802,362
Hotel building (Uzbekistan)	11,342,425	1,855,851	—	761,405	2,623,696	—	16,583,377
Machinery and equipment	269,511,189	88,781,273	(5,721,761)	20,910,365	—	(3,490)	373,477,576
Vehicles	22,629,417	1,437,075	(2,690,360)	1,001,888	—	—	22,378,020
Furniture and fixtures	68,606,928	10,697,092	(10,424,479)	7,087,625	—	(4,063,021)	71,904,145
Other tangible assets	818,283	—	(796,905)	8,621	—	—	29,999
Construction in progress(*)	3,447,789	1,527,928	(2,202,748)	—	—	—	2,772,969
Advances given	33,631	1,300,137	(29,692)	—	—	—	1,304,076
Köprübaşı Dam(**)	120,015,091	7,309,693	—	—	—	—	127,324,784
Intangible assets	6,823,712	2,470,378	(3,269,076)	74,790	—	—	6,099,804
	900,859,729	127,865,695	(31,836,455)	31,058,306	54,862,422	—	1,082,809,697
Accumulated depreciation (−)	318,051,192	35,325,996	(11,023,354)	17,679,711	—	—	360,033,545
Net book value	**582,808,537**						**722,776,152**

(*) As of 30.06.2010 TL 33,184,317 of construction in progress arise from Köprübaşı HEPP.

(**) When Yüksel Enerji has purchased Köprübaşı Dam from DSİ in 2006, the completion rate of Köprübaşı Dam was 98% and the completed part of the dam has been reflected under intangible assets under "Köprübaşı Dam" account in the financial statements.

Property, plant and equipment have been mortgaged in favour of bank loans to the extent of USD 149,500,000, TL 179,050,530 and EURO 6,200,000 of several degrees as collateral against the loans received.

As of 30.06.2010, 31.12.2009 and 2008 distribution of the Group's amortizations was as follows:

	30.06.2010	31.12.2009	31.12.2008
Cost of sales	7,709,969	2,017,936	5,183,519
General administrative expenses	21,328,163	43,771,011	30,142,477
	29,038,132	**45,788,947**	**35,325,996**

17. Financial Liabilities

As of 30 June 2010, 31 December 2009 and 2008 short-term financial liabilities were as follows:

	30.06.2010			31.12.2009			31.12.2008		
	Interest rate	Foreign currency	TL Equivalent	Interest rate	Foreign currency	TL Equivalent	Interest rate	Foreign currency	TL Equivalent
Short-term bank loans:									
TL bank loans	1.9% - 21%	—	47,197,210	9.4% - 17%	—	53,840,871	20.4% - 30%	—	17,334,736
EURO bank loans	4.05% - 10.8%	6,154,113	11,826,359	5% - 7.8%	12,018	25,962	5.8% - 7.8%	141,161	302,197
USD bank loans	3.98% - 8.58%	17,802,453	28,033,522	4.42% - 9%	45,100,095	67,907,213	4.2% - 12%	41,598,700	62,909,714
LYD bank loans	6%	2,270,654	2,736,365	6%	2,129,456	2,616,463	—	—	—
AED bank loans	7.5%	38,971,616	7,904,181	6.5%	38,971,616	16,123,337	—	—	—
SAR bank loans	—	56,491,601	23,721,953	—	35,162,762	14,118,552	—	1,484,772	598,779
Bank Saving Deposits Insurance Fund (USD)	—	—	—	—	—	—	6.7%	4,001,498	6,051,465
Interest accruals	—	—	5,400,154	—	—	6,140,354	—	—	2,463,565
Total short-term financial liabilities			**126,819,744**			**160,772,752**			**89,660,456**

As of 30 June 2010, 31 December 2009 and 2008 long-term financial liabilities were as follows:

	30.06.2010			31.12.2009			31.12.2008		
	Interest rate	Foreign currency	TL Equivalent	Interest rate	Foreign currency	TL Equivalent	Interest rate	Foreign currency	TL Equivalent
Long-term bank loans:									
TL bank loans	—	—	—	12.1%	—	—	—	—	—
EURO bank loans	—	—	—	8.1% - 9%	—	—	5.8% - 12%	1,123,274	2,404,705
USD bank loans	—	—	—	4.3% - 7.5%	7,500,000	11,292,750	5.5% - 12%	27,980,031	42,314,200
Bank Saving Deposits Insurance Fund (USD)	—	—	—	—	—	—	—	—	—
Reclassified financial liabilities(*)									
TL loans	8.25% - 16.5%	—	82,095,599	9.4% - 24.5%	—	41,258,480	8.3% - 33%	—	18,991,995
EURO loans	9.5%	4,600,000	8,839,820	9% - 9.5%	5,705,780	12,326,197	8.2% - 12%	8,348,858	17,873,235
USD loans	5.75% - 9%	112,173,022	176,638,857	3.73% - 10%	88,969,981	133,962,100	5.5% - 12%	75,897,332	114,779,535
Total long-term financial liabilities			**267,574,276**			**198,839,527**			**196,363,670**

(*) The bank loans are basically obtained in connection with construction and contracting activities carried out under an investment incentive certificate. Based on agreements made with creditor banks (written or nor written) the repayment of the loans will be made by discharge of progress billings realized over the investment period against which the loans have been received. The maturity dates of the loans may be revised subject to extensions made in the investment completion periods according to the status of the projects. Yüksel İnşaat may also extend the due dates of the investment incentives by making an application to the Turkish Treasury. Although in legal form reclassified bank loans are short term, they are, in economic substance revolving long term loans. Accordingly they are classified under non-current borrowings.

As of 30.06.2010 the following mortgages were instituted on various properties of the Group (at different degrees) in favour of the creditor banks as collateral for the bank borrowings

Mortgaged in favor of	**Currency**	**F/X Amount**	**30.06.2010**
Vakıfbank	TL	86,750,030	86,750,030
Vakıfbank	USD	104,000,000	163,768,800
Şekerbank	TL	31,750,500	31,750,500
Şekerbank	USD	20,000,000	31,494,000
Asya Katılım Bankası	TL	6,650,000	6,650,000
Asya Katılım Bankası	TL	14,250,000	14,250,000
Koçbank	TL	200,000	200,000
Alternatifbank	USD	1,000,000	1,574,700
Halkbank	TL	4,000,000	4,000,000
Finansbank	USD	23,500,000	37,005,450
Credit Europa	TL	31,000,000	31,000,000
Credit Europa	EURO	5,000,000	9,608,500
T. İş Bankası	TL	4,450,000	4,450,000
T. İş Bankası	USD	1,000,000	1,574,700
T. İş Bankası	EURO	1,200,000	2,306,040
			426,382,720

18. Financial Lease Liabilities

As of 30 June 2010, 31 December 2009 and 2008 short and long-term financial lease liabilities were as follows:

	30.06.2010		**31.12.2009**		**31.12.2008**	
	Foreign currency	**TL Equivalent**	**Foreign currency**	**TL Equivalent**	**Foreign currency**	**TL Equivalent**
Short-term financial lease liabilities:						
TL financial lease liabilities	—	35,835	—	62,872	—	147,283
EURO financial lease liabilities	2,257,346	4,337,941	3,897,972	8,420,789	5,762,374	12,336,090
USD financial lease liabilities	—	—	—	—	1,905	2,881
Short-term financial lease interest	—	(141,860)	—	(232,694)	—	(701,355)
Total short-term financial lease liabilities		**4,231,916**		**8,250,967**		**11,784,899**
Long-term financial lease liabilities:						
TL financial lease liabilities	—	62,600	—	80,533	—	27,591
EURO financial lease liabilities	361,574	694,837	169,545	366,267	3,955,743	8,468,455
Long-term financial lease interest	—	(38,225)	—	(38,380)	—	(121,929)
Total long-term financial lease liabilities		**719,212**		**408,420**		**8,374,117**

19. DSİ Liability

As of 30 June 2010, 31 December 2009 and 2008 liability to DSİ was as follows:

	30.06.2010	31.12.2009	31.12.2008
DSİ Liability(*)	142,076,438	135,395,010	127,324,784
	142,076,438	**135,395,010**	**127,324,784**

(*) Yüksel Enerji will make repayment to DSİ for the completed part of Köprübaşı Dam which was purchased from DSİ in 2006, starting from 5 years after the project is completed. As of balance sheet date, value of this debt at balance sheet date is calculated by revaluating the value in 2001 with wholesale price index (WPI). The calculated debt amount as of 30.06.2010, 31.12.2009 and 2008 has been reflected under long term liabilities in the financial statements under "DSİ Liability" account.

The first installment of the amount that will be paid to DSİ will be calculated by carrying the amount to the payment year by revaluating with WPI and dividing the amount by 10; the remaining amount will be paid in following 9 years with 9 installments. In case the license period is not enough, the amount will be paid in installments of number of years until the end of the license.

In calculation of the installments after the first installment is paid, the value of the amount which is calculated by revaluating the remaining principal amount with WPI after the payment of the first installment, is calculated by dividing the amount by the number of remaining years. The same method is used for the installments in the following years.

After the power plant initiates its operations and starts production, the Company is obliged to pay an amount to DSİ as "Energy Source Contribution Share" based on the "Water Usage Agreement". This contribution share is in terms of Kr per kWh electricity generated. For Köprübaşı Dam and HEPP Project, the amount that will be paid to DSİ was set as Kr 5.21 per kWh energy generated and the amount will be revaluated with WPI every year.

20. Trade Payables

As of 30 June 2010, 31 December 2009 and 2008 trade payables were as follows:

Short term:			
Suppliers' current accounts	238,003,689	197,623,026	164,235,119
Notes payable, net	16,095,362	10,540,265	17,633,223
Deposits and guarantees received	17,399,096	12,059,431	8,083,386
Due to subcontractors	30,587,483	30,293,627	22,348,134
	302,085,630	**250,516,349**	**212,299,862**
Long term:			
Notes payable, net	—	—	359,801
Deposits and guarantees received	2,330,645	2,263,897	709,068
	2,330,645	**2,263,897**	**1,068,869**

21. Advances Received

As of 30 June 2010, 31 December 2009 and 2008 short term and long term advances were as follows:

	30.06.2010	31.12.2009	31.12.2008
Short term:			
Yüksel Libya Branch	32,196,208	43,247,447	39,434,166
Yüksel Afghanistan Branch	191	590	1,825,574
Yüksel Jordan Branch	142,638	1,105,279	—
Yüksel Saudi Arabia Branch	17,434,839	31,843,332	21,730,973
Yüksel Uzbekhistan Branch	1,749,393	—	—
Sasel Elektromekanik Sanayi ve Ticaret A.Ş.	3,931,003	1,466,986	2,367,590
Yüksel Yapı Elemanları A.Ş.	6,228,567	913,043	330,722
Datasel Bilgi Sistemleri A.Ş.	13,160	—	79,699
Aysel Invest Private Stock Company JVC.	36,470	1,530	9,629
	61,732,469	**78,578,207**	**65,778,353**
Long term			
Advances received from progress billings in respect of projects in progress(*)			
—Hacınınoğlu Regulator and HEPP Construction	—	2,862,121	11,064,947
—Sarıgüzel Regulator and HEPP Construction	8,980,412	11,746,579	—
—Kandil Dam and HEPP Construction	24,057,588	24,403,299	—
Advances received for Fiba Çubuklu villas (note 12)	148,642,907	146,669,967	140,604,534
Other	863,281	733,642	232,822
	182,544,188	**186,415,608**	**151,902,303**

(*) Contractor of Hacınınoğlu, Sarıgüzel Regulator and HEPP and Kandil Dam and HEPP Project is Enerjisa Enerji Üretim A.Ş. Yüksel İnşaat is the subcontractor of this firm. The amount that has been received as an advance is received for starting of the project.

22. Other Payables and Accrued Expenses

As of 30 June 2010, 31 December 2009 and 2008 other payables and accrued expenses were as follows:

	30.06.2010	31.12.2009	31.12.2008
Due to personnel	21,292,438	18,172,920	18,897,674
Taxes and dues payable	5,917,090	6,222,471	7,216,759
Social security premiums payable	2,233,847	1,925,528	1,995,191
Expense accruals	1,029,816	265,584	1,432,896
Other	472,854	624,737	144,084
	30,946,045	**27,211,240**	**29,686,604**

23. Taxation on Income

Turkey:

The corporation tax rate on the profits for the period 30.06.2010.is 20% (2009: 20%; 2008: 20%). Taxable profits are calculated by addition of tax disallowed expenses to and deduction of tax exemptions (investment income exemption) and deductions (investment incentive deductions) from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

Dividends paid to non-resident corporations which have a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Tax losses that are reported in the Corporation Tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Yüksel İnşaat is operating its activites as registered to the country's trade register where it operates. Therefore, the Company is subject to corporate income tax and other tax liabilities and exemptions of that country.

Libya:

The Company does not have tax exemption in Libya and pays corporation tax. Corporation tax rate varies between 10% to 35% depending on profit amount.

Dubai:

The Company does not have any tax obligation in Dubai.

Qatar:

The Company does not have tax exemption in Qatar and corporation tax. Corporation tax rate varies between 10% to 35%. The Company does not have VAT obligation.

Afghanistan:

Projects undertaken in Afghanistan are mostly given by NATO and USACE (a foundation of US Army Corps.) According to the agreements signed between Afghanistan and these foundations, no tax obligation occurs in these projects. For this reason the Company has tax exemption on these projects. Corporation tax rate in Afghanistan is 20% and recruitment tax rate is 2%. There is no VAT obligation.

Saudi Arabia:

Most of the Projects are given by public institutions. Yüksel İnşaat, as a foreign company in Saudi Arabia pays 20% corporation tax, social security premiums and other tax obligations active in the country.

Iraq:

The Company, has started the Kora-Shaqlawa-Qandeel Highway project in the end of 2009. For this project 15% corporation tax will be paid.

Kazakhstan:

The Company does not have tax exemption in Kazakhstan and corporation tax. Corporation tax rate is 15%. The Company has VAT obligation of 12%.

As of 30 June 2010, 31 December 2009 and 2008 the tax liabilities included in the accompanying consolidated financial statements comprised of the following:

	30.06.2010	**31.12.2009**	**31.12.2008**
Included in the balance sheet:			
Corporation and income taxes	298,631	2,822,254	2,586,954
Deferred tax asset	4,503,653	3,538,107	3,240,502
Deferred tax liability	(14,580,638)	(12,601,529)	(10,766,072)
Included in the statement of income:			
Current tax charge	(298,631)	(2,822,254)	(2,586,954)
Net deferred tax charge	(1,013,563)	(1,537,852)	(853,209)
Taxation charge	**(1,312,194)**	**(4,360,106)**	**(3,440,163)**

Deferred tax

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

The breakdown of cumulative temporary differences and the resulting deferred tax assets / (liabilities) were as follows:

	30.06.2010		31.12.2009		31.12.2008	
	Cumulative timing differences	Deferred Tax	Cumulative timing differences	Deferred Tax	Cumulative timing differences	Deferred Tax
Deferred tax asset						
Reserve for employee termination benefits	7,625,274	1,525,055	6,432,824	1,286,566	5,485,022	1,097,004
Provision for doubtful receivables	4,018,652	803,730	4,806,933	961,388	4,032,434	806,486
Accrued interest expenses	2,852,065	570,413	1,568,980	313,796	1,859,908	371,981
Unearned interest on notes receivable	579,425	115,885	325,987	65,197	269,347	53,871
Meksa Satış Pazarlama provision expense	5,420,202	1,084,040	4,555,800	911,160	4,555,800	911,160
Amortization adjustment	2,022,652	404,530	—	—	—	—
	22,518,270	4,503,653	17,690,524	3,538,107	16,202,511	3,240,502
Deferred tax liability						
Exchange rate assessment	(202,857)	(40,569)	—	—	—	—
Unearned interest on notes payable	(25,203)	(5,041)	(41,628)	(8,325)	(31,576)	(6,315)
Contract costs accounted for under the percentage of completion method	(72,675,139)	(14,535,028)	(62,966,026)	(12,593,204)	(54,053,811)	(10,759,757)
	(72,903,199)	(14,580,638)	(63,007,654)	(12,601,529)	(54,085,387)	(10,766,072)
	(50,384,929)	**(10,076,985)**	**(45,317,130)**	**(9,063,422)**	**(37,882,876)**	**(7,525,570)**

Tax rates used for deferred tax assets and liabilities calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming periods under the liability method is 20% (31.12.2009: 20%, 31.12.2008: 20%).

24. Reserve for Employee Termination Benefits

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

In Turkey, such payments are calculated on the basis of 30 days' pay. As of 30.06.2010, the payments are limited to a maximum of TL 2,427 per year of employment at the rate of pay applicable at the date of retirement or termination. (31.12.2009: TL 2,365, 31.12.2008: TL 2,173 respectively) Such payments are not required to be funded, therefore, no fund is reserved for such payments in the accompanying financial statements.

In the accompanying consolidated financial statements as of 30.06.2010, 31.12.2009 and 2008 the Group reflected a liability for termination benefits based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted to present value at the balance sheet date by using average market yield, expected inflation rates and an appropriate discount rate.

Reserves at balance sheet date was calculated with real discount ratio as approximately 6.26% on the assumption of annual 5% inflation rate and 12% discount rate (31.12.2009: by order of 5%, 12% and 6.26%; 31.12.2008 by order of: 5%, 12% and 6.26%). Projected ratio of unpaid severance amounts which will remain for the Group as a result of arbitrary severances has been considered also.

25. Commitments and Contingencies

As of the report date based on the representation obtained from the Group's legal counsel there are certain lawsuits opened against the Group in the amount of about TL 23,744,005 and USD 1,784,991 (31.12.2009: TL 13,409,784 and USD 2,064,161; 31.12.2008: TL 15,426,670). Such lawsuits are related to claims made for damage and compensation for accidents on the job and various other liabilities. As of the report date the ultimate outcome of these lawsuits cannot be determined and hence no provision for any liability that may result has been made in the financial statements. Additionally Yüksel Group has some legal claims against certain instutions. Yüksel İnşaat together with Yüksel, Yapı Merkezi, Doğuş İnşaat ve Ticaret A.Ş., Yenigün İnşaat ve Ticaret Sanayi A.Ş. and Belen İnşaat Taahhüt ve Turizm Ltd. Şti. started a joint claim against Metropolitan Municipality of İstanbul in respect of an underground transit system in

İstanbul for an amount of USD 108.8 million. One other major claim is in respect of works undertaken by Yüksel İnşaat on the Aymet Cankaya Hotel in Ankara for an amount of USD 1.8 million. In return Aymet Çankaya Tur. Tic. A.Ş. made a counterclaim for USD 2.2 million.

As of the report date Yüksel Holding A.Ş. has given a corporate guarantee of SAR 318,150,000 (approximately USD 84,840,000) to the Saudi American Bank in favour of Yüksel Saudi Arabia Branch.

As of 31 December 2009, the Group obtained letters of guarantee amounting to TL 175,058,787, USD 168,771,492, EURO 32,302,615, JPY 149,198,702 and SAR 19,805,314 from several local banks and submitted to various government institutions in connection with projects implemented. Additionally, the Group has given collateral bills of TL 91,533,396, USD 30,902,550 and EURO 1,525,000 to various banks in order to obtain the above mentioned bank guarantee letters.

As of 30 June 2010, the Group has guarantee of TL 5,125,110, USD 25,090,000, EURO 2,423,000, GBP 249,000 and CHF 2,615,000 which is guarantee of Fiba Yüksel Uluslararası Proje Geliştirme ve Yatırım A.Ş. to its customers.

26. Share Capital

As of 30 June 2010, 31 December 2009 and 2008 share capital was as follows:

	30.06.2010		**31.12.2009**		**31.12.2008**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Yüksel Holding A.Ş.	159,000,000	79.50	159,000,000	79.50	159,000,000	79.50
Güven Sazak	4,400,000	2.20	4,400,000	2.20	4,400,000	2.20
Süleyman Servet Sazak	4,500,000	2.30	4,500,000	2.30	4,500,000	2.30
Ayşe Bilgün Dereli	3,500,000	1.80	3,500,000	1.80	3,500,000	1.80
Emin Sazak	3,500,000	1.80	3,500,000	1.80	3,500,000	1.80
Abdurrahman Derya Sazak	2,000,000	1.00	2,000,000	1.00	2,000,000	1.00
Suhandan Sazak	500,000	0.30	500,000	0.30	500,000	0.30
Yurdal Sert	12,000,000	6.00	12,000,000	6.00	12,000,000	6.00
Ayşe Deniz Murphy	2,000,000	1.00	2,000,000	1.00	2,000,000	1.00
Mehmet Emin Sazak	2,000,000	1.00	2,000,000	1.00	2,000,000	1.00
Sazak Turizm ve Ticaret A.Ş.	2,600,000	1.30	2,600,000	1.30	2,600,000	1.30
Kaan Sert	4,000,000	2.00	4,000,000	2.00	4,000,000	2.00
Total Share Capital	**200,000,000**	**100**	**200,000,000**	**100**	**200,000,000**	**100**

27. General Reserves

General reserves comprise undistributed profits, legal reserves and fair value reserve.

The legal reserves, which are appropriated based on statutory profits and dividend distribution, are not available for distribution unless they exceed 50% of share capital, but they may be used to offset losses in the event that the general reserve is exhausted. The general reserve is available for distribution. However, if this reserve is distributed as dividends, a further legal reserve is required to be provided equal to 10% of dividends declared, reduced by an amount equal to 5% of share capital.

Retained earnings are available for distribution. If this reserve is distributed as dividends, a further statutory reserve is required equal to 10% of dividends declared, less an amount equal to 5% of share capital.

Fair value reserve is related to revaluation of investment property and the Group's land and buildings

28. Sales

As of 30 June 2010, 31 December 2009 and 2008 sales were as follows:

	Country	01.01.- 30.06.2010	01.01.- 30.06.2009	01.01.- 30.06.2008
Yüksel İnşaat:				
– Adana Waste Water Clarification Facility Management	Turkey	—	3,395,207	1,434,178
– Etiler Tat 2000 Construction	Turkey	—	—	1,746,973
– Borçka Dam and HEPP Construction	Turkey	—	3,326,280	6,583,575
– Ünye-Piraziz Road Imp. Construction	Turkey	1,953,000	7,519,056	—
– Melen Pump Station Construction	Turkey	—	—	8,734,806
– Hacınınoğlu Reg. and HEPP Construction	Turkey	68,788,619	6,460,235	—
– Sarıgüzel Reg. and HEPP Construction	Turkey	9,514,384	—	—
– Kandil Reg. and HEPP Construction	Turkey	16,843,929	—	—
– Köprübaşı HEPP Construction	Turkey	1,372,080	—	—
– Çobanlı Reg. and HEPP Construction	Turkey	457,360	—	—
– Urfa-Suruç Highway Construction (Makyol-Yüksel Joint Venture)	Turkey	13,703,415	6,578,281	2,185,057
– Yenikapı-Unkapanı and Unkapanı-Taksim Subway Construction (Anadolu Metro J. V.)	Turkey	2,660,495	5,845,918	5,312,714
– Ankara-Pozantı Highway Construction (Nurol-Cengiz-Kiska-Yüksel Joint Venture)	Turkey	7,361,438	7,994,661	5,017,095
– Bolaman-Perşembe Road Cons. (Nurol-Tekfen-Yüksel Joint Venture)	Turkey	—	—	1,276,092
– Kadıköy-Kartal Public Transportation Line Construction (Yapı Merkezi- Yüksel-Yenigün-Doğuş Joint Venture)	Turkey	4,595,660	5,320,169	—
– Yüksel Libya Branch construction revenue	Libya	101,228,066	69,375,259	24,648,205
– Yüksel Dubai construction revenue	Dubai	232,489	30,688,475	87,768,031
– Yüksel Qatar Branch construction revenue	Qatar	11,855,468	49,855,715	52,265,586
– Yüksel Afghanistan Branch construction revenue	Afghanistan	92,548,147	53,105,429	26,301,103
– Yüksel Jordan Branch construction revenue	Jordan	7,004,355	979,264	29,886,780
– Yüksel Uzbekistan Branch construction revenue	Uzbekistan	874,454	50,022	—
– Yüksel Saudi Arabia construction revenue	Saudi Arabia	220,303,027	240,106,942	45,643,174
– Yüksel Iraq Branch construction revenue	Iraq	40,589,939	41,649,344	43,594,372
Sasel sales	Turkey	9,642,910	12,730,803	18,283,409
Fiba Yüksel Villa sales	Turkey	7,349,437	—	—
Yapı Elemanları sales	Turkey	9,630,148	4,717,910	5,562,410
Yüksel Yatçılık sales	Turkey	745,545	235,731	355,456
Kask Sigorta sales	Turkey	303,625	307,204	296,151
Datasel sales	Turkey	6,374,061	1,289,784	833,025
Aysel Invest sales (hotel revenue)	Uzbekistan	2,514,101	2,340,443	2,117,045
Yüksel Turkuaz YDA sales	Kazakhstan	1,907,078	6,302,655	38,117,787
Other	Various	102,440	179,479	—
		640,455,670	**560,354,266**	**407,963,024**

29. Cost of Sales

As of 30 June 2010, 31 December 2009 and 2008 cost of sales was as follows:

	Country	01.01.- 30.06.2010	01.01.- 30.06.2009	01.01.- 30.06.2008
– Adana Waste Water Clarification Facility Management	Turkey	—	2,698,725	1,246,109
– Etiler Tat 2000 Construction	Turkey	—	972,541	3,501,381
– Borçka Dam and HEPP Construction	Turkey	—	8,315,619	12,105,908
– Ünye-Piraziz Road Imp. Construction	Turkey	3,787,823	11,299,979	1,044,441
– Karkamış Dam and HEPP Construction	Turkey	1,319,051	5,885,851	2,252,563
– Melen Pump Station Construction	Turkey	927,442	2,598,638	8,423,862
– Hacınınoğlu Reg. and HEPP Construction	Turkey	62,502,012	8,501,281	—
– Sarıgüzel Reg. and HEPP Construction	Turkey	10,319,546	—	—
– Kandil Reg. and HEPP Construction	Turkey	2,352,184	—	—
– Köprübaşı HEPP Construction	Turkey	215,148	—	—
– Çobanlı Reg. and HEPP Construction	Turkey	539	—	—
– Urfa-Suruç Highway Construction (Makyol-Yüksel Joint Venture)	Turkey	14,197,472	6,291,161	5,169,850
– Yenikapı-Unkapanı and Unkapanı-Taksim Subway Construction (Anadolu Metro J. V.)	Turkey	2,509,775	5,441,632	5,483,925
– Ankara-Pozantı Highway Construction (Nurol-Cengiz-Kiska-Yüksel Joint Venture)	Turkey	7,719,062	8,083,601	3,151,603
– Bolaman-Perşembe Road Cons. (Nurol-Tekfen-Yüksel Joint Venture)	Turkey	—	—	8,100,100
– Kadıköy-Kartal Public Transportation Line Construction (Yapı Merkezi- Yüksel-Yenigün-Doğuş Joint Venture)	Turkey	7,310,398	8,393,325	—
– Yüksel Libya Branch construction revenue	Libya	77,269,679	53,992,946	20,056,967
– Yüksel Dubai construction revenue	Dubai	10,394,204	47,411,353	93,379,421
– Yüksel Qatar Branch construction revenue	Qatar	13,902,607	42,834,836	39,161,538
– Yüksel Afghanistan Branch construction revenue	Afghanistan	72,068,138	43,767,624	14,517,204
– Yüksel Jordan Branch construction revenue	Jordan	4,566,708	2,792,442	37,704,424
– Yüksel Uzbekistan Branch construction revenue	Uzbekistan	962,372	28,975	—
– Yüksel Saudi Arabia construction revenue	Saudi Arabia	211,519,198	201,212,689	35,796,664
– Yüksel Iraq Branch construction revenue	Iraq	31,293,977	23,049,069	15,437,245
Sasel sales	Turkey	8,300,433	11,060,516	16,304,871
Fiba Yüksel Villa sales	Turkey	7,247,986	—	39,689
Yapı Elemanları sales	Turkey	9,639,736	4,820,371	5,668,425
Yüksel Yatçılık sales	Turkey	422,534	247,089	239,782
Datasel sales	Turkey	1,192,786	982,679	837,411
Aysel Invest sales (hotel revenue)	Uzbekistan	1,910,833	1,677,143	1,118,281
Yüksel Turkuaz YDA sales	Kazakhstan	3,143,187	7,188,539	33,122,693
Other	Various	59,214	178,770	—
		567,054,044	**509,727,394**	**363,864,357**

30. Other Income / (Expenses), net

As of 30 June 2010, 31 December 2009 and 2008 other income / (expenses), net were as follows:

	01.01.-30.06.2010	01.01.-30.06.2009	01.01.-30.06.2008
Rent income(*)	461,925	530,321	376,056
Gain on sales of fixed assets	391,537	1,694,704	—
Loss on sale of investments	482,880	—	—
Provision income / (expenses), net	(42,955)	315,291	(1,745,652)
Previous year income / (expenses), net(**)	(3,851,417)	(636,478)	(1,104,819)
Other income / (expenses), net	123,818	557,139	49,171
	(2,434,212)	**2,460,977**	**(2,425,244)**

(*) This amount is comprised of rental income charged to related parties for renting of building and machinery.

(**) As of 30.06.2010, TL (1,718,982) of previous period income / (expenses), net is comprised of project income and expenses incurred in respect of completed Borçka Dam construction projects in the previous periods.

31. Financial Income / (Expenses), net

As of 30 June 2010, 31 December 2009 and 2008 financial income / (expenses), net were as follows:

Foreign exchange income / (expenses), net	3,906,242	5,321,503	1,923,093
Interest income	1,431,259	4,239,421	6,062,812
Interest expense	(14,760,540)	(12,582,233)	(6,429,709)
Unearned interest income / (expenses), net	6,200	43,641	59,148
Other financial income / (expenses), net	(331,275)	(257,655)	289,960
	(9,748,114)	**(3,235,323)**	**1,905,304**

32. Supplementary Disclosures on Financial Instruments

(a) Capital management policies and procedures

The risk related with each of the capital class and group capital cost is considered by the top management of the Group.

The primary objective of the Group's capital management objectives is to ensure that it maintains a healthy capital structure in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may obtain new loans, repay existing loans; make cash and non cash (bonus shares) dividend payments to shareholders, issue new shares based on Management's evaluation.

The Group manages the capital structure so as to ensure the Group's ability to continue as a going concern; and maximize its profitability by maintaining an adequate capital to overall financing structure ratio.

The Group monitors capital using a gearing ratio, which is net financial debt divided by total financing used. The Group includes within net financial debt, borrowings, trade letters of credit, less cash and cash equivalents. Financing used is the sum of total equity and net financial debt.

The following table sets out net financial debt to overall financing used ratios as of 30.06.2010, 31.12.2009 and 2008:

	30.06.2010	31.12.2009	31.12.2008
Total financial liabilities	399,345,148	368,271,666	306,183,142
Less: Cash and cash equivalents	(77,758,036)	(127,634,673)	(92,865,526)
Net financial debt	321,587,112	240,636,993	213,317,616
Total equity	573,240,457	536,457,007	498,239,405
Less: Revaluation of tangible fixed assets	(241,078,330)	(241,078,330)	(241,078,330)
Total financing used	653,749,239	536,015,670	470,478,691
Net Financial Debt / Total Financing Used	49%	45%	45%

(b) Market risk

The Group is exposed to financial risks arising from changes in currency rate (paragraph c), interest rate (paragraph d) and price risk (paragraph e) which arise directly from its operations.

The market risks that the Group is exposed to are measured on the basis of sensitivity analysis.

In view of the market risks and global financial crisis which have occurred in the last quarter of 2008, the Group's risk management policies and processes used to measure those risks have been prudent and based on the assumption that the economy will contract in some ways during 2009.

(c) Foreign currency risk

The Group may have transactional currency exposure from foreign currency denominated transactions.

The Group is exposed to foreign currency risk arising from the translation of foreign currency denominated assets and liabilities to TL. The foreign currency denominated assets and liabilities mainly include bank deposits, bank borrowings and trade payables and trade receivables.

(d) Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Certain parts of the interest rates related to borrowings are based on market interest rates; therefore the Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

(e) Price risk

The Group may be exposed to price risk arising from decreases in prices. This is a combination of currency, interest and market risks which the Group manages through natural hedges that arise from offsetting the same currency receivables and payables, interest bearing assets and liabilities. Although export sales invoices are issued in TL, sales prices are fixed in foreign currency. Market risk is closely monitored by the management using the available market information and appropriate valuation methods.

(f) Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties and continually assessing the creditworthiness of the counterparties. The Group monitors credit risks by establishing credit limits for each customer who wish to trade on credit terms and obtaining sufficient collateral. Trade receivables are evaluated by management in the light of the Group's procedure and policies and are carried in the balance sheet net of impairment provision.

(g) Liquidity risk management

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Group manages its liquidity needs by regularly planning its cash flows or by maintaining sufficient funds and borrowing sources by matching the maturities of liabilities and assets. Prudent liquidity risk management implies maintaining sufficient cash, securing availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The Group's carrying amount of financial instruments is estimated to reflect their fair value.

(h) Fair values

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

i- Financial assets—The fair values of certain financial assets carried at cost in the consolidated financial statements, including cash and cash equivalents plus the respective accrued interest and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of trade receivables along with the related allowance for unearned income and uncollectibility are estimated to be their fair values. The financial assets which are denominated in foreign currencies are evaluated by the foreign exchange rates prevailing on the date of balance sheet which approximate to market rates.

ii- Financial liabilities—Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of loans and bank borrowings. The fair value of bank borrowings are considered to state their respective carrying values since the interest rate applied to bank loans and borrowings are updated periodically by the lender to reflect active market price quotations. The carrying value of trade payables along with the related allowance for unrealized cost is estimated to be their fair values. The financial liabilities which are denominated in foreign currencies are evaluated by the foreign exchange rates prevailing on the date of balance sheet which approximate to market rates.

33. Subsequent Events

The Group got two new construction projects after balance sheet date. Information about new projects is summarized below:

Kabul International Airport Multi-Purpose Storage Building Construction: With in the scope of the agreement signed on 15.08.2010, a multi-purpose storage building with 5,000 m2 construction area is being constructed at Kabul International Airport. The employer of the project is American Embassy. The contract value amounts to USD 6,750,000.

Kaia-HQ IJC Phase 2-Power Generators: Within the scope of the agreement signed on 02.09.2010, there is a supply and erection work of two 1.275 kva generators for the existing power plants. The employer of the project is NATO Maintenance and Supply Agency (NAMSA). The contract value amounts to USD 1,422,820.

Mazar-E-Sharif Aviation Complex Construction: Within the scope the agreement signed on 21.09.1010, a 8.000 m2 construction superstructure and 60,000 m2 apron and taxi road is being constructed. The employer of the project is US Army Corps of Engineers (USACE). The contract value amounts to USD 27,293,000.

Bagram Airfield Drainage System Construction: With in the scope of the contract which, is signed on 29.09.2010, rainwater drainage and piping system of 3 area in Bagram Airfield. The employer of the project is American Army Corps of Engineers (USACE). The Contract value amounts to USD 8,154,000.

Kabul International Airport Part 12 Construction: The contract has been signed on 29.09.2010. Project covers the construction of 1 concrete building, security building and maintenance of barriers. The employer of the project is American Embassy. The Contract value amounts to USD 1,696,000.

YÜKSEL İNŞAAT A.Ş.
AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT AS OF
31 DECEMBER 2009, 2008 AND 2007

Eren Bağimsiz Denetim ve Y.M.M. A.Ş.
Certified Public Accountants

YÜKSEL, İNŞAAT A.Ş. AND ITS SUBSIDIARIES
INDEPENDENT AUDITOR'S REPORT
AS OF 31 DECEMBER 2009 AND 2008

To the Shareholders and the Board of Directors of
Yüksel İnşaat A.Ş. and Its Subsidiaries
Ankara

1. We have audited the accompanying consolidated financial statements of Yüksel İnşaat A.Ş. ("the Company") and its subsidiaries and foreign branches listed under Note I ("the Group") which comprise the consolidated balance sheets as at 31.12.2009 and 2008, and the consolidated statements of income, changes in equity and cash flow for the years then ended, and a summary of significant accounting policies and other notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3. Our responsibility is to express an opinion on these 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.

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

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

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Opinion

6. In our opinion, the financial statements present fairly, in all material respects, the financial position of Yüksel İnşaat A.Ş., its subsidiaries and foreign branches as of 31 December 2009 and 2008 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

EREN Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Member Firm of GRANT THORNTON International

Nazım Hikmet, YMM, FCCA
Partner

Istanbul, 23 September 2010

YÜKSEL İNŞAAT A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF 31.12.2009. 2008 AND 2007

(All amounts in Turkish Lira "TL")

(Amounts are translated into of U.S. Dollars at the relative year end exchange rate for convenience purposes)

		Audited		Audited		Unaudited	
		31.12.2009		31.12.2008		31.12.2007	
	Note	USD	TL	USD	TL	USD	TL
ASSETS							
CURRENT							
Cash and Cash Equivalents	6	84,767,665	127,634,673	61,406,815	92,865,526	84,777,295	98,740,116
Marketable Securities	7	1,599,651	2,408,595	1,125,170	1,701,595	4,119,601	4,798,099
Financial Assets	8	191,628	288,535	185,764	280,931	28,424,947	33,106,536
Trade Receivables	9	236,862,641	356,644,078	189,801,085	287,036,181	133,040,999	154,952,851
Due from Related Parties	10	5,273,889	7,940,895	7,452,513	11,270,435	14,362,424	16,727,915
Due from Joint Ventures	11	2,481,029	3,735,686	1,399,319	2,116,190	672,654	783,440
Inventories	12	152,938,489	230,279,483	118,784,678	179,638,069	83,234,532	96,943,260
Other Current Assets	13	52,707,316	79,361,405	34,775,837	52,591,498	32,935,979	38,360,535
Total Current Assets		**536,822,308**	**808,293,350**	**414,931,181**	**627,500,425**	**381,568,431**	**444,412,752**
Costs of Uncompleted Construction Contracts	**14**	**51,692,402**	**77,833,250**	**23,133,651**	**34,985,020**	**26,027,031**	**30,313,683**
NON-CURRENT							
Trade Receivables	9	7,332,516	11,040,569	9,512,540	14,385,814	6,045,432	7,041,115
Investments	15	982,388	1,479,181	283,794	429,181	5,700,179	6,638,999
Property, Plant and Equipment	16	398,101,479	599,421,397	391,210,452	591,627,567	393,527,369	458,341,327
Intangible Assets	16	93,071,418	140,137,634	86,721,276	131,148,585	106,866,326	124,467,210
Other Non-Current Assets	13	20,837,898	31,375,623	34,778,377	52,595,339	41,380,009	48,195,296
Deferred Tax Asset	23	2,349,809	3,538,107	2,142,764	3,240,502	2,312,545	2,693,421
Total Non-Current Assets		**522,675,508**	**786,992,511**	**524,649,203**	**793,426,988**	**555,831,860**	**647,377,368**
TOTAL ASSETS		**1,111,190,218**	**1,673,119,111**	**962,714,035**	**1,455,912,433**	**963,427,322**	**1,122,103,803**
LIABILITIES							
CURRENT							
Financial Liabilities	17	106,776,086	160,772,752	59,287,480	89,660,456	78,922,894	91,921,495
Financial Lease Liabilities	18	5,479,821	8,250,967	7,792,699	11,784,899	832,332	969,417
Trade Payables	20	166,378,660	250,516,349	140,382,108	212,299,862	87,836,079	102,302,681
Due to Related Parties	10	5,109,864	7,693,922	6,823,044	10,318,489	1,196,237	1,393,257
Due to Joint Ventures	11	3,514,634	5,291,984	966,593	1,461,778	2,485,335	2,894,670
Taxation on Income	23	1,874,380	2,822,254	1,710,609	2,586,954	4,370,780	5,090,647
Advances Received	21	52,187,160	78,578,207	43,495,572	65,778,353	17,711,962	20,629,122
Other Payables and Accrued Expenses	22	18,072,152	27,211,240	19,630,102	29,686,604	16,290,149	18,973,136
Total Short Term Liabilities		**359,392,757**	**541,137,675**	**280,088,207**	**423,577,395**	**209,645,768**	**244,174,425**
Deferred Revenue on Uncompleted Construction Contracts	**14**	**30,058,303**	**45,258,787**	**16,372,068**	**24,759,478**	**24,411,011**	**28,431,505**
NON-CURRENT							
Financial Liabilities	17	132,057,865	198,839,527	129,844,389	196,363,670	45,327,574	52,793,025
Financial Lease Liabilities	18	271,249	408,420	5,537,338	8,374,117	1,550,713	1,806,116
DSİ liability	19	89,921,638	135,395,010	84,192,808	127,324,784	103,043,780	120,015,091
Trade Payables	20	1,503,551	2,263,897	706,784	1,068,869	979,529	1,140,857
Reserve for Employee Termination Benefits	24	4,955,970	7,462,202	4,855,013	7,342,233	5,814,205	6,771,805
Advances Received	21	123,806,609	186,415,608	100,444,557	151,902,303	106,090,466	123,563,566
Deferred Tax Liability	23	8,369,216	12,601,529	7,119,005	10,766,072	8,041,369	9,365,782
Total Long Term Liabilities		**360,886,098**	**543,386,193**	**332,699,894**	**503,142,048**	**270,847,636**	**315,456,242**
SHAREHOLDERS' EQUITY							
Share Capital	26	132,828,585	200,000,000	132,248,892	200,000,000	162,052,960	188,743,083
General Reserves	27	198,963,509	299,579,356	183,821,328	277,992,994	237,541,886	276,665,035
Net Profit for the Year		24,492,029	36,877,651	13,387,827	20,246,411	54,894,873	63,936,059
Equity Attributable to Owners of the Parent		**356,284,123**	**536,457,007**	**329,458,047**	**498,239,405**	**454,489,719**	**529,344,177**
Minority Interest		4,568,937	6,879,449	4,095,819	6,194,107	4,033,188	4,697,454
Total Shareholders' Equity		**360,853,060**	**543,336,456**	**333,553,866**	**504,433,512**	**458,522,907**	**534,041,631**
Commitments and Contingencies	25	—	—	—	—	—	—
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,111,190,218**	**1,673,119,111**	**962,714,035**	**1,455,912,433**	**963,427,322**	**1,122,103,803**

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

YÜKSEL INSAAT A.S. AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED 31.12.2009, 2008 AND 2007

(All amounts in Turkish Lira "TL")

(Amounts are translated into of U.S. Dollars at the relative year end exchange rate for convenience purposes)

		Audited 01.01-31.12.2009		Audited 01.01-31.12.2008		Unaudited 01.01-31.12.2007	
	Note	**USD**	**TL**	**USD**	**TL**	**USD**	**TL**
Sales	28	779,489,036	L173,676,642	734,126,034	1,110,218,801	712,901,491	830,316,366
Cost of Sales	29	(687,584,387)	(1,035,295,812)	(667,025,495)	(1,008,742,656)	(633,854,057)	(738,249,820)
Gross Profit		91,904,649	138,380,830	67,100,539	101,476,145	79,047,434	92,066,546
Meksa Yatirim Gross Profit		6,500,959	9,788,494	4,170,298	6,306,741	6,612,932	7,702,082
Total Gross Profit		98,405,608	148,169,324	71,270,837	107,782,886	85,660,366	99,768,628
Operating Expenses		(59,851,935)	(90,119,058)	(54,025,081)	(81,702,130)	(33,792,768)	(39,358,437)
Basic Operating Profit		38,553,673	58,050,266	17,245,756	26,080,756	51,867,598	60,410,191
Other Income / (Expenses), net	30	635,892	957,463	858,200	1,297,856	(4,160,522)	(4,845,760)
Financial Income / (Expense), net	31	(11,734,955)	(17,669,321)	(1,009,146)	(1,526,131)	10,846,801	12,633,270
Profit Before Tax For The Year		27,454,610	41,338,408	17,094,810	25,852,481	58,553,877	68,197,701
Tax	23	(1,874,380)	(2,822,254)	(1,710,609)	(2,586,954)	(4,370,780)	(5,090,647)
Deferred Tax Income / (Charge)	23	(1,021,354)	(1,537,852)	(564,180)	(853,209)	1,162,326	1,353,761
Profit For The Year From Continuing Operations		24,558,876	36,978,302	14,820,021	22,412,318	55,345,423	64,460,815
Minority Interest		(66,847)	(100,651)	(1,432,194)	(2,165,907)	(450,550)	(524,756)
NET PROFIT FOR THE YEAR		**24,492,029**	**36,877,651**	**13,387,827**	**20,246,411**	**54,894,873**	**63,936,059**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3.2	68,964,079	103,839,213	40,604,875	61,406,752	84,110,350	97,963,325

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

YÜKSEL İNŞAAT A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31.12.2009. 2008 AND 2007

(All amounts in Turkish Lira "TL")

	Share Capital	General Reserves	Net Profit for the Year	Minority Interest	Total Equity
Balance, 31.12.2006	**188,743,083**	**245,190,873**	**43,949,941**	**2,425,984**	**480,309,881**
Transfer to general reserves	—	43,949,941	(43,949,941)	—	—
Dividend paid for the year	—	(9,226,027)	—	—	(9,226,027)
Foreign currency translation difference in overseas work sites	—	(3,249,752)	—	—	(3,249,752)
Share of minority in current year	—	—	—	2,271,470	2,271,470
Net profit for the year	—	—	63,936,059	—	63,936,059
Balance, 31.12.2007	**188,743,083**	**276,665,035**	**63,936,059**	**4,697,454**	**534,041,631**
Capital increase—general reserves	11,256,917	(11,256,917)	—	—	—
Transfer to general reserves	—	63,936,059	(63,936,059)	—	—
Dividend paid for the year		(74,136,333)	—	—	(74,136,333)
Revaluation of tangible fixed assets (note 16)	—	54,862,422	—	—	54,862,422
Yüksel Seramik and Aspendos which were sold in 2008	—	(24,334,506)	—	—	(24,334,506)
Foreign currency translation difference in overseas work sites	—	(7,742,766)	—	—	(7,742,766)
Share of minority in current year	—	—	—	1,496,653	1,496,653
Net profit for the year	—	—	20,246,411	—	20,246,411
Balance, 31.12.2008	**200,000,000**	**277,992,994**	**20,246,411**	**6,194,107**	**504,433,512**
Transfer to general reserves	—	20,246,411	(20,246,411)	—	—
Dividend paid for the year	—	(370,000)	—	—	(370,000)
Revaluation of tangible fixed assets (note 16)	—	2,050,082	—	—	2,050,032
Effect of exclusion of Ersel Inşaat at 31.12.2009	—	1,080,852	—	—	1,080,852
Foreign currency translation difference in overseas work sites	—	(1,420,983)	—	—	(1,420,983)
Share of minority in current year	—	—	—	685,342	685,342
Net profit for the year	—	—	36,877,651	—	36,877,651
Balance, 31.12.2009	**200,000,000**	**299,579,356**	**36,877,651**	**6,879,449**	**543,336,456**

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

YÜKSEL İNŞAAT A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31.12.2009, 2008 AND 2007

(All amounts in Turkish Lira “TL”)

	Audited 01.01-31.12.2009	**Audited 01.01-31.12.2008**	**Unaudited 01.01-31.12.2007**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year	36,877,651	20,246,411	63,936,059
Adjustment to reconcile net profit to net cash:			
Depreciation and amortization expenses	45,788,947	35,325,996	37,553,134
Provision for employment termination benefits	119,969	570,428	1,723,977
Deferred tax asset / liability, (net)	1,537,852	853,209	(1,353,761)
Foreign currency translation difference in overseas work sites	(1,420,983)	(7,742,766)	(3,249,752)
Operating cash flows provided before changes in working capital	82,903,436	49,253,278	98,609,657
Changes in operating assets and liabilities:			
Short-term trade receivables	(69,607,897)	(132,083,330)	(58,361,966)
Long-term trade receivables	3,345,245	(7,344,699)	(3,988,179)
Due from related parties	1,710,044	4,124,730	(4,024,748)
Inventories	(50,641,414)	(82,694,809)	(39,836,498)
Other assets	(5,550,191)	(18,631,006)	56,299,518
Trade payables	39,411,515	109,925,193	6,415,955
Due to related parties	1,205,639	7,492,340	(24,716,474)
Advances received	47,313,159	73,487,968	121,998,866
Other payables	(2,475,364)	10,713,468	(10,878,851)
Costs of uncompleted construction contracts	(42,848,230)	(4,671,337)	71,157,267
Deferred revenue in excess of costs on uncompleted construction contracts	20,499,309	(3,672,027)	(57,343,186)
Tax paid	235,300	(2,503,693)	(125,048)
Net Cash Flows Generated From Operating Activities	25,500,551	3,396,076	155,206,313
CASH FLOWS FROM FINANCING ACTIVITIES			
Financial liabilities	73,588,153	141,309,606	(6,167,082)
Financial lease liabilities	(11,499,629)	17,383,483	1,896,290
DSİ liability	8,070,226	7,309,693	120,015,091
Increase / (decrease) in minority interest	685,342	1,496,653	2,271,470
Dividend paid for the year	(370,000)	(74,136,333)	(9,226,027)
Effect of exclusion of Ersel İnşaat at 31.12.2009	1,080,852	—	—
Previous years restatement (inflation) differences of equity participation in Yüksel Seramik and Aspendos which were sold in 2008	—	(24,334,506)	—
Net Cash Flows Generated From / (Used in) Financing Activities	71,554,944	69,028,596	108,789,742
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Changes in investments, (net)	(1,050,000)	6,209,818	30,365,337
Marketable Securities	(707,000)	3,096,504	(1,774,448)
Changes in financial assets, (net)	(7,604)	32,825,605	{3,333,950)
Acquisitions/ proceeds from sales of tangible fixed assets, (net)	(50,050,803)	(111,235,484)	(110,953,603)
Acquisitions / proceeds from sales of intangible assets, (net)	(10,470,941)	(9,195,705)	(123,203,186)
Net Cash Flows / used in Investment Activities	(62,286,348)	(78,299,262)	(208,899,850)
Net Increase/(Decrease) in Cash and Cash Equivalents	**34,769,147**	**(5,874,590)**	**55,096,205**
Cash and Cash Equivalents at the Beginning of the Year	**92,865,526**	**98,740,116**	**43,643,911**
Cash and Cash Equivalents at the End of the Year	**127,634,673**	**92,865,526**	**98,740,116**

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

(Currency—Turkish Lira "TL" unless otherwise expressed)

1. Organization and Nature of Activities

Nature of business and respective business segments of the Parent Company's consolidated subsidiaries and domestic and foreign branches are as follows:

Company name	Nature of business	Country of registration
1- Yüksel Libya Branch	Construction	Libya
2- Yüksel Dubai LLC and Dubai Branch	Construction	Dubai
3- Yüksel Qatar Branch	Construction	Qatar
4- Yüksel Afghanistan Branch	Construction	Afghanistan
5- Yüksel Jordan Branch	Construction	Jordan
6- Yüksel Uzbekistan Branch	Construction	Uzbekistan
7- Yüksel Saudia Co. and Saudi Arabia Branch	Construction	Saudi Arabia
8- Yüksel Iraq Branch	Construction	Iraq
9- Sasel Elektromekanik Sanayi ve Ticaret A.Ş.	Construction	Turkey
10- Fiba Yüksel Uluslararası Proje Geliştirme ve Yat. A.Ş.	Construction	Turkey
11- Yüksel Yapı Elemanları A.Ş.	Concrete production	Turkey
12- Yüksel Yatçılık Turizm Ticaret A.Ş.	Tourism	Turkey
13- Kask Sigorta Aracılık Hizmetleri A.Ş.	Insurance	Turkey
14- Datasel Bilgi Sistemleri A.Ş.	Information systems	Turkey
15- Meksa Holding A.Ş.	Investment—Property	Turkey
16- Meksa Yatırım Menkul Değerler A.Ş.	Securities	Turkey
17- Aysel Invest Privat Stock Company JVC.	Tourism	Uzbekistan
18- Yüksel-Turkuaz-YDA İnşaat ve Ticaret Ltd. Şti.	Construction	Kazakhstan
19- Yüksel Enerji Elektrik Üretim ve Ticaret A.Ş.	Energy	Turkey
20- Yüksel Enerji Holding A.Ş.	Energy	Turkey
21- Can Elektrik Üretim Ltd. Şti.	Energy	Turkey
22- Yılmaz Elektrik Üretim Enerji ve Ticaret A.Ş.	Energy	Turkey
23- Tuna Elektrik Üretim Enerji ve Ticaret A.Ş.	Energy	Turkey
24- Kaan Elektrik Üretim Enerji ve Dağıtım Ticaret A.Ş.	Energy	Turkey
25- Güven Elektrik Üretim Enerji ve Dağıtım Ticaret A.Ş.	Energy	Turkey
26- Yüksel Elektrik Enerjisi Toptan Satış A.Ş.	Energy	Turkey
27- Aydıncık Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
28- Çayönü Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
29- Çubuklu Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
30- Elmadağ Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
31- Esenköy Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
32- Kangal Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
33- Karacaören Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
34- Kurucaşile Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
35- Şahinyurdu Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
36- Tisan Elektrik Enerji Üretim ve Ticaret A.Ş.	Energy	Turkey
37- Adsel Elektrik Enerji Üretim Ltd. Şti.	Energy	Turkey
38- S.H. Enerji Elektrik Üretim Ticaret A.Ş.	Energy	Turkey
39- Hidro-D Hidroelektrik Enerji Üretim A.Ş.	Energy	Turkey
40- Ağrı Enerji Üretimi A.Ş.	Energy	Turkey

As of 31 December 2009, 2008 and 2007 shareholding of the consolidated subsidiaries and domestic and foreign branches are as follows:

	31.12.2009		31.12.2008		31.12.2007	
Name of the Company	**Ratio of direct ownership %**	**Ratio of indirect ownership %**	**Ratio of direct ownership %**	**Ratio of indirect ownership %**	**Ratio of direct ownership %**	**Ratio of indirect ownership %**
Construction Group:						
1- Yüksel Libya Branch	100	100	100	100	100	100
2- Yüksel Dubai LLC and Dubai Branch	100	100	100	100	100	100
3- Yüksel Qatar Branch	100	100	100	100	100	100
4- Yüksel Afghanistan Branch	100	100	100	100	100	100
5- Yüksel Jordan Branch	100	100	100	100	100	100
6- Yüksel Uzbekistan Branch	100	100	100	100	100	100
7- Yüksel Saudia Co. and Saudi Arabia Branch	100	100	100	100	100	100
8- Yüksel Iraq Branch	100	100	100	100	100	100
9- Sasel Elektromekanik San. ve Tic. A.Ş.	93.88	—	86.05	—	86.05	—
10- Fiba Yüksel Uluslararası Proje Geliştirme ve Yat. A.Ş.	49.20	—	49.20	—	49.20	—
Ersel İnşaat Tesisat ve Sanayi A.Ş.	—	—	99.92	—	99.90	—
18- Yüksel-Turkuaz-YDA İnşaat ve Tic. Ltd. Şti.(*)	50.00	—	50.00	—	50.00	—
Concrete Production Group:						
11- Yüksel Yapı Elemanları A.Ş.	99.84	—	99.80	—	99.80	—
Tourism Group:						
12- Yüksel Yatçılık Turizm Ticaret A.Ş.	98.07	0.12	95.50	0.26	94.10	—
17- Aysel Invest Privat Stock Company	98.99	—	98.99	—	98.99	—
Insurance Group:						
13- Kask Sigorta Aracılık Hizmetleri A.Ş.	69.00	19.39	69.00	18.60	69.00	18.60
Information Systems Group:						
14- Datasel Bilgi Sistemleri A.Ş.	99.97	—	99.97	—	99.97	—
Securities—Financial Investments Holding:						
15- Meksa Holding A.Ş.	88.51	—	88.51	—	88.51	—
16- Meksa Yatırım Menkul Değerler A.Ş.	—	78.68	—	78.68	—	78.68

(*) Yüksel-Turkuaz-YDA İnşaat ve Ticaret Ltd. Şti. was established in 2006 to make construction projects in Kazakhstan. Partnership agreement with Turkuaz-YDA Construction has been signed with 50% equal shares. Yüksel-Turkuaz YDA İnşaat ve Ticaret Ltd. Şti. and its Kazakhstan Branch has been included in the accompanying financial statements using the proportional consolidation method.

Name of the Company	31.12.2009 Ratio of direct ownership %	31.12.2009 Ratio of indirect ownership %	31.12.2008 Ratio of direct ownership %	31.12.2008 Ratio of indirect ownership %	31.12.2007 Ratio of direct ownership %	31.12.2007 Ratio of indirect ownership %
Energy Group:						
19- Yüksel Enerji Elektrik Üretim Tic. A.Ş...	96.00	—	96.00	—	96.00%	—
20- Yüksel Enerji Holding A.Ş....................	98.00	—	98.00	—	—	—
21- Can Elektrik Üretim Ltd. Şti...................	—	95.04	—	97.02	—	95.04
22- Yılmaz Elektrik Ürt. Enerji ve Tic. A.Ş. .	—	94.08	—	94.08	—	92.16
23- Tuna Elektrik Ürt. Enerji ve Tic. A.Ş......	—	94.08	—	94.08	—	92.16
24- Kaan Elektrik Ürt. Enerji ve Tic. A.Ş......	—	94.08	—	94.08	—	92.16
25- Güven Elektrik Ürt. Enerji ve Tic. A.Ş. ..	—	94.08	—	94.08	—	92.16
26- Yüksel Elektrik Enerjisi Top. Satış A.Ş. .	—	96.04	—	94.08	—	92.16
27- Aydıncık Elektrik Enerji Ürt. A.Ş.	—	94.08	—	94.08	—	92.16
28- Çayönü Elektrik Enerji Ürt. Tic. A.Ş.	—	94.08	—	94.08	—	92.16
29- Çubuklu Elektrik Enerji Ürt.Tic A.Ş.	—	94.08	—	94.08	—	92.16
30- Elmadağ Elektrik Enerji Ürt. Tic, A.Ş.....	—	94.08	—	94.08	—	92.16
31- Esenköy Elektrik Enerji Ürt Tic. A.Ş.	—	94.08	—	94.08	—	92.16
32- Kangal Elektrik Enerji Ürt. Tic. A.Ş.	—	94.08	—	94.08	—	92.16
33- Karacaören Elektrik Enerji Ticaret A.Ş...	—	94.08	—	94.08	—	92.16
34- Kurucaşile Elektrik Enerji Ticaret A.Ş....	—	94.08	—	94.08	—	92.16
35- Şahinyurdu Elektrik Enerji Ticaret A.Ş...	—	94.08	—	94.08	—	92.16
36- Tisan Elektrik Enerji Ürt. Ticaret A.Ş.	—	94.08	—	94.08	—	92.16
37- Adsel Elektrik Enerji Üretim Ltd. Şti.	—	98.00	—	98.00	—	96.00
38- S.H. Enerji Elektrik Üretim Ticaret A.Ş..	—	96.04	—	96.04	—	92.16
39- Hidro-D Hidroelektrik Enerji Ürt. A.Ş....	—	96.04	—	96.04	—	92.16
40- Ağrı Enerji Üretimi A.Ş.	—	97.61	—	—	—	—

Subsidiaries and branches of Yüksel İnşaat have been included in the accompanying financial statements fully and the joint ventures established in the foreign countries and Yüksel-Turkuaz YDA İnşaat ve Ticaret Ltd. Şti. and its Kazakhstan Branch stated above have been included in the accompanying financial statements using the proportional consolidation method.

Besides, the joint ventures in Turkey which are as follows and Yüksel-Turkuaz-YDA İnşaat ve Ticaret Ltd. Şti. And its Kazakhstan Branch has been included in the accompanying financial statements using the proportional consolidation method. Nature of business and shareholding of these joint ventures are as follows:

Name of the Company	Nature of business	Share Rate %
41- Nurol-Cengiz-Kiska-Yüksel Joint Venture	Construction	25
42- Makyol-Yüksel Joint Venture	Construction	50
43- Anadolu Metro Joint Venture	Construction	49
44- Yüksel-Yenigün-Doğuş-Yapı Merkezi Joint Venture	Construction	26
45- Yüksel-Metak-Tepe-Yenigün-Zafer Joint Venture	Construction	20
46- Nurol-Özaltın-Makyol-Astaldi-Yüksel-Göçay Joint Venture	Construction	16.6
47- Yüksel-Turkuaz-YDA İnşaat ve Ticaret Ltd. Şti.	Construction	50

For the purpose of the consolidated financial statements, Yüksel İnşaat A.Ş., its consolidated domestic and foreign subsidiaries, joint ventures and foreign branches are referred to as “the Group”.

Entities in which the Group, directly or indirectly, has 50% and above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, have been fully consolidated. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The Company has always exercised effective control over the management of each of these companies. These entities are consolidated in the financial statements in accordance with the treatment proposed by International Accounting Standards 27 (Consolidated Financial Statements and Accounting for Investments in Subsidiaries).

As of 31.12.2009, 2008 and 2007, the breakdown of personnel employed within the Group by company is as follows:

	31.12.2009	31.12.2008	31.12.2007
Yüksel İnşaat A.Ş.	8,567	8,802	7,454
Sasel Elektromekanik Sanayi ve Ticaret A.Ş.	312	312	294
Fiba Yüksel Uluslararası Proje Geliştirme ve Yat. A.Ş.	28	41	40
Yüksel Yapı Elemanları A.Ş.	82	115	125
Yüksel Yatçılık Turizm Ticaret A.Ş.	18	17	18
Kask Sigorta Aracılık Hizmetleri A.Ş.	6	6	6
Datasel Bilgi Sistemleri A.Ş.	79	85	65
Meksa Yatırım Menkul Değerler A.Ş.	147	106	121
Aysel Invest Privat Stock Company JVC.	120	132	138
Yüksel-Turkuaz-YDA İnşaat ve Ticaret Ltd. Şti.	4	10	25
Total	**9,363**	**9,626**	**8,286**

The operations of the consolidated entities in the accompanying financial statements are summarized below:

Yüksel İnşaat A.Ş.:

Yüksel İnşaat A.Ş. ("the Company" or "Yüksel İnşaat") was established in 1972. The head office is located in Ankara. The Company is part of Yüksel Holding Group, a prominent Turkish industrial and trade group principally engaged in construction, contracting, commitment, trade, tourism and various other sectors in Turkey and overseas countries. The local construction sites are located in Ankara, Istanbul, Kahramanmaraş, Kastamonu, Ordu, Adana, Gaziantep, Artvin, Şanlıurfa, Niğde and the foreign construction sites in Romania, S.Arabia, Kazakhstan, Russia, Iraq, Afghanistan, Qatar, Libya, Dubai, Jordan, Ukraine and Uzbekistan. The range of activities include the construction of public infrastructure and upper structure comprising roads, motorways, bridges, dams, ports, airports, hydroelectric power plants, subways, energy plants, factory buildings, schools, mass housing complexes, holiday villages, touristic resorts, hospitals, universities, schools and industrial sites.

Ongoing projects undertaken by the Company are summarized below:

- Ünye-Piraziz Road Improvement Construction,
- Melen Pump Station Construction,
- Hacınınoğlu Regulator and Hydroelectric Power Plant Construction,
- Sarıgüzel Regulator and Hydroelectric Power Plant Construction,
- Kandil Dam and Hydroelectric Power Plant Construction,
- Karkamış Dam and Hydroelectric Power Plant Construction,
- Adana Waste Water Clarification Facility Construction,
- Jordan Armed Forces Military Institutions Construction (Jordan),
- Sirte-Ajdabiyah Road Extension and Maintenance Project (Libya),
- Dernah-Imsaad Coast Road Repair and Maintenance Project (Libya),
- Al Fateh University Agriculture, Veterinary Medicine and Science Faculty Buildings Project (Libya),
- Al Fateh University Infrastructure Works (Libya),
- NDIA Project Airside / Landside Roadways and Parking / Bridge Construction Works (Qatar),
- Construction of North / South Ras Abu Abboud Road (Qatar),
- Kabul International Airport NATO Facilities (Afghanistan),

– Administrative Building at Bagram Airfield (Afghanistan),

– Bagram Airport FY08-FY09 Projects Construction (Afghanistan),

– Turkish Armed Forces Dormitory Construction (Afghanistan),

– KBR Camp Project (Afghanistan),

– Baysh Dam Construction (Saudi Arabia),

– Damad Dam Construction (Saudi Arabia),

– Murwani Dam Construction (Saudi Arabia),

– Al Hasa Infrastructure Construction Phase III King Faysal University Project (Saudi Arabia),

– King Faysal University Constant Campus Project—Hospital Area Phase II (Saudi Arabia),

– Eastern Province Water Transmission System Phase II (Saudi Arabia),

– Kora Şaklava-Kandil Highway Construction Project (Iraq),

– Ankara-Pozantı Highway Construction (Nurol-Cengiz-Kiska-Yüksel Joint Venture),

– Urfa-Suruç Highway Construction (Makyol-Yüksel Joint Venture),

– Yenikapı-Unkapanı and Unkapanı-Taksim Subway Construction (Anadolu Metro Joint Venture),

– Kadıköy-Kartal Public Transportation Line (Yüksel-Yenigün-Doğuş-Yapi Merkezi J.V.),

– The Highway Project of Gebze-Orhangazi-İzmir (including İzmit Gulf Crossing and Connection Roads) (Nurol-Özaltın-Makyol-Astaldi-Yüksel-Göçay Joint Venture).

The details of the projects are presented in note 14.

Sasel Elektromekanik Sanayi ve Ticaret A.Ş. (Sasel):

Sasel Elektromekanik Sanayi ve Ticaret A.Ş. was established in 1984 to provide services such as design consulting, engineering, assembling, contracting, and representation for all types of electrical issues and electronics.

Fiba Yüksel Uluslararası Proje Geliştirme ve Yatırım A.Ş. (Fiba Yüksel):

Fiba Yüksel Uluslararası Proje Geliştirme ve Yatırım A.Ş. was established for the construction projects built on the land at Çubuklu, İstanbul.

Yüksel Yapı Elemanları A.Ş. (Yüksel Yapı Elemanları):

Yüksel Yapı Elemanları A.Ş. was established to produce concrete, reinforced and pre-stressed pipes.

Yüksel Yatçılık Turizm ve Ticaret A.Ş. (Yüksel Yatçılık):

Yüksel Yatçılık Turizm ve Ticaret A.Ş. engages in the yacht tourism in Marmaris, Turkey.

Kask Sigorta Aracılık Hizmetleri A.Ş. (Kask Sigorta):

Kask Sigorta Aracılık Hizmetleri A.Ş., works as an insurance agent.

Datasel Bilgi Sistemleri A.Ş. (Datasel):

Datasel Bilgi Sistemleri A.Ş. was founded in 1989 and is engaged in providing turn key solutions in data processing and information technology areas.

Meksa Holding A.Ş. (Meksa Holding):

Meksa Holding A.Ş. was established to carry out the transactions of Meksa Group companies that operate in security-exchange markets.

Meksa Yatırım Menkul Değerler A.Ş. (Meksa Yatırım):

Meksa Yatırım Menkul Değerler A.Ş. was established in 1990. The Company is operating in securities market in accordance with Capital Market Legislation.

Aysel Invest Privat Stock Company JVC. (Aysel Invest):

Aysel Invest, was established in Uzbekistan in 2002 to invest and make tourism activities. In 2002 the Company started Radisson SAS Hotel investment and completed in 2003. Radisson SAS Hotel, which is in Tashkent, has multi purposed meeting and business floors, rendering its services with 110 room capacity.

Yüksel-Turkuaz-YDA İnşaat ve Ticaret Ltd. Şti. (Yüksel-Turkuaz-YDA):

Yüksel-Turkuaz-YDA was established in 02.05.2006 to make construction projects in Kazakhstan. Partnership agreement with Turkuaz-YDA. Contract has been signed with 50% equal shares. The Company was engaged in Cp Logistic Center and AFD Blocks projects in Kazakhstan. The estimated value of these projects is 300 million USD.

Yüksel Enerji Elektrik Üretim ve Ticaret A.Ş. (Yüksel Enerji):

Yüksel Enerji, was established in 2005 for establishing and commissioning electricity energy power plants, generating electrical energy and selling the generated electrical energy. In 2006, the Company has bought Köprübaşi Dam from DSİ, which is located in Bolu-Mengen. Köprübaşi Dam and HEPP Project will have 78.88 Mw of installed capacity and 203.12 GWh of generated energy annually, when it is completed.

Yüksel Enerji Holding A.Ş. (Yüksel Enerji Holding):

Yüksel Enerji Holding A.Ş. was established in 28.10.2008. The Company is engaged in joining, investing, financing, organization and management of Yüksel Energy Group of Companies.

Can Elektrik Üretim Ltd. Şti. (Can Elektrik):

Can Elektrik, within the context of DSİ's "projects developed by legal entities" work, has prepared the required feasibility report for Çayalti Regulator and HEPP Project which is planned to be constructed in Zonguldak-Devrek and submitted it to DSİ General Directorate. The report is currently under review.

Yılmaz Elektrik Üretim Enerji ve Ticaret A.Ş (Yılmaz Elektrik).

Yılmaz Elektrik was established in order to construct and operate electricity power plants and the project development works are still continuing.

Tuna Elektrik Üretim Enerji ve Ticaret A.Ş. (Tuna Elektrik):

Tuna Elektrik has prepared the required feasibility report for Çmar Regulator and HEPP Project and Göksel I and IA Regulator and HEPP Project and submitted it to DSİ General Directorate. The report is currently under review.

Kaan Elektrik Üretim Enerji ve Dağıtum Ticaret A.Ş. (Kaan Elektrik):

Kaan Elektrik was established in order to construct and operate electricity power plants and the project development works are still continuing.

Güven Elektrik Üretim Enerji ve Dağıtum Ticaret A.Ş. (Güven Elektrik):

Güven Elektrik was established in order to construct and operate electricity power plants and the project development works are still continuing.

Yüksel Elektrik Enerjisi Toptan Satiş A.Ş. (Yüksel Toptan Satiş):

Yüksel Toptan Satiş, was established to wholesale electric energy. The Company had Electricity Wholesale License 29.04.2010 from EMRA.

Aydıncık Elektrik Enerji Üretim ve Ticaret A.Ş. (Aydıncık Elektrik):

Aydıncık Elektrik was established in order to generate and sell electrical energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Aydıncık WEPP Project with 50 MW installed power capacity which is planned to be constructed in Mersin-Aydıncık is still ongoing.

Çayönü Elektrik Enerji Üretim ve Ticaret A.Ş. (Çayönü Elektrik):

Çayönü Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Çayönü WEPP Project with 35 MW installed power capacity which is planned to be constructed in Kayseri-Pınarbaşı is still ongoing.

Çubuklu Elektrik Enerji Üretim ve Ticaret A.Ş. (Çubuklu Elektrik):

Çubuklu Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Çubuklu WEPP Project with 70 MW installed power capacity which is planned to be constructed in Muğla-Ula is still ongoing.

Elmadağ Elektrik Enerji Üretim ve Ticaret A.Ş, (Elmadağ Elektrik):

Elmadağ Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Elmadağ WEPP Project with 72 MW installed power capacity which is planned to be constructed in Ankara-Elmadağ is still ongoing.

Esenköy Elektrik Enerji Üretim ve Ticaret A.Ş. (Esenköy Elektrik):

Esenköy Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Esenköy WEPP Project with 10 MW installed power capacity which is planned to be constructed in Kastamonu-İnebolu is still ongoing.

Kangal Elektrik Enerji Üretim ve Ticaret A.Ş. (Kangal Elektrik):

Kangal Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Kangal WEPP Project with 128 MW installed power capacity which is planned to be constructed in Sivas-Kangal is still ongoing.

Karacaören Elektrik Enerji Üretim ve Ticaret A.Ş. (Karacaören Elektrik):

Karacaören Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Karacaören WEPP Project with 35 MW installed power capacity which is planned to be constructed in Samsun-Havza is still ongoing.

Kurucaşile Elektrik Enerji Üretim ve Ticaret A.Ş. (Kurucaşile Elektrik):

Kurucaşile Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Kurucaşile WEPP Project with 27 MW installed power capacity which is planned to be constructed in Bartın-Kurucaşile is still ongoing.

Şahinyurdu Elektrik Enerji Üretim ve Ticaret A.Ş. (Şahinyurdu Elektrik):

Şahinyurdu Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Şahinyurdu WEPP Project with 38 MW installed power capacity which is planned to be constructed in Bursa-Gemlik is still ongoing.

Tisan Elektrik Enerji Üretim ve Ticaret A.Ş. (Tisan Elektrik):

Tisan Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Tisan WEPP Project with 9 MW installed power capacity which is planned to be constructed in Mersin-Silifke is still ongoing.

Adsel Elektrik Enerji Üretim Ltd. Şti. (Adsel Elektrik):

Adsel Elektrik was established to construct and operate electricity power plants. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Yeşihrmak I Regulator and HEPP and Yeşilırmak 11 Regulator and HEPP is still ongoing.

S.H. Enerji Elektrik Üretim Ticaret A.Ş. (S.H. Enerji):

S.H. Enerji has obtained License from EMRA for the Karabük-Yenice Alaboğa Regulator and HEPP and signed Water Usage Agreement with DSİ General Directorate. Application assessment for Karabük-Yenice Uzunburun Regulator and HEPP with EMRA is still ongoing.

Hidro-D Hidroelektrik Enerji Üretim A.Ş. (Hidro-D Enerji):

Hidro-D Hidroelektrik has obtained License from EMRA for Sivas-Gölova Çobanlı Regulator and HEPP.

Ağrı Enerji Üretimi A.Ş. (Ağrı Enerji):

Ağrı Enerji was established to construct and operate electricity power plants. The Company obtained licenses for Yağmur Dam and HEPP, Bulut HEPP, Yıldırım HEPP and Şimşek HEPP.

2. Basis of Presentation of the Financial Statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect.

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code ("TCC") and tax legislation. Subsidiaries operating in foreign countries maintain their books of account in the currencies of those countries and prepare their statutory financial statements in accordance with the legislation effective in those countries. The consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

Consolidated financial statements are prepared in accordance with the historical costs principle except the revaluation of tangible fixed assets and investment property.

Translation of Financial statements of branches and foreign subsidiaries

Branches and foreign subsidiaries' assets and liabilities are translated into Turkish Lira from the foreign exchange rate at the balance sheet date and income and expenses are translated into Turkish Lira at the average foreign exchange rate. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the "cumulative translation differences" under the equity.

Presentation and functional currency

For the purpose of the consolidated financial statements, the presentation currency of the Group is accepted as TL. The currency of the primary economic environment (functional currency) of the Group is USD.

Convenience translation of financial statements

For the convenience of the reader, the accompanying consolidated financial statements have been translated from Turkish Lira to US Dollars with the Central Bank buying exchange rate at year-end (2009: USD 1 = TL 1.5057; 2008: USD I = TL 1.5123; 2007: USD 1 = TL 1.1647). Such convenience translations are not intended to comply with the provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Adoption of new and revised international financial reporting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are effective as at 31.12.2009 and that are relevant to its operations.

The new standards, amendments, changes and interpretations of current standards effective as of 31.12.2009:

- Amendments to IFRS 1 "First-time Adoption" and lAS 27 "Consolidated and Separate Financial Statements—Cost" of investments in subsidiaries, jointly controlled entities or associates

- Amendments to IFRS 2, "Share Based Payments"—Vesting Conditions

- Amendments to IFRS 7 "Financial Instruments"—Changes in Footnotes

These amendments require further explanations about measurement of net realizable value and liquidity risk. Net realizable value should be measured by using a three level hierarchical distribution depending on source of benefits obtained for each financial instrument. The Company has provided sufficient explanations in accounting policies and footnotes about financial risk management.

- IFRS 8, "Operating Segments"

This amendment does not have any effect on financial performance of the Company.

- IAS 1, "Presentation of Financial Statements" (Revised)

- IAS 23, "(Revised) Borrowing Costs"

- Amendments to lAS 32 and IAS 1: "Puttable Financial Instruments and Obligations Arising on Liquidation"

- IFRIC 9 "(Revised) Reassesment of Embedded Derivatives" and IAS 39 "(Revised) Financial instruments: Recognition and Measurement"

- IFRIC 13, "Customer Loyalty Programmes" (effective for fiscal periods beginning on or after 01.07.2008)

- IFRIC 15, "Agreements for Construction of Real Estates"

- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (effective for fiscal periods beginning on or after 01.10.2008).

- IFRIC 18, "Transfer of Assets from Customers"

Improvements to IFRS (issued in 2008), effective front 01.01.2009

In May 2008, the International Accounting Standards Board (IASB) issued its first set of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Each standard has a different date of execution the most recent standard will be in execution as of 01.01.2009.

Standards Announced by International Accounting Standards Board (IASB) on May 2008:

- IFRS 5, "Non-current assets held-for-sale and discontinued operations"

- IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors"

- IAS 10, "Events after the Reporting Period"

- IAS 16, "Property, Plant and Equipment""

- IAS 18, "Revenue"

- IAS 19, "Employee Benefits"

- IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance"

- IAS 27 (Amendment), "Consolidated and separate financial statements"

- IAS 28 (Amendment), "Investments in Associates"

- IAS 29, “Financial Reporting in Hyperinflationary Economies”
- IAS 31, “Interests in Joint Ventures”
- IAS 36, “Impairment of Assets”
- IAS 38, “Intangible Assets”
- IAS 39, “Financial Instruments: Recognition and Measurement”
- IAS 40, “Investment Property”
- IAS 41, “Agriculture” (Revised)
- IFRIC 9, “(Revised) Reassesment of Embedded Derivatives” and IAS 39 “(Revised) Financial instruments: Recognition and Measurement”
- IAS 34, “Interim Financial Reporting”

Improvements to IFRS (issued in 2009) effective from 01.07.2009

In April 2009, the International Accounting Standards Board (IASB) has issued amendments in order to eliminate the inconsistencies and clarify the explanations related to standards. Transitional provisions and application periods vary for each amendment which is 01.07.2009 for the earliest.

Standards amended by International Accounting Standards Board (IASB) are as follows:

- IFRS 2, “Scope of IFRS 2 and revised IFRS 3”
- IFRS 5, “Disclosures of non-current assets (or disposal groups) classified as held-for-sale and discontinued operations”
- IFRS 8, “Disclosure of information about segment assets”
- IAS 1, “Current/non-current classification of convertible instruments”
- IAS 7, “Classification of expenditures on unrecognized assets”
- IAS 17, “Classification of leases of land buildings”
- IAS 18, “Determining whether an entity is acting as a principal or as an agent”
- IAS 36, “Unit of accounting for goodwill impairment test”
- IAS 38, “Additional consequential amendments arising from revised IFRS 3”
- IAS 38, “Measuring the fair value of an intangible asset acquired in a business combination”
- IAS 39, “Treating loan prepayment penalties as closely related embedded derivatives”
- IAS 39, “Scope exemptions for business combination contracts”
- IAS 39, “Cash flow hedge accounting”
- IFRIC 9, “Scope of IFRIC 9 and revised IFRS 3”
- IFRIC 16, “Amendment to the restriction on the entity that can hold hedging instruments”

New and amended standards and interpretations applicable to 31.12.2010 financial statements:

- Amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards—Additional exemptions for first-time adopters"

- Amendments to IFRS 2, "Group cash settled share based Payment Transactions"

- Amendments to IFRS 3 "Business Combinations" and IAS 27 "Amendments to separate financial statements"(*)

(*) These standards can not be implemented for the periods prior to 30.06.2007.

- Amendments to IAS 39, "Financial Instruments: Recognition and Measurement"—Eligible hedged items

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

The Group management will consider the effects of these amendments to its financial statements and will apply them from their effective date.

New and amended standards and interpretations issued that are effective subsequent to 31.12.2010 (These amendments have not been adopted by European Union yet):

- IFRIC 9, "Reassesment of Embedded Derivatives" (effective for periods beginning on or after 01.01.2013)

- IFRS 9, "(Revised) Financial Instruments, Classification and Measurement of Financial Assets" (effective for fiscal periods beginning an or after 01.01.2013)

- Amendment to IAS 24, "Related Party Disclosure's" (effective for periods beginning on or after 01.01.2011)

- Amendment to IAS 32, "Classification of Right Issues" (effective for periods beginning on or after 01.02.2010)

- Amendment to IFRIC 14, "Prepayments of a Minimum Funding Requirement" (effective for periods beginning on or after 01.01.2011, with earlier application permitted)

- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments" (effective for periods beginning on or after 01.07.2010, with earlier application permitted)

- IFRIC 12, "Service Concession Arrangements" (effective for periods beginning on or after 01.01.2008)

- IFRIC 13, "Customer Loyalty Programmes" (effective for periods beginning on or after 01.07.2008)

- IFRIC 14, lAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" (effective for periods beginning on or after 01.01.2008)

- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (effective for periods beginning on or after 01.10.2008).

The Group management is considering the effects of the first time application of these amendments to its financial statements.

3. Principles of Consolidation and Summary of Significant Accounting Policies

3.1 Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its entities controlled by the Company and foreign branches as explained in Note 1.

Entities in which the Group, directly or indirectly, has above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, have been fully consolidated. Certain companies in which the Group has a controlling interest or significant influence are not consolidated or equity accounted, as they are immaterial individually and in aggregate to the results and financial position of the Group.

The balance sheets and statements of income of the Group are consolidated on a line by line basis, and the carrying value of the investment held by the Group is eliminated against the related shareholders' equity accounts. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The purchase method of accounting is used for acquired business. Subsidiaries, joint ventures or investment in associates, acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Investments in associates are undertakings over which the Group generally has between 20% and 50% of the voting rights and the Group has significant influence and which are not subsidiaries or joint ventures of the Group. The Group's investments in associates are accounted for using the equity method. Under the equity method, an associate is carried at net asset amount in the consolidated balance sheet and the share of the Group from the associate's results of operations is recognized in the statement of income. Unless net assets of the investment in associates are subject to a temporary impairment, the investment in associates is disclosed with the impaired value in the accompanying financial statements.

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and its subsidiaries together with one or more other parties. The Group's interest in joint ventures is accounted for by way of proportionate consolidation; in other words, the Group includes its share of the assets, liabilities, income and expenses of each joint venture in the relevant components of the financial statements. Proportionate consolidation method principally has the similar procedures as the line by line consolidation method.

3.2 Other Significant Accounting Policies

The principal accounting policies followed in the preparation of the accompanying consolidated financial statements are set forth below:

Related parties

For the purpose of the accompanying financial statements, key personnel in management and board of directors, their family and controlled or dependent companies, participations and subsidiaries of the Group arc referred to as related parties.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, bank deposits and short-term investments, which can easily be converted into cash for a known amount, has high liquidity with maturities of 3 months or less. The amounts paid under the reverse repurchase agreements are included in the cash and cash equivalents. Recorded value is estimated market value of other cash and bank deposits on the balance.

Repurchase and resale transactions

The Group enters into short-term purchase of securities under agreements to resell such securities. Such securities purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognized in the balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in cash and cash equivalents. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement.

Trade receivables and allowance for doubtful receivables

Trade receivables and notes receivable are recognized at original invoice amount and discounted to present value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. In case the provision decreases as a result of an event that occurs after write off, the amount is reflected on the income statement in the current period.

Based on an evaluation of its trade portfolio such as volume, character of outstanding loans, past loan experience and general economic conditions management provides a general reserve that it believes is adequate to cover possible losses and uncollectible amounts in the Group's receivables, in addition to specific reserves provided for receivables in legal follow-up.

Trade payables

Trade payables are stated at their nominal values, discounted to present value as appropriate.

Inventories

Inventories are valued on the basis of the weighted average cost method by considering the cost or the net realizable value, whichever is the lowest. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. The cost of inventories cover all purchasing costs, conversion costs and other expenses made to bring the inventories into their current state and condition.

Cost of projects under construction and development comprise direct cost, attributable indirect costs, raw material and cost of borrowing related to projects. These inventories are stated at the lower of cost or net realizable value.

Investments

The unconsolidated equity investments are carried at cost, reduced where necessary to reflect permanent impairment in value.

Joint ventures

The Group has signed partnership agreements with various companies to perform many projects. The purposes and completion times of these joint ventures are specified. The financial statements of the joint ventures are combined in the attached consolidated financial statements. The detailed explanations of the joint ventures are given at note 14.

Construction contract activities

Contract revenue and costs are recognized as revenue and expenses, respectively, when the outcome of a construction contract can be estimated reliably. The percentage of completion method is used to recognize revenue on a contract as work progresses by matching contract revenue with contract costs incurred based on the proportion of work completed which is determined by the ratio of actual costs incurred through to the end of each reporting period divided by the total estimated contracts costs of the projects. Contracts to manage, supervise or coordinate the construction activity of others are recognized only to the extent of the fee revenue.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses arc charged to the income statements as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

Costs of uncompleted construction contracts represent the costs incurred les the sum of recognized costs (in the income statements) for all contracts in progress. Deferred revenue in excess of costs on uncompleted contracts represents future billings in excess of revenues recognized (in the income statements). These cost and deferred revenue are subsequently recognized in the income statement based on completion method which is based on engineering reports.

Finance leases

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property after tax advantages or incentives have been deducted, or the present value of the minimum lease payments. Principal lease payments are recorded as a payable and are reduced as paid; the interest element is charged to the statement of income as expense during the lease period. Property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset.

Property, plant and equipment and related depreciation

Property, plant and equipment are carried at acquisition cost, less any accumulated depreciation and any impairment loss. Profit and loss arising out of the sale of property, plant and equipment are included in the other income and expense accounts. In cases when the carrying value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Repair and maintenance expenditure related to property, plant and equipment is expensed as incurred.

Land and buildings are recorded on the basis of estimated fair value and difference between book values and fair values are reflected under Fair Value Reserve account which is part of the Company equity. Estimated fair values are based on the best estimates made by the management of the Company.

Depreciation is provided on straight-line basis over the useful lives of the assets. The estimated useful lives of property, plant, equipment are as follows:

	Years
Buildings	25 - 50
Land improvements	4 - 50
Machinery and equipment	4 - 20
Furniture, fixtures and office equipment	4 - 20
Motor vehicles	4 - 20
Rights	3 - 5

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. The land acquired by the Group from Çubuktaş A.Ş. is carried at fair market value. The decrease or increase in the appraised carrying amount of such property as a result of revaluation has been debited or credited to general reserves under shareholders equity. Considering the Group management's intention to hold such property for future development or investment purposes deferred taxes has not been recognized for the transaction.

Impairment of assets

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

Financial instruments

(i) Financial assets

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

Financial assets are classified into the following specified categories as 'at fair value through profit or loss', 'held to maturity investments', 'available for sale financial assets' and 'loans and receivables'.

Financial assets at fair value through ran or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Debt instruments that are held to maturity, are available for sale, or are loans and receivables recognize in income on an effective interest rate basis.

Effective interest method

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

Financial assets held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows.

Financial assets available-for-sale

Available-for-sale securities are those that are not (a) held-to-maturity investments, or (b) securities held for trading. Subsequent to acquisition, available for sale securities are valued at their fair value if reliably measurable. Otherwise, they are accounted for at the amortized cost. Unrealized gains or losses arising from changes in the fair value of securities classified as available for sale are deferred in equity until the financial asset is sold, collected or otherwise is disposed of when available for sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement. All investment securities are initially recognized at cost. Transaction costs are included in the initial measurement of debt securities. Available for sale securities are measured at fair value.

Fair value of available for sale monetary assets denominated in foreign currency is determined in that foreign currency and converted using the spot rate at the reporting date. Change in fair value attributable to conversion differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market, not held for trading, and not designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Loans and receivables are measured at amortized cost using the effective interest method.

Impairment of financial assets

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

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

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

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

(ii) Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recorded at fair value upon initial measurement and re-measured to fair value at each reporting period. Changes in the fair values are accounted in the income statement. Net gains and losses accounted for in the income statement includes interest paid expense incurred on the financial liability.

Other financial liabilities

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

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

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

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs. After initial recognition, bank borrowings are subsequently measured at amortized cost using the effective interest rate method. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are shown in current liabilities to the extent that they are not settled in the period in which they arise.

Provisions

Provisions are recognized when, and only when the Group has a present obligation as a result of a past event and 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. Provisions are recognized by the amortized amount as of balance sheet date in case that the monetary loss is material. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a considerable time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned by the temporary investment of the part of the borrowing not yet used is deducted from the borrowing costs eligible for capitalization.

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

Taxation and deferred income taxes

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

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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax related to the equity items is carried under the equity and not reflected to income statement. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. 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 profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly.

Employee benefits / Retirement pay provision

Under the Turkish law and union agreements, severance payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 (revised) “Employee Benefits”. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Revenue recognition

Revenue involves the goods and service sales invoiced value. Revenues are recognized on an accrual basis at the time deliveries of goods and services or acceptances are made, the transfer of risks and benefits related to good are realized, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. The significant risks and benefits in sales are transferred when the goods are delivered or legal proprietorship is transferred to the customer. Interest income and expenses are recognized in the income statement on an accrual basis. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes.

Rendering of services: Revenue earned from rendering of services is recognized by using a reference to the stage of completion of the contract.

Fiba Çubuklu Villa Project: Revenue earned from this project will be recognized when the Company completed all of its contractual tasks and transfer all legal risks and benefits arising from owning the property to the purchaser.

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

Dividend revenue from investments is recognized when the shareholders’ rights to receive payment have been established.

Rental income: Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Foreign currency transactions

Transactions in foreign currencies during the periods have been translated at the exchange rates prevailing at the dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. The foreign exchange gains and losses are recognized in the income statement.

The year-end foreign currency rates used are shown below:

	31.12.2009	31.12.2008	31.12.2007
USD	1.5057	1.5123	1.1647
EURO	2.1603	2.1408	1.7102
GBP	2.3892	2.1924	2.3259
LYD	1.2287	1.2181	1.0977
AED	0.41192	0.41372	0.31861
UZS	0.00100	0.00109	0.00091
KZT	148.36	120.77	120.30

Provisions

Provisions are recognized when, and only when the Group has a present obligation as a result of a past event and 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. Provisions are recognized by the amortized amount as of balance sheet date in case that the monetary loss is material. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Commitments and contingencies

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non-occurrence of certain future events, unless the expected performance is remote. Accordingly, contingent losses are recognized in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect 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 these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Cash flow statement

Cash and cash equivalents include cash and deposits with banks.

Significant management judgment in applying accounting policies

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the financial statements:

Revenue: Management needs to make significant judgment in determining when to recognize the revenue earned from rendering of services by using a reference to the stage of completion of the contract and income from after-sales services.

Impairment: An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management makes assumptions about future events and circumstances.

Inventories: In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made.

Provisions: The Group is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Group's position in the related disputes.

EBITDA

EBITDA is defined as earnings before interest expense, income tax expense (benefit), depreciation and amortization. This information should be read with the statements of cash flows contained in the accompanying financial statements.

4. Geographical Segment Reporting

As of 31.12.2009, 2008 and 2007 information per geographical segment is as follows:

31.12.2009	**Turkey**	**Libya**	**Dubai**	**Qatar**	**Afghanistan**	**Jordan**	**Uzbekistan**	**Saudi Arabia**	
Total Assets	1,543,022,670	140,566,421	79,338,906	35,515,700	70,220,826	9,401,955	21,107,924	204,359,599	1
Total Liabilities .	1,543,022,670	140,566,421	79,338,906	35,515,700	70,220,826	9,401,955	21,107,924	204,359,599	1

31.12.2008	**Turkey**	**Libya**	**Dubai**	**Qatar**	**Afghanistan**	**Jordan**	**Uzbekistan**	**Saudi Arabia**
Total Assets	1,310,145,515	87,725,829	130,118,595	55,830,210	33,738,584	7,499,968	20,432,852	126,267,253
Total Liabilities .	1,310,145,515	87,725,829	130,118,595	55,830,210	33,738,584	7,499,968	20,432,852	126,267,253

31.12.2007	**Turkey**	**Libya**	**Dubai**	**Qatar**	**Afghanistan**	**Jordan**	**Uzbekistan**	**Saudi Arabia**
Total Assets	1,093,462,607	15,825,892	75,526,592	35,571,086	36,790,253	(35,901,538)	16,764,101	53,066,956
Total Liabilities .	1,093,462,607	15,825,892	75,526,592	35,571,086	36,790,253	(35,901,538)	16,764,101	53,066,956

31.12.2009	Turkey	Libya	Dubai	Qatar	Afghanistan	Jordan	Uzbekistan	Saudi Arabia	
Sales	1,156,944,312	158,971,027	34,007,877	84,995,332	199,226,584	17,275,295	14,584,559	405,423,632	2
Cost of Sales	(1,082,043,073)	(141,486,140)	(56,740,247)	(63,422,128)	(117,260,676)	(11,939,803)	(7,372,595)	(378,280,401)	(1
Meksa Yatırım gross profit	9,788,494	—	—	—	—	—	—	—	
Gross Profit / (Loss)	**84,689,733**	**17,484,887**	**(22,732,370)**	**21,573,204**	**81,965,908**	**5,335,492**	**7,211,964**	**27,143,231**	**1**

31.12.2008	Turkey	Libya	Dubai	Qatar	Afghanistan	Jordan	Uzbekistan	Saudi Arabia	
Sales	1,001,818,679	71,269,887	208,436,856	58,293,506	90,402,732	70,249,592	13,372,768	132,001,961	8
Cost of Sales	(941,125,974)	(74,306,976)	(222,129,855)	(32,470,251)	(78,742,208)	(85,707,337)	(5,923,372)	(107,709,506)	(6
Meksa Yatırım gross profit	6,306,741	—	—	—	—	—	—	—	
Gross Profit / (Loss)	**66,999,446**	**(3,037,089)**	**(13,692,999)**	**25,823,255**	**11,660,524**	**(15,457,745)**	**7,449,396**	**24,292,455**	**2**

31.12.2007	Turkey	Libya	Dubai	Qatar	Afghanistan	Jordan	Uzbekistan	Saudi Arabia	
Sales	716,861,720	—	53,272,159	21,687,454	155,858,672	152,416,955	11,789,823	37,709,535	62
Cost of Sales	(630,075,473)	(8,725,084)	(41,716,710)	(22,264,147)	(120,258,612)	(233,807,158)	(6,926,313)	(39,261,077)	(44
Meksa Yatırım gross profit	7,702,082	—	—	—	—	—	—	—	
Gross Profit / (Loss)	**94,488,329**	**(8,725,084)**	**11,555,449**	**(576,693)**	**35,600,060**	**(81,390,203)**	**4,863,510**	**(1,551,542)**	**17**

5. Segment Reporting

As of 31.12.2009 segment reporting is as follows:

	Construction	Concrete Production	Tourism	Insurance	Information Systems	Financial Investments Holding	Energ
Total assets	1,944,204,166	21,665,399	16,269,966	1,322,089	4,124,825	7,800,210	198,430
Total liabilities	1,944,204,166	21,665,399	16,269,966	1,322,089	4,124,825	7,800,210	198,430
Sales	2,084,485,837	18,016,805	6,496,874	544,946	3,394,083	—	
Cost of sales	(1,860,997,649)	(15,236,329)	(3,825,618)	—	(3,184,570)	—	
Meksa Yatırım gross profit	—	—	—	—	—	—	
Gross Profit	**223,488,188**	**2,780,476**	**2,671,256**	**544,946**	**209,513**	**—**	
Operating expenses	(78,004,335)	(742,546)	(3,880,375)	(552,058)	(2,496,887)	(43,238)	(885,
Other income/(expenses), net	4,696,359	14,803	537,821	(10,424)	(364,224)	11,441	
Financing income/(expenses), net	(16,793,416)	(445,461)	(209,226)	63,138	(180,867)	(227,646)	321
Profit Before Tax	**133,386,796**	**1,607,272**	**(880,524)**	**45,602**	**(2,832,465)**	**(259,443)**	**(564,**

As of 31.12.2008 segment reporting is as follows:

	Construction	Concrete Production	Tourism	Insurance	Information Systems	Financial Investments Holding	Energy
Total assets	1,637,951,586	17,873,744	15,911,256	927,722	3,231,782	7,763,474	132,742,639
Total liabilities	1,637,951,586	17,873,744	15,911,256	927,722	3,231,782	7,763,474	132,742,639
Sales	1,798,210,874	13,479,231	6,381,693	557,778	2,777,719	—	—
Cost of sales	(1,680,054,969)	(13,016,786)	(3,647,655)	—	(3,252,465)	—	—
Meksa Yatırım gross profit	—	—	—	—	—	—	—
Gross Profit	**118,155,905**	**462,445**	**2,734,038**	**557,778**	**(474,746)**	**—**	**—**
Operating expenses	(64,676,263)	(5,362,305)	(2,901,918)	(575,548)	(2,307,249)	(34,777)	(435,068
Other income/(expenses), net	5,875,862	329,465	8,437	43	56,283	(2,277,627)	15,00
Financing income/(expenses), net	(699,983)	(326,182)	(333,665)	80,272	(32,148)	(180,390)	1,94
Profit Before Tax	**58,655,521**	**(4,896,577)**	**(493,108)**	**62,545**	**(2,757,860)**	**(2,492,794)**	**(418,120**

As of 31.12.2007 segment reporting is as follows:

	Construction	Concrete Production	Tourism	Insurance	Information Systems	Financial Investments Holding	Energy
Total assets	1,123,205,185	23,343,522	11,753,151	1,074,577	5,505,612	8,875,524	121,546,483
Total liabilities	1,123,205,185	23,343,522	11,753,151	1,074,577	5,505,612	8,875,524	121,546,483
Sales	1,856,352,697	15,433,269	3,746,792	337,124	5,768,359	—	—
Cost of sales	(1,633,216,205)	(16,656,748)	(2,395,822)	(465,971)	(5,380,892)	—	—
Meksa Yatırım gross profit	—	—	—	—	—	—	—
Gross Profit	**223,136,492**	**(1,223,479)**	**1,350,970**	**(128,847)**	**387,467**	**—**	**—**
Operating expenses	(31,877,171)	(869,998)	(2,050,599)	(177,598)	(3,503,520)	(27,417)	(464,493)
Other income/(expenses), net	(3,826,281)	(119,853)	7,496	4,521	(135,469)	(1,642,155)	—
Financing income/(expenses), net	13,944,099	(600,425)	(306,765)	45,112	(192,537)	29,059	—
Profit Before Tax	**201,377,139**	**(2,813,755)**	**(998,898)**	**(256,812)**	**(3,444,059)**	**(1,640,513)**	**(464,493)**

6. Cash and Cash Equivalents

As of 31 December 2009, 2008 and 2007, cash and cash equivalents were as follows:

	31.12.2009	31.12.2008	31.12.2007
Cash on hand	1,346,126	1,785,643	1,452,934
Banks			
—Demand deposits	78,572,821	36,684,018	27,450,813
—Time deposits	27,973,474	47,703,845	60,938,171
—Blocked deposits	4,752,660	—	—
Receivables from repurchase agreements (Meksa Yatırım)	14,910,458	6,560,729	8,607,087
Receivables from stock money markets (Meksa Yatırım)	—	40,016	250,067
Other liquid assets	79,134	91,275	41,044
	127,634,673	**92,865,526**	**98,740,116**

As of 31.12.2009 the terms of the time deposits varied between 1 and 323 days. Effective interest rates were between 5%-10% on the TL accounts and 1%-5% on the USD time deposit accounts.

As of 31.12.2009, 2,200,000 EURO of the bank balance has been blocked in exchange for the letter of guarantee obtained for Libya Odaq project.

As of 31 December 2009,2008 and 2007, details of banks were as follows:

Yüksel İnşaat Turkey	29,686,980	16,595,089	6,298,335
Yüksel Libya Branch	1,034,284	1,635,403	2,290,770
Yüksel Dubai Branch	1,407,775	1,019,866	684,724
Yüksel Qatar Branch	13,018,478	3,572,896	8,398,907
Yüksel Afghanistan Branch	1,061,563	1,127,956	20
Yüksel Jordan Branch	—	365,139	110,881
Yüksel Uzbekistan Branch	733,978	1,072,082	514,753
Yüksel Saudi Arabia Branch	35,635,991	8,889,539	7,966,486
Sasel Elektromekanik Sanayi ve Ticaret A.Ş.	954,931	861,112	556,828
Fiba Yüksel Uluslararası Proje Gel. ve Yat. A.Ş.	25,496,417	42,095,893	59,045,009
Yüksel Yapı Elemanları A.Ş.	32,129	181,502	12,855
Meksa Yatırım Menkul Değerler A.Ş.	1,146,584	4,356,166	856,980
Aysel Invest Privat Stock Company JVC.	526,634	977,233	494,701
Yüksel Turkuaz YDA İnşaat ve Ticaret Ltd. Şti.	246,744	1,509,674	1,075,910
Other	316,467	128,313	81,825
	111,298,955	**84,387,863**	**88,388,984**

7. Marketable Securities

As of 31 December 2009, 2008 and 2007, marketable securities were as follows:

	31.12.2009	31.12.2008	31.12.2007
Ready for sale bill of exchange and stock certificate	1,518,071	1,104,072	2,451,654
Derivative financial instruments	334,648	43,745	20,247
Funds under repurchase agreement	501,106	340,318	2,176,176
Investment funds	54,770	213,460	150,022
	2,408,595	**1,701,595**	**4,798,099**

8. Financial Assets

As of 31 December 2009, 2008 and 2007 financial assets were as follows:

	31.12.2009	31.12.2008	31.12.2007
Yüksel Seramik Sanayi Ticaret A.Ş.	—	—	32,983,708
T.M. Enerji Elektrik Üretim Ticaret A.Ş.	172,936	150,079	49,000
Bereketli Elektrik Enerji Üretim ve Ticaret A.Ş.	49,000	44,406	31,089
Çayören Elektrik Enerji Üretim ve Ticaret A.Ş.	—	45,925	31,545
Ekinli Elektrik Enerji Üretim ve Ticaret A.Ş.	29,449	18,365	5,468
Hereke Elektrik Enerji Üretim ve Ticaret A.Ş.	37,150	22,156	5,726
	288,535	**280,931**	**33,106,536**

Yüksel Seramik Sanayi ve Ticaret A.Ş. (Yüksel Seramik):

Yüksel Seramik, was established in 1997 to produce and sell ceramic tiles. Company's shares were sold on 2008.

T.M. Enerji Elektrik Üretim Ticaret A.Ş. (T.M. Elektrik):

T.M. Elektrik, has received "Production License" from EMRA and has signed "Water Usage Right" agreement with DSİ for Şimşir Regulator and HEPP Project which is planned to be constructed in Karabük-Yenice. Company's shares were sold on 18.06.2010.

Bereketli Elektrik Enerji Üretim ve Ticaret A.Ş. (Bereketli Elektrik):

Bereketli Elektrik was established in order to generate and sell wind electric energy. The Company's application assessment for their application to obtain "Electric Production License" to EMRA for Bereketli WEPP Project with 30 MW installed power capacity which is planned to be constructed in Tokat-Reşadiye is still ongoing. Company's shares were sold in 2010.

Çayören Elektrik Enerji Üretim ve Ticaret A.Ş. (Çayören Elektrik):

Çayören Elektrik was established to build Çayören WPP of 145 MW in Tokat, Merkez. Company's shares were sold on 06.07.2009.

Ekinli Elektrik Enerji Üretim ve Ticaret A.Ş. (Ekinli Elektrik):

Ekinli Elektrik was established in order to generate and sell wind electric energy. The Company was established to build Ekinli WEPP with 30 MW installed power capacity which is planned to be constructed in Bursa-Karacabey. Company's shares were sold on 20.05.2010.

Hereke Elektrik Enerji Üretim ve Ticaret A.Ş. (Hereke Elektrik):

Hereke Elektrik was established in order to generate and sell wind electric energy. The Company was established to build Hereke WEPP with 55 MW installed power capacity which is planned to be constructed in İzmit-Körfez, Company's shares were sold in 2010.

9. Trade Receivables

As of 31 December 2009, 2008 and 2007, trade receivables were as follows:

	31.12.2009	31.12.2008	31.12.2007
Short-term:			
Accrued contract receivables:			
—Yüksel İnşaat Turkey	40,431,538	51,976,569	65,576,061
—Yüksel Libya Branch	42,918,928	18,128,073	410,039
—Yüksel Dubai LLC and Dubai Branch	50,122,374	45,219,101	11,136,848
—Yüksel Qatar Branch	9,623,539	28,253,044	9,218,866
—Yüksel Afghanistan Branch	30,281,659	14,860,883	11,417,230
—Yüksel Jordan Branch	2,801,504	347,939	6,665,568
—Yüksel Uzbekistan Branch	1,147,757	581,537	70,203
—Yüksel Saudia Co. ve Saudi Arabia Branch	91,320,855	57,752,674	16,187,836
—Yüksel Iraq Branch	2,864,469	726,711	—
—Yüksel Turkuaz YDA İnşaat ve Ticaret Ltd. Şti.	35,918	618,442	1,629,385
Meksa Yatırım trade receivables	26,659,512	4,947,668	12,522,533
Other trade receivables	17,561,331	14,089,618	6,936,000
Post dated checks and notes receivable	11,577,875	13,994,021	6,270,343
Unearned interest on notes receivable (−)	(170,807)	(269,347)	(24,061)
Deposits and guarantees given	29,467,626	35,809,248	6,936,000
Doubtful receivables	8,294,188	6,529,291	5,953,967
Provision for doubtful receivables (−)	(8,294,188)	(6,529,291)	(5,953,967)
	356,644,078	**287,036,181**	**154,952,851**
Long term:			
Deposits and guarantees given	11,040,569	14,385,814	7,041,115
	11,040,569	**14,385,814**	**7,041,115**

Maturity breakdown of checks and notes receivable were as follows:

	31.12.2009	31.12.2008	31.12.2007
Up to 3 months	3,204,059	3,367,848	5,224,180
Between 3 months and 6 months	2,293,708	670,043	399,378
6 months and more	6,080,108	9,956,130	646,785
	11,577,875	**13,994,021**	**6,270,343**

10. Related Party Disclosures

As of 31 December 2009, 2008 and 2007, due from related parties were as follows:

	31.12.2009	31.12.2008	31.12.2007
Yüksel Holding A.Ş.	3,132,037	402	790,520
Yüksel Seramik Sanayi ve Ticaret A.Ş.	—	—	576,583
Yüksel İnşaat ve Ticaret Ltd. Şti	987,923	779,497	627,488
Sert Holding A.Ş.	—	—	1,258,164
Maksel A.Ş.	—	—	222,768
Yme Scursala Romania	—	—	2,053,624
Yüksel Özel Güvenlik Hizmetleri A.Ş.	39,837	314,570	38,646
Yüksel Savunma Sistemleri A.Ş.	115,150	2,313	—
Yüksel Ulus. Proje Geliştirme Yatırım A.Ş.	—	1,272	9,705
Yüksel Yönetim Hijyen Servis Peyzaj Temizlik Organizasyon Otomotiv Güvenlik Sistemleri A.Ş.	2,922	—	—
Sert Family	2,336	1,834,561	1,734,838
Sazak Family	3,659,056	8,337,820	9,415,579
Other	1,634	—	—
	7,940,895	**11,270,435**	**16,727,915**

As of 31 December 2009, 2008 and 2007, due to related parties were as follows:

Yüksel Holding A.Ş.	—	6,024,553	—
Yüksel Seramik Sanayi Tic. A.Ş.	36,309	2,150,827	123,791
Sert Holding A.Ş.	—	69,251	—
Yüksel Özel Güvenlik Hizmetleri A.Ş.	191,532	26,196	—
Yüksel Ulus. Proje Geliştirme Yatırım A.Ş.	—	—	1,991
Sazak Turizm A.Ş.	608,238	—	—
Sazak Family	5,046,033	1,705,466	1,007,073
Sert Family	1,772,760	340,000	237,982
Other	39,050	2,196	22,420
	7,693,922	**10,318,489**	**1,393,257**

11. Joint Ventures Disclosures

As of 31 December 2009, 2008 and 2007, due from joint ventures were as follows:

Yüksel-Makimsan-Ener Joint Venture	—	2,804	—
Yüksel-Çiltuğ Joint Venture	30,373	34,054	42,511
Yüksel-Turkuaz Joint Venture	—	366,185	366,185
Yüksel-Ener Joint Venture	—	83,463	374,744
Yapı Merkezi-Doğuş-Yüksel-Yenigün-Belen Joint Venture	3,705,313	1,629,684	—
	3,735,686	**2,116,190**	**783,440**

As of 31 December 2009, 2008 and 2007, due to joint ventures were as follows:

Yüksel-Ener Joint Venture	—	22,791	225,388
Makyol-Yüksel Joint Venture	—	—	5,043
Yüksel-Makimsan-Ener Joint Venture	1,275,472	1,438,987	2,664,239
Lw Yüksel-UCG Joint Venture	4,016,512	—	—
	5,291,984	**1,461,778**	**2,894,670**

12. Inventories

As of 31 December 2009, 2008 and 2007, inventories were as follows:

	31.12.2009	31.12.2008	31.12.2007
Construction materials	54,483,323	40,111,191	26,423,509
Work-in-process	370,327	1,253,146	1,046,438
Fiba Çubuklu Villa Project (note 21)	127,293,172	104,360,239	61,079,187
Finished goods	15,234,038	15,094,125	383,458
Merchandises	1,778,096	2,776,822	1,496,556
Other inventories	179,078	1,275,552	54,699
Advances given(*)	30,941,449	14,766,994	6,459,413
	230,279,483	**179,638,069**	**96,943,260**

(*) As of 31.12.2009, advances given are comprised of the following:

Yüksel İnşaat Turkey	2,975,849
Yüksel Libya Branch	24,868,009
Yüksel Dubai LLC and Dubai Branch	239,618
Yüksel Afghanistan Branch	654,730
Yüksel Saudia Co. ve Saudi Arabia Branch	320,038
Yüksel Turkuaz YDA İnşaat ve Ticaret Ltd. Şti.	1,630,863
Other	252,342
	30,941,449

13. Other Assets

As of 31 December 2009, 2008 and 2007, other assets were as follows:

	31.12.2009	31.12.2008	31.12.2007
Other current assets:			
Prepaid expenses	13,521,747	18,253,859	12,172,303
VAT receivables	24,335,388	15,834,698	6,438,042
Prepaid taxes(*)	28,185,417	3,261,028	5,162,881
Advances given for business purposes	840,420	1,574,551	2,558,098
Advances given to personnel	2,351,536	3,646,088	2,196,698
Income accruals	155,758	408,167	977,202
Advance given to subcontractors(**)	9,761,190	9,469,751	8,243,414
Other current assets	209,949	143,356	611,897
	79,361,405	**52,591,498**	**38,360,535**
Other non-current assets:			
Prepaid taxes(***)	26,298,217	45,171,342	43,555,566
Prepaid expenses	5,077,406	7,423,997	4,639,730
	31,375,623	**52,595,339**	**48,195,296**

(*) As of 31.12.2009, TL 24,536,163 of the prepaid taxes comprises of the progress payment withholding taxes of Borçka Dam and HEPP construction project.

(**) As of 31.12.2009, advances given to subcontractors are comprised of the following:

Hacınınoğlu Regulator and HEPP Construction	1,253,091	587,642	—
Gaziantep Şanlıurfa Highway Suruç Şanlıurfa Segment (Makyol-Yüksel Joint Venture)	218,245	218,245	218,245
Kadıköy-Kartal Public Transportation Lines Construction	—	105,386	192,142
Sarıgüzel Regulator and HEPP Construction	325,439	—	—
Kandil Regulator and HEPP Construction	1,039,084	—	—
Yüksel Saudia Co. and Saudi Arabia Branch	—	548,130	918,369
Yüksel Jordan Branch	5,871,139	5,961,166	5,241,790
Yüksel Libya Branch	310,858	1,071,060	559,451
Yüksel Qatar Branch	334,100	357,358	215,614
Other	409,234	620,764	897,803
	9,761,190	9,469,751	8,243,414

(***) According to Article 94 of the Income Tax Law, for construction and repair works extending over one calendar year performed by persons or legal entities, both work advances and progress invoice amounts paid to those performing the work such as contractors, subcontractors, are subject to withholding tax at rate of 3%.

14. Contract Costs and Deferred Billings

As of 31 December 2009, 2008 and 2007 contract costs and deferred billings were as follows:

	31.12.2009			31.12.2008			31.12.2007		
	Completion %	Contract Cost	Deferred Billings	Completion %	Contract Cost	Deferred Billings	Completion %	Contract Cost	Deferred Billings
Borçka Dam and HEPP Construction (Turkey)	100	—	—	100	5,194,044	4,820,696	100	5,044,120	4,741,429
Ünye Piraziz Road Improvement Const. (Turkey)	93	6,321,279	5,882,343	80	16,044,927	14,815,248	80	13,595,176	11,690,763
Melen Pump Station Project (Turkey)	99	1,061,140	1,198,124	99	1,018,807	1,170,560	93	6,408,737	7,548,025
Jordan Armed Forces Military Institutions Construction (Jordan)	—	—	—	—	—	—	87	5,265,650	4,451,288
Hacınınoğlu Regulator and HEPP Const. (Turkey)	54	35,047,469	30,109,207	6	12,727,242	3,952,974	—	—	—
Sarıgüzel Regulator and HEPP Const. (Turkey)	7	13,037,420	8,069,113	—	—	—	—	—	—
Kandil Dam and HEPP Construction (Turkey)	—	6,562,404	—	—	—	—	—	—	—
Libya Projects	—	9,101,819	—	—	—	—	—	—	—
Saudi Arabia Projects	—	6,701,719	—	—	—	—	—	—	—
		77,833,250	**45,258,787**		**34,985,020**	**24,759,478**		**30,313,683**	**28,431,505**

I. The principal domestic projects in progress of Yüksel İnşaat cover the following:

Borçka Dam and HEPP Construction: This project involves the construction of a dam and a hydroelectric power plant on Çoruh River. Transfer of the Borçka-Artvin state highway to over the dam lake is also included into the contract and this is being executed by Yüksel İnşaat A.Ş. This project has been completed in 2009.

Ünye-Piraziz Road Improvement Construction: This project is done under the scope of the project of Black Sea Coast Road Construction project and comprises of the construction of 49km of roads and betterment of existing roads. This project includes 8 rivers bridges with total length of 320m and 23 level crossing intersections.

Melen Pump Station Construction: This project comprises of the construction of the pumping systems project that is being built between Çerkezköy and Gebze to supply drinking water for Istanbul.

Kandil Group Projects: The project comprises of three construction works:

- **Hacınınoğlu Regulator and HEPP Construction:** Construction of frontal type concrete body with gated water intake regulator located at Ceyhan River Basin within the boundaries of Kahramanmaraş Province having energy tunnel of 5,500 m. in length, Power Plant Total Installed Capacity: 130 MW, Total Annual Energy Production: 359.8 GWh and hydro mechanical equipment supply and erection.

- **Sarıgüzel Regulator and HEPP Construction:** Construction of concrete face sand-gravel fill type dam located at Ceyhan River Basin within the boundaries of Kahramanmaraş Province having energy tunnel of 4,000 m in length, Power Plant Total Installed Capacity: 100 MW, Total Annual Energy Production: 256.6 GWh and hydro mechanical equipment supply and erection.

- **Kandil Regulator and HEPP Construction:** Construction of concrete face rock fill type dam located at Ceyhan River Basin within the boundaries of Kahramanmaraş Province having energy tunnel of 9,400 m in length, Power Plant Total Installed Capacity: 210 MW, Total Annual Energy Production: 502.1 GWh and hydro mechanical equipment supply and erection.

II. The principal overseas projects in progress of Yüksel İnşaat cover the following:

Jordan:

Jordan Armed Forces Military Institutions Construction: Contract date is 08.09.2004. Final contract value was USD 177,663,229. As part of the contract there is construction of Jordan Armed Forces General Staff's having construction area of 112,000 m^2 over 400,000 m^2 of land with all structural, architectural, mechanical and electrical works and 4,000 m. of perimeter wall, 106,000 m^2 of asphalt roads, 2 heliports and car park for 864 vehicles.

Dubai:

Extension of Dubai Bypass Road Phase 1 and 2: Contract date is 06.01.2007. Project value amounts to USD 64,870,779. The project has been completed in 2009. The final acceptance of the project with the employer is to be signed during 2010.

Improvement and Enlargement of Dubai International Airport Roads Phase 2 Beirut and Al Nahda Crossection: Contract date is 12.02.2007. Project value amounts to USD 79,178,508. The project has been completed in 2009. The final acceptance of the project with the employer is to be signed during 2010.

Libya:

Sirte-Ajdabiyah Road Extension and Maintenance: Contract date is 29.04.2007. Project value amounts to USD 79,281,932. The Company has 90% share in this project. This project is planned to be completed in 2011.

Dernah-Imsaad Coast Road Repair and Maintenance Project: Contract date is 14.05.2007. Project value amounts to USD 80,830,142. The Company has 90% share in this project. This project is planned to be completed in 2011.

Al Fateh University Agriculture, Veterinary Medicine and Science Faculty Buildings Project: Contract date is 05.09.2007. Project value amounts to USD 134,702,803. This project is planned to be completed in 2010.

Al Fateh, University Infrastructure Works: Contract date is 25.09.2008. Project value amounts to USD 106,169,066. The project will start in 2010 and planned to be completed in 2012.

Qatar:

NDIA Project Airside / Landside Roadways and Parking / Bridge Construction Works: The contract was signed on 25 February 2006. Contract value is USD 29,129,732. This project relates to construction of approach bridges and viaducts for New Doha International Airport project. This project has been completed in 2009.

Construction of North / South Ras Abu Abboud Road / Qatar / Doha: Contract value amounts to USD 210.8 million. This is a Joint Venture with a local company named Midmac and the project is to be done on fifty-fifty basis. Contract date is 7 June 2007. This project is planned to be completed in 2010.

Afghanistan:

Kabul International Airport NATO Facilities: As a part of the contract that has been signed on 10 April 2008, construction works of infrastructure facilities and superstructure consisting 30 buildings to be used as terminal, main office, temporary and permanent accommodation facilities, canteen, treatment and maintenance have about total 30,000 $m^{(2)}$ of construction area. Contract value amounts to USD 106,593,921.

Kabul International Airport US Embassy Automobile Vehicle Maintenance Facility: The contract has been signed on 29 August 2008. Project covers the construction of a 2 story vehicle maintenance and repair building including design services at the additional premises of the American Embassy within the International Airport of Kabul. Contract value amounts to USD 2,891,045.

Administrative Building at Bagram Airfield: As a part of the contract that has been signed on 13 November 2008, construction works of the administrative building for US Army Corps of Engineers (USAGE) at Bagram Air Base located approximately 60 km. to the north east of Kabul. Contract value amounts to USD 9,319,157. This project is planned to be completed on 2010.

Bagram Airport FY08-FY09 Projects Construction: The contract has been signed on 09.01.2009. The employer of the project is the American contractor firm CH2M Hill. In scope of this project, 400,000 m^2 concrete apron and taxi way construction, 6 km. fuel filling pipeline, 2 big plane barns and airport electricity production and course marking works will be done in Bagram Airport. As of 31.12.2009, the contract value amounts to USD 92,833,135 and the project is planned to be completed in 2010.

Turkish Armed Forces Dormitory Construction: The contract has been signed with Turkish Armed Forces on 14.10.2009, includes a two storey, 104 rooms reinforced concrete dormitory building construction in Kabul International Airport. Besides construction and architectural works, the project includes the production works of all the electrical and mechanical equipment. As of 31.12.2009, the contract value amounts to USD 3,950,000. The project is planned to be completed in 2010.

KBR Camp Project: The contract has been signed with KBR England on 14.12.2009 and includes the construction of camp/mobilization facility in Kabul International Airport. Besides construction and architectural works, the project includes the production works of all the electrical, mechanical and kitchen equipment. As of 31.12.2009, the contract value amounts to USD 2,291,725. The project is planned to be completed in 2010.

Saudi Arabia:

Baysh Dam: Baysh Dam is located in Baysh Valley, City of Jizan, Saudi Arabia. The purpose of the dam is flood control and supply of water to downstream farmlands for irrigation. The dam is of concrete gravity type. Employment date of the project is 14 April 2003 and contract value amounts to USD 54,356,670. This project has been completed in 2009.

Damad Dam: Damad Dam is located in about 50 km North-East of Jizan city of Saudi Arabia. The purpose of the dam is flood control and supply of water to downstream farmlands for irrigation. The dam is of roller compacted concrete gravity type. Contract value is USD 39,274,986. This project is planned to be completed in 2010.

Murwani Dam: Murwani Dam is located in Murwani Valley, city of Cidda, Saudi Arabia. Dam is constructed to maintain flood control and to feed underground water. Impermeability will be provided by using asphalt core at the rock fill type dam. Contract value is USD 76,947,362 and employment date of the project is 13 July 2004. This project is planned to be completed in 2010.

Al Hasa Infrastructure Construction Phase III King Faysal University Project: Project value amounts to USD 72,549,561. This is a joint venture with a company named Femco and the project is to be done on fifty-fifty basis. Contract date is 23 July 2007. This project is planned to be completed in 36 months.

King Faysal University Constant Campus Project—Hospital Area Phase II: Project value amounts to USD 54.1 million. Contract date is 01 July 2007. This is a joint venture with a company named Femco and the project is to be done on fifty-fifty basis. This project is to be completed on 31 December 2010.

Eastern Province Water Transmission System Phase II: As a part of the contract that has been signed on 22 March 2008, 500,000 $m^{(3)}$ capacity 133 km. in length transmission line to transfer the treated water from Marafig Saline Water Treatment Plant in Jubail to Dammam and Al Khobar, 12 steel water tanks of 7,300$m^{(3)}$ and pumping station. Contract value amounts to USD 229,642,638. This project is planned to be completed on 2010.

Iraq

Maintenance Jobs: Jobs in Iraq are mainly short term nature where the U.S. Main Contractor as KBR and Flour has an important role. Due to long term relationship with this U.S. Contractors Yüksel has privilege and advantage of getting jobs as sub contractor, some of these construction or repair jobs are very short term where they are completed in four to five months. In addition to these Yüksel İnşaat have ongoing maintenance and construction jobs in Iraq. These are the maintenance of Military facilities which were constructed by Yüksel during the pre war period. Construction works generate revenue as much as maintenance works which generate a solid consistent income base for Yüksel; USD 3-5 million on monthly basis.

Kora Şaklava-Kandil Highway Construction Project (Erbil- Iraq): Project value amounts to USD 178,884,749 and the contract has been signed on 22.10.2009. The project comprises of the construction of 51km. highway road including 2 tunnels 935 m. and 1,315 m. respectively, is planned to be completed in 30 months.

Kazakhstan

Almaty Financial District Blocks (A-B-C-D): This project comprised of planning and application of 9 floored 2 buildings of financial district C and D blocks will be constructed on 33,009 m2 and 45,000 m2 land in Almaty city of Kazakhstan. Roject is held by Yüksel-YDA-Turkuaz Joint Venture, estimated project value for C and D blocks are USD 51,285,698 and USD 79,054,474. Besides, project also covers finishing works of A and B blocks in the same district with a project value of USD 8,509,293 and USD 9,332,711.

JOINT VENTURES:

Yüksel İnşaat has joint ventures formed with a number of local and foreign entities for the purpose of carrying out diverse projects. These ventures are established for a specific purpose and duration. Interest in joint ventures has been accounted for on the proportionate consolidation method. The joint ventures were set up as follows:

Nurol-Cengiz-Kiska-Yüksel Joint Venture: This partnership, where partners have equal shares of 25% each, was established for Ankara-Pozanu highway construction for the duration 09.10.1998 - 20.08.2010. The initial project value amounts to USD 311,141,276.

Makyol-Yüksel Joint Venture: This partnership, where partners have equal shares of 50% each, has been established for Urfa-Suruç highway construction. The partnership was set up for the duration 26,06.1998 - 31.12.2010. The initial project value amounts to USD 285,127,216.

Anadolu Metro Joint Venture: This partnership, where Yüksel İnşaat A.Ş. has 49% of shares, has been established by the Yüksel İnşaat, Güriş İnşaat ve Mühendislik A.Ş, Başyazioğlu İnşaat Ltd. Şti. and Reha İnşaat Ticaret A.Ş. for Yenikapi-Unkapam and Unkapam-Taksim subway constructions.

- The partnership was set up for the Yenikapi-Unkapam subway construction project. The initial project value amounts to TL 14,825,275 plus USD 71,925,457. This project is planned to be completed in 2012.

- The partnership was set up for the Taksim-Unkapam subway construction project. The initial project value amounts to TL 9,664,090 plus USD 83,501,350. The project has been completed in 2010.

Yüksel-Yenigün-Doğus-Yam Merkezi Joint Venture: This partnership, where Yüksel İnşaat A.Ş. has 26% of shares, has been established for Kadköy-Kartal public transportation lines construction. The partnership was set up for the duration 28.01.2005 - 28.01.2010. The initial project value amounts to USD 181,447,084.

Yüksel-Metak-Tepe Yenigün-Zafer Joint Venture: This partnership where Yüksel İnşaat A.Ş. has 20% of share has been established on 20.08.2007, for construction works of US Army Corps of Engineers' subcontractor MATOC (Multiple award task order). This joint venture, where Yüksel İnşaat A.Ş. is the main partner, was registered in Afghanistan.

Nurol-Özattin Makyol-Astaldi Yüksel-Göçay Joint Venture: The joint venture has been established for the highway project of Gebze-Orhangazi-Izmir (including Izmit Gulf Crossing and Connection Roads). The project is comprised of 377 km. of highway and 44 km connection roads. The scope of the project includes approximately 3 km. long chain bridge, 30 viaducts which are 18.212 meters in total, 4 tunnels which are 7.395 meters long, 209 bridges, 18 fields of counter, 5 highway maintenance and operation centers, 7 service fields and 7 parking areas.

The duration of construction and operation of the project is 22 years and 4 months, the contract and attachments of the project was initialized and sent to Supreme Planning Council for analysis and approval as of July 2009. After the Council's approval, the contract will be signed and the construction will begin. The approximate amount of investment to the project is USD 6.3 million, which is the largest one time investment in Turkey. The construction and operation of the project is going to be held by a "Joint Company" which will be established by 6 preferred bidder companies that are members of a consortium.

15. Investments

As of 31 December 2009, 2008 and 2007 the unconsolidated investments and joint ventures were as follows:

	31.12.2009		31.12.2008		31.12.2007	
	%	Amount	%	Amount	%	Amount
Meksa Satiş ve Pazarlama A.Ş.	67.21	4,555,800	67.21	4,555,800	67.21	2,657,550
Haksel Ltd.	1.00	90,901	1.00	90,901	1.00	90,901
Odagem A.Ş.	3.33	4,000	3.33	4,000	3.33	4,000
Yüksel Europa Construction S.A.	50.00	16,995	50.00	16,995	50.00	—
Yüksel Savunma Sanayi A.Ş.	28.00	1,330,000	28.00	280,000	28.00	—
Türksoft Bilgisayar A.Ş.	3.90	37,285	3.90	37,285	3.90	37,285
Aspendos Diş Ticaret A.Ş.	—	—	—	—	92.50	880,565
Tayl Limited	—	—	—	—	25.00	554,491
Arc Construction Co. LLC	—	—	—	—	51.00	2,373,500
Selgaz Doğalgaz Dağitim A.Ş.	—	—	—	—	76.17	2,698,257
		6,034,981		4,984,981		9,296,549
Provision for impairment:						
Meksa Satis ve Pazarlarna A.Ş. (in liquidation)		(4,555,800)		(4,555,800)		(2,657,550)
		1,479,181		**429,181**		**6,638,999**

The subject of activity of the unconsolidated subsidiaries and associated companies are summarized below.

Meksa Satiş Pazartama A.Ş. (Sales, Marketing): Operates in security-exchange markets. The Company is in dissolution.

Hak-Sel Ltd. Şti. (Foreign Contracting Services): The Company is engaged in construction and management of hotel business abroad.

Odagem A.Ş. (Research and Development, Consulting and Education): Established in 2007 in Ankara. The company gives research and development, consultancy and training services for product development, processing and quality betterment, new technology development and adaptation subjects.

Yüksel Europa Construction S.A. (Construction Engagements): The shareholding structure and company name of Yüksel-Makimsan-Ener S.A. which has been established in Romania has been changed and became Yüksel Europa Construction S.A. Yüksel İnşaat A.Ş. owns 50%, Yüksel Holding A.Ş. owns 46% and Yüksel İnşaat A.Ş.'s personal shareholders own 4% of this new company. The company is engaged in construction business and follows up of the new projects in Romania.

Yüksel Savunma Sistemleri A.Ş. (Sale, Purchase, Maintenance, Import, Export and Installation Aimed at Defence Industry): Established in 2008 in Ankara to work on defence systems integration performing multidisciplinary engineering and Research-Development (R&D) applications and aims to realize system solution and products with up to date technology, continuous development and integrated logistic support.

Selgaz Doğalgaz Dağitim Pazarlama Ticaret A.Ş.: Selgaz Doğalgaz Dağitim A.Ş. was established in 2004 to sell CNG (compressed natural gas) and LNG (liquid natural gas).

16. Property, Plant and Equipment and Intangible Assets

As of 31 December 2009 and 2008 property, plant and equipment and intangible assets were as follows:

	31.12.2008	Additions	Disposals	Foreign currency revaluation differences	Revaluation	Transfer	31.12.2009
Cost							
Çubuklu land	190,132,585	—	—	—	—	—	190,132,585
Lands, infrastructures and land improvements and buildings	270,802,362	4,338,929	(11,544,580)	(69,130)		38,171	263,565,752
Hotel building (Uzbekistan)	16,583,377	1,813,208	—	(2,122,456)	2,050,082	—	18,324,211
Machinery and equipment	373,477,576	41,243,786	(38,613,598)	(802,243)	—	79,704	375,385,225
Vehicles	22,378,020	2,217,341	(2,878,462)	(17,701)	—	—	21,699,198
Furniture and fixtures	71,904,145	5,979,179	(10,170,048)	(164,033)	—	102,471	67,651,714
Other tangible assets	29,999	1,936	—	(131)	—	—	31,804
Construction in progress(*)	2,772,969	11,213,135	—	—	—	(2,108,915)	11,877,189
Advances given	1,304,076	2,383,730	(3,939)	—	—	—	3,683,867
Köprübaşi Dam(**)	127,324,784	8,070,226	—	—	—	—	135,395,010
Intangible assets	6,099,804	1,118,179	(695,284)	(1,420)	—	1,888,569	8,409,848
	1,082,809,697	78,379,649	(63,905,911)	(3,177,114)	2,050,082	—	1,096,156,403
Accumulated depreciation (−)	360,033,545	45,788,947	(48,814,092)	(411,028)	—	—	356,597,372
Net book value	**722,776,152**						**739,559,031**

As of 31 December 2008 and 2007 property, plant and equipment and intangible assets were as follows:

	31.12.2006	Additions	Disposals	Foreign currency revaluation differences	31.12 2007	Additions	Disposals	Fore curre revalu differe
Cost								
Çubuklu land	190,132,585	—	—	—	190,132,585	—	—	
Lands, infrastructures and land improvements and buildings	197,773,187	6,407,766	(7,087,547)	10,405,273	207,498,679	12,486,268	(6,701,434)	1,21
Hotel building (Uzbekistan)	11,342,425	—	—	—	11,342,425	1,855,851	—	76
Machinery and equipment	217,346,522	69,458,116	(18,578,301)	1,284,852	269,511,189	88,781,273	(5,721,761)	20,91
Vehicles	16,986,172	5,802,371	(1,750,355)	1,591,229	22,629,417	1,437,075	(2,690,360)	1,00
Furniture and fixtures	58,610,839	18,453,588	(11,234,487)	2,776,988	68,606,928	10,697,092	(10,424,479)	7,08
Other tangible assets	15,222	806,349	(3,288)	—	818,283	—	(796,905)	
Construction in progress(*)	173,014	3,136,221	—	138,554	3,447,789	1,527,928	(2,202,748)	
Advances given	279,490	—	(245,859)	—	33,631	1,300,137	(29,692)	
Köprübaşi Dam(**)	—	120,015,091	—	—	120,015,091	7,309,693	—	
Intangible assets	3,636,359	3,187,353	—	—	6,823,712	2,470,378	(3,269,076)	7
	696,295,815	227,266,855	(38,899,837)	16,196,896	900,859,729	127,865,695	(31,836,455)	31,05
Accumulated depreciation (−)	310,090,933	37,553,134	(35,625,588)	6,032,713	318,051,192	35,325,996	(11,023,354)	17,67
Net book value	**386,204,882**				**582,808,537**			

(*) As of 31.12.2009 TL 11,680,743 of construction in progress arise from Köprübaşı HEPP.

(**) When Yüksel Enerji has purchased Köprübaşı Dam from DSİ in 2006, the completion rate of Köprübaşı Dam was 98% and t under intangible assets under "Köprübaşı Dam" account in the financial statements.

Property, plant and equipment have been mortgaged in favour of bank loans to the extent of USD 149,500,000, TL 179,050, collateral against the loans received.

As of 2009, 2008 and 2007 distribution of the Group's amortizations was as follows:

	3
Cost of sales	
General administrative expenses	

17. Financial Liabilities

As of 31 December 2009, 2008 and 2007 short-term financial liabilities were as follows:

	31.12.2009			31.12.2008			31.12.2007		
	Interest rate	Foreign currency	TL Equivalent	Interest rate	Foreign currency	TL Equivalent	Interest rate	Foreign currency	TL Equivalent
Short-term bank loans:									
TL bank loans	9.4% - 17%	—	53,840,871	20.4% - 30%	—	17,334,736	17.2% - 23%	—	21,756,206
EURO bank loans	5% - 7.8%	12,018	25,962	5.8% - 7.8%	141,161	302,197	5.8% - 9.1%	752.041	1,286,141
USD bank loans	4.42% - 9%	45,100,095	67,907,213	4.2% - 12%	41,598,700	62,909,714	5.7% - 11%	49,206,398	57,310,692
LYD bank loans	6%	2,129,456	2,616,463	—	—	—	—	—	—-
AED bank loans	6.5%	38,971,616	16,123,337	—	—	—	—	—	—
SAR bank loans	—	35,162,762	14,118,552	—	1,484,772	598,779	—	14,873,375	4,619,472
Bank Saving Deposits Insurance Fund (USD)	—	—	—	6.7%	4,001,498	6,051,465	7.8%	3,000,000	3,494,100
Interest accruals		—	6,140,354	—	—	2,463,565	—	—	3,454,884
Total short-term financial liabilities			**160,772,752**			**89,660,456**			**91,921,495**

As of 31 December 2009, 2008 and 2007 long-term financial liabilities were as follows:

	31.12.2009			31.12.2008			31.12.2007		
	Interest rate	Foreign currency	TL Equivalent	Interest rate	Foreign currency	TL Equivalent	Interest rate	Foreign currency	TL Equivalent
Long-term bank loans:									
TL bank loans	12.1%	—	—	—	—	—	19% - 21.3%	—	759,100
EURO bank loans	8.1% - 9%	—	—	5.8% - 12%	1,123,274	2,404,705	5.8% - 9.1%	5,374,974	9,192,280
USD bank loans	4.3% - 7.5%	7,500,000	11,292,750	5.5% - 12%	27,980,031	42,314,200	7.5% - 8%	32,781,919	38,181,101
Bank Saving Deposits Insurance Fund (USD)	—	—	—	—	—	—	7.8%	4,001,498	4,660,544
Reclassified financial liabilities(*):									
TL loans	9.4% - 24.5%	—	41,258,480	8.3% - 33%	—	18,991,995	—	—	—
EURO loans	9% - 9.5%	5,705,780	12,326,197	8.2% - 12%	8,348,858	17,873,235	—	—	—
USD loans	3.73% - 10%	88,969,981	133,962,100	5.5% - 12%	75,897,332	114,779,535	—	—	—
Total long-term financial liabilities			**198,839,527**			**196,363,670**			**52,793,025**

(*) The bank loans are basically obtained in connection with construction and contracting activities carried out under an investment incentive certificate. Based on agreements made with creditor banks (written or nor written) the repayment of the loans will be made by discharge of progress billings realized over the investment period against which the loans have been received. The maturity dates of the loans may be revised subject to extensions made in the investment completion periods according to the status of the projects. Yüksel İnşaat may also extend the due dates of the investment incentives by making an application to the Turkish Treasury. Although in legal form reclassified bank loans are short term, they are, in economic substance revolving long term loans. Accordingly they are classified under non-current borrowings.

As of 31.12.2009 the following mortgages were instituted on various properties of the Group (at different degrees) in favour of the creditor banks as collateral for the bank borrowings

Mortgaged in favor of	Currency	F/X Amount	31.12.2009
Vakıfbank	TL	86,750,030	86,750,030
Vakıfbank	USD	104,000,000	156,592,800
Şekerbank	TL	31,750,500	31,750,500
Şekerbank	USD	20,000,000	30,114,000
Asya Katılım Bankası	TL	6,650,000	6,650,000
Asya Katılım Bankası	TL	14,250,000	14,250,000
Koçbank	TL	200,000	200,000
Alternatifbank	USD	1,000,000	1,505,700
Halkbank	TL	4,000,000	4,000,000
Finansbank	USD	23,500,000	35,383,950
Credit Europa	TL	31,000,000	31,000,000
Credit Europa	EURO	5,000,000	10,801,500
T. İş Bankası	TL	4,450,000	4,450,000
T. İş Bankası	USD	1,000,000	1,505,700
T. İş Bankası	EURO	1,200,000	2,592,360
			417,546,540

18. Financial Lease Liabilities

As of 31 December 2009, 2008 and 2007 short and long-term financial lease liabilities were as follows:

	31.12.2009		31.12.2008		31.12.2007	
	Foreign currency	**TL Equivalent**	**Foreign currency**	**TL Equivalent**	**Foreign currency**	**TL Equivalent**
Short-term financial lease liabilities:						
TL financial lease liabilities	—	62,872	—	147,283	—	371,104
EURO financial lease liabilities	3,897,972	8,420,789	5,762,374	12,336,090	451,748	772,579
USD financial lease liabilities	—	—	1,905	2,881	52,298	60,912
Short-term financial lease interest	—	(232,694)	—	(701,355)	—	(235,178)
Total short-term financial lease liabilities		**8,250,967**		**11,784,899**		**969,417**
Long-term financial lease liabilities:						
TL financial lease liabilities	—	80,533	—	27,591	—	200,364
EURO financial lease liabilities	169,545	366,267	3,955,743	8,468,455	1,028,746	1,759,361
USD financial lease liabilities	—	—	—	—	603	702
Long-term financial lease interest	—	(38,380)	—	(121,929)	—	(154,311)
Total long-term financial lease liabilities		**408,420**		**8,374,117**		**1,806,116**

19. DSİ Liability

As of 31 December 2009, 2008 and 2007 liability to DSİ was as follows:

	31.12.2009	**31.12.2008**	**31.12.2007**
DSİ Liability(*)	135,395,010	127,324,784	120,015,091
	135,395,010	**127,324,784**	**120,015,091**

(*) Yüksel Enerji will make repayment to DSİ for the completed part of Köprübaşi Dam which was purchased from DSİ in 2006, starting from 5 years after the project is completed. As of balance sheet date, value of this debt at balance sheet date is calculated by revaluating the value in 2001 with wholesale price index (WPI). The calculated debt amount as of 31.12.2009 and 2008 has been reflected under long term liabilities in the financial statements under "DSİ Liability" account.

The first installment of the amount that will be paid to DSİ will be calculated by carrying the amount to the payment year by revaluating with WPI and dividing the amount by 10; the remaining amount will be paid in following 9 years with 9 installments. In case the license period is not enough, the amount will be paid in installments of number of years until the end of the license.

In calculation of the installments after the first installment is paid, the value of the amount which is calculated by revaluating the remaining principal amount with WPI after the payment of the first installment, is calculated by dividing the amount by the number of remaining years. The same method is used for the installments in the following years.

After the power plant initiates its operations and starts production, the Company is obliged to pay an amount to DSİ as "Energy Source Contribution Share" based on the "Water Usage Agreement". This contribution share is in terms of Kr per kWh electricity generated. For Köprübaşı Dam and HEPP Project, the amount that will be paid to DSİ was set as Kr 5.21 per kWh energy generated and the amount will be revaluated with WP1 every year.

20. Trade Payables

As of 31 December 2009, 2008 and 2007 trade payables were as follows:

Short term:			
Suppliers' current accounts	197,623,026	164,235,119	61,523,511
Notes payable, net	10,540,265	17,633,223	6,827,949
Deposits and guarantees received	12,059,431	8,083,386	4,680,532
Due to subcontractors	30,293,627	22,348,134	29,270,689
	250,516,349	**212,299,862**	**102,302,681**
Long term:			
Notes payable, net	—	359,801	90,178
Deposits and guarantees received	2,263,897	709,068	1,050,679
	2,263,897	**1,068,869**	**1,140,857**

21. Advances Received

As of 31 December 2009, 2008 and 2007 short term and long term advances were as follows:

	31.12.2009	**31.12.2008**	**31.12.2007**
Short team:			
Yüksel Libya Branch	43,247,447	39,434,166	—
Yüksel Afghanistan Branch	590	1,825,574	—
Yüksel Jordan Branch	1,105,279	—	2,537,419
Yüksel Saudi Arabia Branch	31,843,332	21,730,973	15,954,422
Sasel Elektromekanik Sanayi ve Ticaret A.Ş.	1,466,986	2,367,590	1,668,202
Yüksel Yapı Elemanları A.Ş.	913,043	330,722	380,972
Datasel Bilgi Sistemleri A.Ş.	—	79,699	78,321
Aysel Invest Private Stock Company JVC.	1,530	9,629	9,786
	78,578,207	**65,778,353**	**20,629,122**
Long term			
Advances received from progress billings in respect of projects in progress(*)			
—Hacınınoğlu Regulator and HEPP Construction	2,862,121	11,064,947	—
—Sarıgüzel Regulator and HEPP Construction	11,746,579	—	—
—Kandil Dam and HEPP Construction	24,403,299	—	—
Advances received for Fiba Çubuklu villas (note 12)	146,669,967	140,604,534	122,780,194
Other	733,642	232,822	783,372
	186,415,608	**151,902,303**	**123,563,566**

(*) Contractor of Hacınınoğlu, Sarıgüzel Regulator and HEPP and Kandil Dam and HEPP Project is Enerjisa Enerji Üretim A.Ş. Yüksel İnşaat is the subcontractor of this firm. The amount that has been received as an advance is received for starting of the project.

22. Other Payables and Accrued Expenses

As of 31 December 2009, 2008 and 2007 other payables and accrued expenses were as follows:

	31.12.2009	**31.12.2008**	**31.12.2007**
Due to personnel	18,172,920	18,897,674	12,370,853
Taxes and dues payable	6,222,471	7,216,759	3,914,084
Social security premiums payable	1,925,528	1,995,191	2,371,668
Expense accruals	265,584	1,432,896	93,046
Other	624,737	144,084	223,485
	27,211,240	**29,686,604**	**18,973,136**

23. Taxation on Income

Turkey:

The corporation tax rate on the profits for the calendar year 2009 is 20% (2008: 20%; 2007 20%). Taxable profits are calculated by addition of tax disallowed expenses to and deduction of tax exemptions (investment income exemption) and deductions (investment incentive deductions) from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

Dividends paid to non-resident corporations which have a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Tax losses that are reported in the Corporation Tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Libya:

The Company does not have tax exemption in Libya and pays corporation tax. Corporation tax rate varies between 10% to 35% depending on profit amount.

Dubai:

The Company does not have any tax obligation in Dubai.

Qatar:

The Company does not have tax exemption in Qatar and corporation tax. Corporation tax rate varies between 10% to 35%. The Company does not have VAT obligation.

Afghanistan:

Projects undertaken in Afghanistan are mostly given by NATO and USACE (a foundation of US Army Corps.) According to the agreements signed between Afghanistan and these foundations, no tax obligation occurs in these projects. For this reason the Company has tax exemption on these projects. Corporation tax rate in Afghanistan is 20% and recruitment tax rate is 2%. There is no VAT obligation.

Saudi Arabia:

Most of the Projects are given by public institutions. Yüksel İnşaat, as a foreign company in Saudi Arabia pays 20% corporation tax, social security premiums and other tax obligations active in the country.

Iraq:

The Company, has started Kora-Shaqlawa-Qandeel Highway project in the end of 2009. For this project 15% corporation tax will be paid.

Kazakhstan:

The Company does not have tax exemption in Kazakhstan and corporation tax. Corporation tax rate is 15%. The Company has VAT obligation of 12%.

As of 31.12.2009, 2008 and 2007 the tax liabilities included in the accompanying consolidated financial statements comprised of the following:

	31.12.2009	31.12.2008	31.12.2007
Included in the balance sheet:			
Corporation and income taxes	2,822,254	2,586,954	5,090,647
Deferred tax asset	3,538,107	3,240,502	2,693,421
Deferred tax liability	(12,601,529)	(10,766,072)	(9,365,782)
Included in the statement of income:			
Current tax charge	(2,822,254)	(2,586,954)	(5,090,647)
Net deferred tax charge	(1,537,852)	(853,209)	1,353,761
Taxation charge	**(4,360,106)**	**(3,440,163)**	**(3,736,886)**

Deferred tax

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

The breakdown of cumulative temporary differences and the resulting deferred tax assets / (liabilities) were as follows:

	31.12.2009		31.12.2008		31.12.2007	
	Cumulative timing differences	**Deferred Tax**	**Cumulative timing differences**	**Deferred Tax**	**Cumulative timing differences**	**Deferred Tax**
Deferred tax asset						
Reserve for employee termination benefits.......................................	6,432,824	1,286,566	5,485,022	1,097,004	5,114,196	1,022,839
Provision for doubtful receivables..	4,806,933	961,388	4,032,434	806,486	4,091,518	818,304
Accrued interest expenses...............	1,568,980	313,796	1,859,908	371,981	1,579,781	315,956
Unearned interest on notes receivable...................................	325,987	65,197	269,347	53,871	24,061	4,812
Meksa Satış Pazarlama provision expense	4,555,800	911,160	4,555,800	911,160	2,657,550	531,510
	17,690,524	3,538,107	16,202,511	3,240,502	13,467,106	2,693,421
Deferred tax liability						
Unearned interest on notes payable.......................................	(41,628)	(8,325)	(31,576)	(6,315)	(441,698)	(88,338)
Contract costs accounted for under the percentage of completion method	(62,966,026)	(12,593,204)	(54,053,811)	(10,759,757)	(46,387,234)	(9,277,444)
	(63,007,654)	(12,601,529)	(54,085,387)	(10,766,072)	(46,828,932)	(9,365,782)
	(45,317,130)	**(9,063,422)**	**(37,882,876)**	**(7,525,570)**	**(33,361,826)**	**(6,672,361)**

Tax rates used for deferred tax assets and liabilities calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method is 20% (2008: 20%, 2007: 20%).

24. Reserve for Employee Termination Benefits

In accordance with existing social legislation in Turkey, the Company and its subsidiaries incorporated in Turkey are required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group, and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 2,365, TL 2,173 and TL 2,030 on 31.12.2009, 2008 and 2007 respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. Such payments are not required to be funded. Therefore no fund is reserved for such payments in the accompanying financial statements.

In the accompanying consolidated financial statements as of 31.12.2009, 2008 and 2007 the Group reflected a liability for termination benefits based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted to present value at the balance sheet date by using average market yield, expected inflation rates and an appropriate discount rate.

Reserves at balance sheet date was calculated with real discount ratio as approximately 6.26% on the assumption of annual 5% inflation rate and 12% discount rate (2008: by order of 5%, 12% and 6.26%; 2007 by order of: 5.71%, 11% and 5%). Projected ratio of unpaid severance amounts which will remain for the Group as a result of arbitrary severances has been considered also.

25. Commitments and Contingencies

As of report date based on the representation obtained from the Group's legal counsel there are certain lawsuits opened against the Group in the amount of about TL 13,409,784 and USD 2,064,161 (2008: TL 15,426,670). Such lawsuits are related to claims made for damage and compensation for accidents on the job and various other liabilities. As of report date the ultimate outcome of these lawsuits cannot be determined and hence no provision for any liability that may result has been made in the financial statements.

As of report date Yüksel Holding A.Ş. has given a corporate guarantee of SAR 318,150,000 (approximately USD 84,840,000) to the Saudi American Bank in favour of Yüksel Saudi Arabia Branch.

As of 31 December 2009, the Group obtained letters of guarantee amounting to TL 176,275,043, USD 168,454,668, EURO 48,552,599, SAR 29,608,410 and JPY 149,198,702 and collateral bills of TL 977,250, USD 6,668,063 and

EURO 1,468,171 from several local banks and submitted to various government institutions in connection with projects implemented.

As of 31 December 2009, the Group has guarantee of TL 5,125,110, USD 25,090,000, EURO 2,423,000 and CHF 2,615,000 which is guarantee of Fiba Yüksel Uluslararası Proje Geliştirme ve Yatırım A.Ş. to its customers.

26. Share Capital

As of 31 December 2009, 2008 and 2007 share capital was as follows:

	31.12.2009		31.12.2008		31.12.2007	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Yüksel Holding A.Ş.	159,000,000	79.50	159,000,000	79.50	126,627,600	79.50
Mehmet Sert	—	—	—	—	6,371,200	4.00
Güven Sazak	4,400,000	2.20	4,400,000	2.20	3,504,160	2.20
Süleyman Servet Sazak	4,500,000	2.30	4,500,000	2.30	3,583,800	2.30
Ayşe Bilgün Dereli	3,500,000	1.80	3,500,000	1.80	2,787,400	1.80
Emin Sazak	3,500,000	1.80	3,500,000	1.80	2,787,400	1.80
Abdurrahman Derya Sazak	2,000,000	1.00	2,000,000	1.00	1,592,800	1.00
Suhandan Sazak	500,000	0.30	500,000	0.30	398,200	0.30
Yurdal Sert	12,000,000	6.00	12,000,000	6.00	3,185,600	2.00
Ayşe Deniz Murphy	2,000,000	1.00	2,000,000	1.00	1,592,800	1.00
Mehmet Emin Sazak	2,000,000	1.00	2,000,000	1.00	1,592,800	1.00
Ibrahim Ünsal Sert	—	—	—	—	3,185,600	2.00
Sazak Turizm ve Ticaret A.Ş.	2,600,000	1.30	2,600,000	1.30	2,070,640	1.30
Kaan Sert	4,000,000	2.00	4,000,000	2.00	—	—
	200,000,000	100	200,000,000	100	159,280,000	100
Plus: Share capital adjustment	—		—		29,463,083	
Total Share Capital	**200,000,000**	**100**	**200,000,000**	**100**	**188,743,083**	**100**

27. General Reserves

General reserves comprise undistributed profits, legal reserves and fair value reserve.

The legal reserves, which are appropriated based on statutory profits and dividend distribution, are not available for distribution unless they exceed 50% of share capital, but they may be used to offset losses in the event that the general reserve is exhausted. The general reserve is available for distribution. However, if this reserve is distributed as dividends, a further legal reserve is required to be provided equal to 10% of dividends declared, reduced by an amount equal to 5% of share capital.

Retained earnings are available for distribution. If this reserve is distributed as dividends, a further statutory reserve is required equal to 10% of dividends declared, less an amount equal to 5% of share capital.

Fair value reserve is related to revaluation of investment property and the Group's land and buildings

28. Sales

As of 31 December 2009, 2008 and 2007 sales were as follows:

	Country	01.01.-31.12.2009	01.01.-31.12.2008	01.01.-31.12.2007
Yüksel Inşaat:				
– Adana Waste Water Clarification Facility Management	Turkey	4,578,911	3,129,520	2,179,023
– Etiler Tat 2000 Construction	Turkey	—	3,914,081	—
– Borçka Dam and HEPP Construction	Turkey	4,820,695	7,847,306	25,997,986
– Ünye-Piraziz Road Imp. Construction	Turkey	18,890,130	12,497,944	794,866
– Karadere Dam Construction	Turkey	—	—	1,354,484
– Karkamış Dam and HEPP Construction	Turkey	3,268,209	4,666,595	14,185,363
– Melen Pump Station Construction	Turkey	2,728,819	15,604,582	19,661,092
– Hacınınoğlu Reg. and HEPP Construction	Turkey	35,093,273	252,317	—
– Sarıgüzel Reg. and HEPP Construction	Turkey	607,353	—	—
– Adana Waste Water Clarification facility Construction (Yüksel-Ener Joint Venture)	Turkey	—	—	225,081
– Urfa-Suruç Highway Construction (Makyol-Yüksel Joint Venture)	Turkey	19,362,960	33,403,633	13,793,672
– Yenikapı-Unkapanı and Unkapanı-Taksim Subway Construction (Anadolu Metro J. V.)	Turkey	13,001,194	13,549,232	12,270,307
– Ankara-Pozantı Highway Construction (Nurol-Cengiz-Kiska-Yüksel Joint Venture)	Turkey	21,097,579	28,180,602	5,554,449
– Bolaman-Perşembe Road Cons. (Nurol-Tekfen-Yüksel Joint .Venture)	Turkey	—	—	17,621,830
– Kadıköy-Kartal Public Transportation Line Construction (Yapı Merkezi-Yüksel-Yenigün-Doğuş Joint Venture)	Turkey	17,027,468	12,811,318	18,028,863
– Sale of fixed assets and inventories	Turkey	4,189,991	8,473,549	16,785,467
– Yüksel Libya Branch construction revenue	Libya	158,971,027	91,168,487	—
– Yüksel Dubai Branch construction revenue	Dubai	34,007,877	208,643,873	53,272,159
– Yüksel Qatar Branch construction revenue	Qatar	84,995,332	58,367,182	21,687,454
– Yüksel Afghanistan Branch const. revenue	Afghanistan	199,226,584	123,426,955	155,858,672
– Yüksel Jordan Branch construction revenue	Jordan	17,275,295	70,249,592	82,120,181
– Yüksel Uzbekistan Branch const. revenue	Uzbekistan	8,790,628	7,950,090	8,935,226
– Yüksel Saudi Arabia construction rev.	Saudi Arabia	405,423,632	136,978,215	37,709,535
– Yüksel Iraq Branch construction revenue	Iraq	27,998,443	118,724,364	147,862,565
– Svyata Sofia Hotel	Ukraine	—	—	5,882,038
Sasel sales	Turkey	35,062,796	41,444,035	29,768,359
Fiba Yüksel Villa sales	Turkey	15,290,266	—	—
Yapı Elemanları sales	Turkey	18,016,805	13,479,231	15,433,269
Yüksel Yatçılık sales	Turkey	702,943	932,466	892,195
Kask Sigorta sales	Turkey	544,946	557,778	892,195
Datasel sales	Turkey	3,394,083	2,777,719	5,768,359
Aysel Invest sales (hotel revenue)	Uzbekistan	5,793,931	5,449,227	2,854,597
Yüksel Turkuaz YDA sales	Kazakhstan	13,511,484	85,630,053	110,600,049
Other	Various	3,988	108,855	2,327,030
		1,173,676,642	**1,110,218,801**	**830,316,366**

29. Cost of Sales

As of 31 December 2009, 2008 and 2007 cost of sales was as follows:

	Country	01.01.- 31.12.2009	01.01.- 31.12.2008	01.01.- 31.12.2007
Yüksel İnşaat:				
– Adana Waste Water Clarification Facility Management	Turkey	2,936,726	1,171,150	2,199,927
– Etiler Tat 2000 Construction	Turkey	922,504	6,357,017	—
– Borçka Dam and HEPP Construction	Turkey	7,837,572	14,842,487	24,106,215
– Ünye-Piraziz Road Imp. Construction	Turkey	19,803,002	9,799,006	1,915,551
– Karadere Dam Construction	Turkey	—	—	1,694,981
– Karkamış Dam and HEPP Construction	Turkey	11,032,376	14,887,829	18,903,773
– Melen Pump Station Construction	Turkey	4,190,915	15,717,273	20,434,131
– Hacınınoğlu Reg. and HEPP Construction	Turkey	40,330,304	812,377	—
– Sarıgüzel Reg. and HEPP Construction	Turkey	981,311	—	—
– Adana Waste Water Clarification facility Construction (Yüksel-Ener Joint Venture)	Turkey	—	—	486,696
– Urfa-Suruç Highway Construction (Makyol-Yüksel Joint Venture)	Turkey	19,404,993	24,730,695	10,219,670
– Yenikapı-Unkapanı and Unkapanı-Taksim Subway Construction (Anadolu Metro J. V.)	Turkey	12,242,433	12,811,376	10,235,080
– Ankara-Pozantı Highway Construction (Nurol-Cengiz-Kiska-Yüksel Joint Venture)	Turkey	19,802,735	17,947,406	6,094,357
– Bolaman-Perşembe Road Cons. (Nurol-Tekfen-Yüksel Joint .Venture)	Turkey	—	—	29,419,512
– Kadıköy-Kartal Public Transportation Line Construction (Yapı Merkezi-Yüksel-Yenigün-Doğuş Joint Venture)	Turkey	21,739,889	20,028,624	—
– Sale of fixed assets and inventories	Turkey	3,934,876	5,920,655	20,109,458
– Yüksel Libya Branch construction costs	Libya	141,486,140	88,111,295	8,725,084
– Yüksel Dubai Branch construction costs	Dubai	56,740,247	222,223,503	41,716,710
– Yüksel Qatar Branch construction costs	Qatar	63,422,128	32,544,010	22,264,147
– Yüksel Afghanistan Branch const. costs	Afghanistan	117,260,676	99,129,265	120,258,612
– Yüksel Jordan Branch construction costs	Jordan	11,939,803	85,707,337	88,036,828
– Yüksel Uzbekistan Branch const. costs	Uzbekistan	4,136,614	2,925,129	5,140,057
– Yüksel Saudi Arabia construction costs	Saudi Arabia	378,280,401	111,992,763	39,261,077
– Yüksel Iraq Branch construction costs	Iraq	15,064,892	80,056,819	102,865,841
– Svyata Sofia Hotel	Ukraine	—	—	4,368,311
Sasel costs	Turkey	34,330,099	39,075,424	27,257,415
Fiba Yüksel Villa costs	Turkey	14,810,240	—	35,794
Yapı Elemanları costs	Turkey	15,236,329	13,016,786	16,656,748
Yüksel Yatçılık costs	Turkey	589,637	622,550	609,566
Kask Sigorta costs	Turkey	—	—	465,971
Datasel costs	Turkey	3,184,570	3,252,465	5,380,892
Aysel Invest costs (hotel costs)	Uzbekistan	3,235,981	3,025,105	1,786,256
Yüksel Turkuaz YDA costs	Kazakhstan	9,634,211	82,034,310	106,388,091
Other	Various	784,208	—	1,213,069
		1,035,295,812	**1,008,742,656**	**738,249,820**

30. Other Income / (Expenses), net

As of 31 December 2009, 2008 and 2007 other income / (expenses), net were as follows:

	01.01.-31.12.2009	01.01.-31.12.2008	01.01.-31.12.2007
Dividend revenue	145,816	—	—
Rent income(*)	795,924	3,932,039	567,161
Gain on sales of fixed assets	1,819,018	1,341,145	419,261
Loss on sale of investments	—	(2,350,919)	(28,924)
Provision income / (expenses), net	(161,011)	(2,565,458)	(1,389,700)
Tender expenses	—	—	(1,349,976)
Previous year income / (expenses), net(**)	(1,699,138)	813,641	(3,274,485)
Other income / (expenses), net	56,854	127,408	210,903
	957,463	**1,297,856**	**(4,845,760)**

(*) This amount is comprised of rental income charged to related parties for renting of building and machinery.

(**) In 2009 TL (1,247,002) of previous year income / (expenses), net is comprised of project expenses incurred in respect of projects completed by the Nurol-Tekfen-Yüksel Joint Venture in the previous periods.

31. Financial Income / (Expenses), net

As of 31 December 2009, 2008 and 2007 financial income / (expenses), net were as follows:

Foreign exchange income / (expenses), net	(10,522,609)	5,939,435	9,992,299
Interest income	10,481,934	18,810,060	15,295,687
Interest expense	(17,736,794)	(25,614,437)	(12,889,150)
Unearned interest income / (expenses), net	108,592	(663,295)	(11,736)
Income / (expenses) on sale of marketable securities, net	(444)	2,106	246,170
	(17,669,321)	**(1,526,131)**	**12,633,270**

32. Supplementary Disclosures on Financial Instruments

(a) Capital management policies and procedures

The risk related with each of the capital class and group capital cost is considered by the top management of the Group.

The primary objective of the Group's capital management objectives is to ensure that it maintains a healthy capital structure in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may obtain new loans, repay existing loans; make cash and non cash (bonus shares) dividend payments to shareholders, issue new shares based on Management's evaluation.

The Group manages the capital structure so as to ensure the Group's ability to continue as a going concern; and maximize its profitability by maintaining an adequate capital to overall financing structure ratio.

The Group monitors capital using a gearing ratio, which is net financial debt divided by total financing used. The Group includes within net financial debt, borrowings, trade letters of credit, less cash and cash equivalents. Financing used is the sum of total equity and net financial debt.

The following table sets out net financial debt to overall financing used ratios as of 31.12.2009, 2008 and 2007:

	31.12.2009	**31.12.2008**	**31.12.2007**
Total financial liabilities	368,271,666	306,183,142	147,490,053
Less: Cash and cash equivalents	(127,634,673)	(92,865,526)	(98,740,116)
Net financial debt	240,636,993	213,317,616	48,749,937
Total equity	536,457,007	498,239,405	529,344,177
Less: Revaluation of tangible fixed assets	(241,078,330)	(241,078,330)	(241,078,330)
Total financing used	536,015,670	470,478,691	337,015,784
Net Financial Debt / Total Financing Used	45%	45%	14%

(b) Market risk

The Group is exposed to financial risks arising from changes in currency rate (paragraph c), interest rate (paragraph d) and price risk (paragraph e) which arise directly from its operations.

The market risks that the Group is exposed to are measured on the basis of sensitivity analysis.

In view of the market risks and global financial crisis which have occurred in the last quarter of 2008, the Group's risk management policies and processes used to measure those risks have been prudent and based on the assumption that the economy will contract in some ways during 2009.

(c) Foreign currency risk

The Group may have transactional currency exposure from foreign currency denominated transactions.

The Group is exposed to foreign currency risk arising from the translation of foreign currency denominated assets and liabilities to TL. The foreign currency denominated assets and liabilities mainly include bank deposits, bank borrowings and trade payables and trade receivables.

(d) Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Certain parts of the interest rates related to borrowings are based on market interest rates; therefore the Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

(e) Price risk

The Group may be exposed to price risk arising from decreases in prices. This is a combination of currency, interest and market risks which the Group manages through natural hedges that arise from offsetting the same currency receivables and payables, interest bearing assets and liabilities. Although export sales invoices are issued in TL, sales prices are fixed in foreign currency. Market risk is closely monitored by the management using the available market information and appropriate valuation methods.

(f) Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties and continually assessing the creditworthiness of the counterparties. The Group monitors credit risks by establishing credit limits for each customer who wish to trade on credit terms and obtaining sufficient collateral. Trade receivables are evaluated by management in the light of the Group's procedure and policies and are carried in the balance sheet net of impairment provision.

(g) Liquidity risk management

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Group manages its liquidity needs by regularly planning its cash flows or by maintaining sufficient funds and borrowing sources by matching the maturities of liabilities and assets. Prudent liquidity risk management implies maintaining sufficient cash, securing availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The Group's carrying amount of financial instruments is estimated to reflect their fair value.

(h) Fair values

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate Fair value:

i- Financial assets—The fair values of certain financial assets carried at cost in the consolidated financial statements, including cash and cash equivalents plus the respective accrued interest and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of trade receivables along with the related allowance for unearned income and uncollectibility are estimated to be their fair values. The financial assets which are denominated in foreign currencies are evaluated by the foreign exchange rates prevailing on the date of balance sheet which approximate to market rates.

ii- Financial liabilities—Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of loans and bank borrowings. The fair value of bank borrowings are considered to state their respective carrying values since the interest rate applied to bank loans and borrowings are updated periodically by the lender to reflect active market price quotations. The carrying value of trade payables along with the related allowance for unrealized cost is estimated to be their fair values. The financial liabilities which are denominated in foreign currencies are evaluated by the foreign exchange rates prevailing on the date of balance sheet which approximate to market rates.

33. Subsequent Events

The Group got two new construction projects after balance sheet date. Information about new projects is summarized below:

KBR Dining Hall Building Construction: The contract has been signed with KBR England on 20.02.2010 and includes the construction of the reinforced concrete dining hall building in Kabul International Airport. The contract value amounts to USD 5,026,325. The project is planned to be completed in 2010.

Bagram Air Base Military Mass Housing Construction: As a part of the contract that has been signed on 31 March 2010, construction of the mass housing for US Army Corps of Engineers (USACE) at Bagram Air Base (Kabul-Afghanistan). Contract value amounts to USD 8,746,700. This project will be completed by the joint venture of Yüksel-Metak-Tepe-Yenigün-Zafer Joint Venture. The project is planned to be completed in 2011.

Salva Road Phase 2 Construction: A new contract has been signed as a joint venture with Midmac on fifty-fifty basis. The project is in Doha, Qatar and the project value is USD 440 million. The project is planned to be completed in 2011.

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