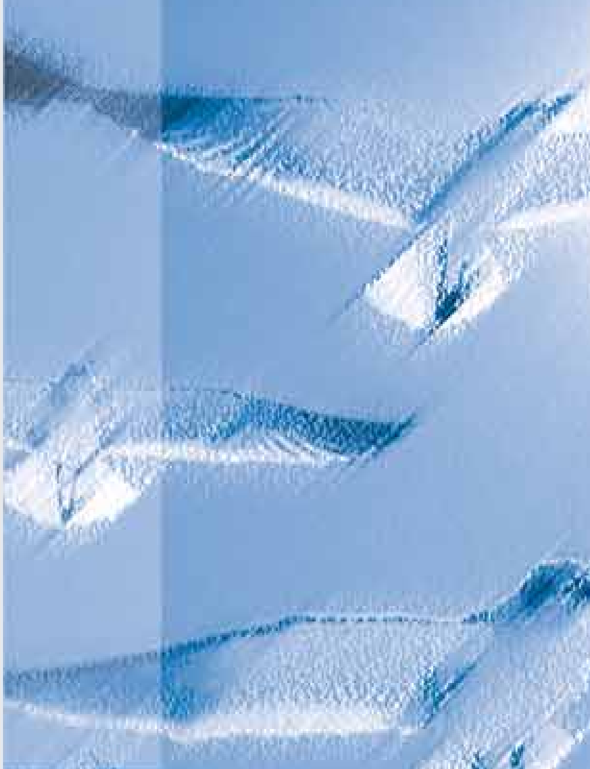
2007 annual report

ÇİMENTAŞ

İZMİR ÇİMENTO FABRİKASI TÜRK A.Ş.

Member of cementirholding



annual report 2007

ÇİMENTAŞ

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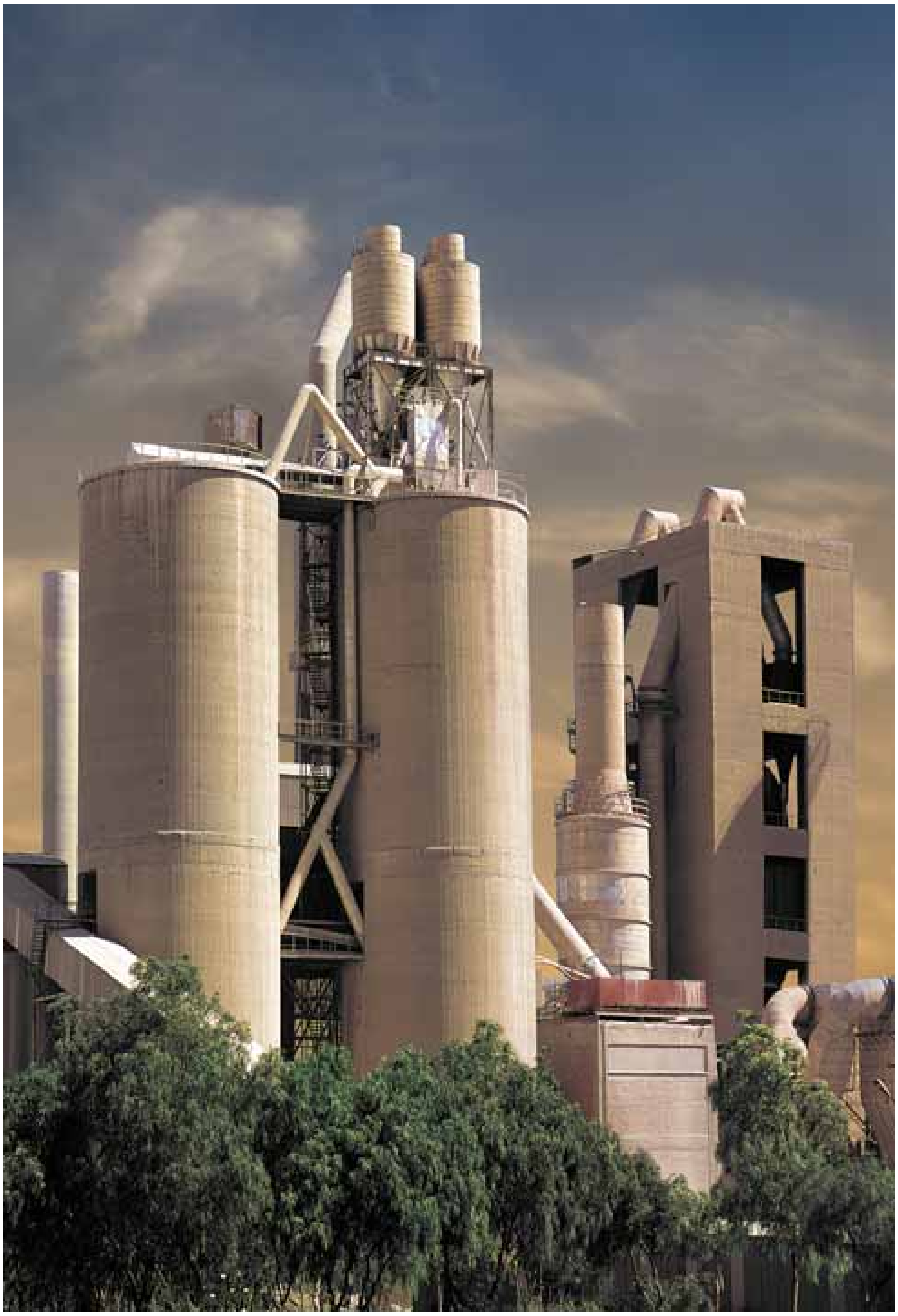

contents

introduction and agenda

This report is for presentation to 57th Annual General Assembly Meeting of Shareholders in the Company of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. that is to be convened at the Company's headquarters at the address of Kemalpaşa Caddesi No: 4 Işıkkent-İzmir on 25th of April 2008 at 17.00 to examine and come to a decision on the Company's operational results for the period January 1st 2007 to December 31st 2007.

agenda

1- Opening and roll-call,
2- Formation of the presiding committee and authorization of the committee members to sign the minutes and other meeting-related documents pursuant to article 16 of the Company's Articles of Association,
3- Reading and deliberation of the Annual Report of the Board of Directors, the statutory Auditors, and the independent auditing firm,
4- Reading, deliberation, and decision concerning approval of the 2007 Balance Sheet, Income Statement and other financial tables,
5- Individual acquittal of each of the members of the Board of Directors and the statutory auditors of their fiduciary responsibilities for the accounts and transactions of the Company in 2007,
6- Approval of the Independent External Audit Firm assigned by the Board and the independent external audit agreement
7- Deliberation and decision about the distribution of 2007 profit,
8- Determination of Board Member numbers and their term of duty and election of Board Members.
9- Determination of Auditor numbers and their term of duty and election of Auditors.
10- Deliberation and decision concerning the remuneration of the Directors and the statutory Auditors.
11- Authorization of the Directors pursuant to articles 334 and 335 of the Turkish Commercial Code.
12- Information and deliberation concerning the donations and charities made within the year 2007.
13- Deliberation and resolution about the increase of registered capital ceiling of the Company to TRY 200.000.000 (Two hundred million New Turkish Lira) which is currently TRY 75.000.000 (Seventy five million New Turkish Lira) and to amend article 6 of Articles of Association named "Registered Capital" as it has been approved by Capital Market Board and Ministry of Industrial and Trade.
14- Petitions and adjournment

amendment to the articles of association

Old Form

Registered Capital Article 6

The company applies the registered capital system pursuant to the provisions of the Law no. 2499 and implemented this system under the consent of Capital Market Board issued on 7.8.1985 under No: 289, The company registered capital ceiling is TRY 75.000.000 (Seventy five million New Turkish Lira) divided into 7.500.000.000 shares each one with a nominal value of Ykr-1 (One New Kurush). The entire issued capital of the company is TRY 31.500.000 (Thirty one Million Five Hundred Thousand New Turkish Liras) corresponding to 3.150.000.000 bearer shares.

Such portion of the issued share capital equal to TRY 251.125 was paid in cash and such portion equal to TRY 626.902 was covered by sales of real estates and immovables and such portion equal to TRY 30.621.973 was covered by adding this amount to the share capital from revaluation increase fund. In capital increases covered by the house resources, the newly-issued shares shall be distributed to the shareholders as bonus shares pro rata with their respective shareholding. Board of Directors shall be authorised to issue stock shares with a value exceeding its nominal value and to adopt resolutions which will restrict the rights of first refusal of shareholders.

New Form

Registered Capital Article 6

The company applies the registered capital system pursuant to the provisions of the Law no. 2499 and implemented this system under the consent of Capital Market Board issued on 7.8.1985 under No: 289, The company registered capital ceiling is TRY 200.000.000 (Two hundred million New Turkish Lira) divided into 20.000.000.000 shares each one with a nominal value of Ykr-1 (One New Kurush). The entire issued capital of the company is TRY 36.540.000 (Thirty six Million Five Hundred Fourty Thousand New Turkish Lira) corresponding to 3.654.000.000 bearer shares.

Registered capital ceiling permission, which is granted by Capital Market Board, will be valid between the years 2008-2012 (for 5 years). Even if the registered capital ceiling will not be exhausted and reached to the granted limit until 2012, in order to increase the capital by the Board decision after 2012, it is compulsory to obtain the permission of the Capital Market Board to obtain authorization from the General Assembly for a new period of time.

The Company shall be deemed to be withdrawn from the registered capital system unless the authorization above is obtained.

Such portion of the issued share capital equal to TRY 5.291.125 was paid in cash and such portion equal to TRY 626.902 was covered by sales of real estates and immovables and such portion equal to TRY 30.621.973 was covered by adding this amount to the share capital from revaluation increase fund. In capital increases covered by the house resources, the newly-issued shares shall be distributed to the shareholders as bonus shares pro rata with their respective shareholding. Board of Directors shall be authorized, between the years 2008-2012 in compliance with the provisions of Capital Market Law, to issue stock shares, stock shares with a value exceeding its nominal value and to adopt resolutions which will restrict the rights of first refusal of shareholders upto the registered capital ceiling amount.

The capital shares are followed as uncertified shares under dematerialization principles.

board of directors' report 2007

Esteemed Shareholders,

We are gratified to convene at the 57th Ordinary General Assembly Meeting of our Company, where the activities and the results of the year 2007 will be discussed and resolved.

In the year 2007, the world economy was able to keep growing in spite of the adversities deriving from the high oil prices, the inconveniences experienced in the real estate markets and the financial deficits originated from U.S.A. and spread over many other countries.

The current account deficit in U.S.A. was compensated by the financial surplus generated in the far-east, middle-east and India regions. The Asian Central Banks, in order to prevent the appreciation of their currencies against usd., covered the deficit in U.S.A. by the acquisition of bonds. As a consequence, US economy achieved a modest growth of 2% in 2007.

The growth rate of the European Union countries ended up with 2% remaining below the envisaged level. The Japanese economy was also satisfied with a growth of 2%. The emerging countries reached a growth of 5.9%, whilst China and India achieved two digit growth rates.

The development of the overall world economy slowed down to 3.2% in 2007, showing a decreasing trend with respect to the previous years.

The Turkish economy over passed the year mainly dealing with the general elections, presidential election process, referendum, terrorism and the cross border military operations along with the turbulences in the world markets.

The political uncertainties during the pre-election period coupled with the slackening of the monetary program, resulted with the fluctuations from the macroeconomic targets, particularly the rate of inflation.

The industrial capacity usage decreased coming out of the lack of demand in the domestic and export markets. The over appreciated TRY created further obstacles to exporters. Despite the interventions of the Central Bank, TRY was revaluated by 19.8% versus us dollar and 8.6% versus euro.

Under the light of the points mentioned above, the Turkish economy could only achieve 4.5% growth following an average growth rate of 7-7.5% for the last five years.

The slowdown in the Turkish economy can be attributed to the developments in the global economic environment. Anyhow, we have to note that the macroeconomic balances have been adversely affected by the increasing rate of inflation, relatively high unemployment coupled with the deteriorated foreign trade balance. We have to consider that the economy will have to face a period of lower growth rate together with the risk of rising trade deficit. Therefore, the macroeconomic policies should be duly revised in order to keep the economy developing on a solid basis.

In the first quarter of the year, the cement sector in Turkey maintained the lively trend, also with the help of the smooth weather conditions; but, started to cool down after the general elections held in July. The cement sector which has been developing more than the average growth rate of Turkey during the last few years, achieved a further growth of 4.8% in 2007.

The total clinker production went up to 41.5 million tons after 38.2 million tons in 2006. The total cement production volume came out to be 49.3 million tons from 47.4 million tons of the previous year.

In the Aegean market where our production and sales are concentrated, the total sales increased by 3% whereas 4.5% in the Marmara Region. Çimentaş has achieved an average increase of 7.25% in these markets.

Dear Shareholders, your Company Çimentaş, with its İzmir Plant and Thrace Branch Lalapaşa Cement Factory, closed the fiscal year 2007 with a satisfactory net profit of TRY 104.489.000.

In the ready-mix concrete business, Çimbeton A.Ş., increased its sales by 5.9% despite the fierce competition in the market place and succeeded to yield a net profit of TRY 2.435.646.

Kars Çimento A.Ş., generated a net profit of TRY 21.438.569 by strengthening its position in the eastern market.

Elazığ Çimento A.Ş. joined the Çimentaş Group at the last quarter of 2006, achieved a net profit of TRY 13.471.296 during the first full year of activity under Çimentaş management.

Destek A.Ş., provided considerable amount of funds to Işıkkent Education and Health Foundation.

İlion Ticaret ve Sanayi Limited Şirketi which we have acquired in the course of 2007 will meet the fly ash requirement of our Companies in the Aegean Region.

Esteemed Shareholders, on behalf of the Board of Directors, I would like to extend my appreciation to all the employees of our Group Companies for their dedication and sense of responsibility.

Yours Faithfully,
Walter Montevecchi
Chairman & Managing Director

introduction

Period of Report 01.01.2007 - 31.12.2007

MEMBER OF BOARD OF DIRECTORS WHO SERVED DURING THE REPORTING PERIOD

1- Walter Montevecchi	Chairman & Managing Director	07.04.2005 - 25.04.2008
2- Francesco Caltagirone	Vice Chairman	07.04.2005 - 25.04.2008
3- M. Nazmi Akduman	Managing Director	07.04.2005 - 25.04.2008
4- Francesco Gaetano Caltagirone	Member	07.04.2005 - 25.04.2008
5- Alessandro Caltagirone	Member	07.04.2005 - 25.04.2008
6- Massimiliano Capece Minutolo	Member	07.04.2005 - 25.04.2008
7- Mario Ciliberto	Member	07.04.2005 - 25.04.2008
8- Fabio Gera	Member	07.04.2005 - 25.04.2008
9- Riccardo Nicolini	Member	07.04.2005 - 25.04.2008

AUTHORIZATION LIMITS: They are vested with the authorities specified in the Capital Market Act, Turkish Commercial Code, Articles of Incorporation and in other applicable laws and regulations.

STATUTORY AUDITORS

1- Sıtkı Şükürer	Statutory Auditor	07.04.2005 - 25.04.2008
2- H. Bumin Anal	Statutory Auditor	07.04.2005 - 25.04.2008

AUTHORIZATION LIMITS: They are vested with the authorities specified in the Capital Market Act, Turkish Commercial Code, Articles of Incorporation and in other applicable laws and regulations.

Within the report period, no amendment was made in the Company's Articles of Association and because of the fact that there are not any issued securities, no fiscal burden has occurred. The production activity of the Company in 2007 has been carried out in the factories which are located in İzmir and Edirne-Lalapaşa. Clinker production is realized in 3 kilns, two of them in İzmir Factory and one of them in Edirne-Lalapaşa Factory; cement production is accomplished with 6 grinding mills, four of them in İzmir Factory and two of them in Edirne-Lalapaşa Factory. The number of grinding mills will rise up to 7 with new grinding mill to be put into service after current investment ongoing in Edirne-Lalapaşa Factory.

In 2007, the company exceeded the targets of production planning prepared by taking into account Turkey's conditions and accomplished an increase by 15.3% in clinker production and by 5.2% in cement production, compared to 2006.

The investments were applied in two different concepts in İzmir Factory and Edirne-Lalapaşa Factory. In Edirne-Lalapaşa Factory, the investments will be summarized as investments for modernization to alter conventional controlled groups to computer based system and investments for environment, dust removing and reliability. The investments for modernization cover transportation system, grinding mill, pre-heating tower, kiln stimulating and tightness systems, electronic filter, clinker cooler, cement mill, electric and automation systems and development in technological levels of current systems. The investments in İzmir Factory were realized as modernization and environment. The project of global automation, which was commenced on previous years and carried on as to investments for modernization has been finished and production realized under control of stable and computer based expert system has been accomplished.

Additional dust removing systems were installed, field of Company was concreted and drainage of rain water was formed with regard to investments for environment and by these operations not only the company's protection against flood but also working conditions of employees were improved. The sales in Aegean Region in which İzmir factory, the main center of our production, was established have increased by about 3%, the sales in Marmara, the other region where the company active, have increased by about 5%.

The cement sector, reaching high growth rate with help of weather conditions in the first quarter, slowed down due to the changes in markets after election decision in the second quarter and kept its slow motion in the second half of the year.

The sector, taking first places in the trend of growing since 2001, reached a growth rate which is over the Turkish average in 2007 in spite of the differences between regions and the growth rate was realized at the level of 4.8%.

The clinker production, realized as 38.2 million tones in 2006, has increased to 41.5 million tones and cement production has been 49.3 million tones in 2007.

The cement sector is one of the sectors in which there is not any problem for raw material sources, equipments and replacement parts can be produced technologically and foreign currency entry is created thanks to capability of producing goods in accordance with world standards.

One of the main problem is the surplus production for the sector. The total increase in clinker capacity planned for 2007-2012 period has indicated a high capacity amount such as 15 million tones. The reflection of this increase to cement will be 16.5-17 million tones and total capacity of the country will rise up to 65-67 million tones. Even if we assume that domestic consumption will increase to 50 million tones in 2010 by continuous rise in domestic consumption and 6-7 million tones export will be realized in each year, it is inevitable that a surplus production with an amount of 10 million tones occurs. Therefore, the community should call off promotions in sector and should not give any permission to new investments regarding increase in capacity.

According to the report "Vision 2023" prepared by Tubitak, the other problems in sector are energy costs, environment and lack of exporting harbor. As costs of Turkish cement sector are compared with costs of European Union (EU) countries, it is seen that especially costs of fuel oil and electric are high. If it is taken into account that cement price varies between 60-85 Euro in EU countries, Turkey's price level is extremely lower than EU countries' price. The usage in import fossil fuel (coal and petrokok) should be saved by activating execution of the regulations about waste fuels and allowing import of tires as waste.

Despite of the fact that, concrete roads are commonly used in most of the developed countries, a serious progress about concrete road was not realized in our country. With regard to asphaltic road, functional advantages of concrete roads are proved scientifically in conditions of heavy traffic, intense warmth and cold climate. On the other hand, cement and aggregate, fundamental materials of concrete, can be supplied with reasonable price from every corners of the country. Asphalt is costing high price because of producing from importing bitumen. Thus, concrete will be a serious alternative in constructing highway. Consequently, wasting will be prevented by this way.

Dividend distribution policy, formed in accordance with corporate governance system of the Company which executes finance of investments and enterprises according to financial model applied by the main partner Cementir Holding S.p.A, was summarized in the article of association and allocation of annual profit as 50% is the general principle.

There are no assets, which are not included in financial tables pursuant to the Capital Market Regulation and accounting standards of the Board. Accordingly, comparative ratios of the company are as follows:

	2006	**2007**
Current rate	0,88	0,95
Liquidity Rate	0,60	0,61
Rate of Debts to the Asset Total (Financial leverage rate)	0,45	0,39
Rate of the Debts to the Equity Capital	0,85	0,66
Equity Capital Cycle Speed	0,53	0,60
Rate of Operation Profit to Net Sales	0,33	0,35

Improvement of financial structure of the corporation depends on development in sector, application of energy policies to lessen production cost, encouraging policy and rate of exchange to make more production exported.

There is no change in the Company management during the year and the current top managers are as follows;

Walter Montevecchi	Chairman and Managing Director
M. Nazmi Akduman	Managing Director & General Manager
Paolo Luca Bossi	Executive Asistant to Chairman
Gino Corsi	MIS Director
Mustafa Güçlü	General Relations Coordinator
Ergün Olgun	Technical Director
Ali İhsan Özgürman	Financial and Administrative Affairs Director
İsmail Ali Özinönü	Marketing & Sales Director

The salary and the social rights of the personnel are determined in accordance with performance, merit principle and industry average by taking into consideration of the current and potential economic structure of the Company. The policy stated by “Cement Producer Employer's Union” regarding unionized workers has been obeyed. The collective labor agreement valid for 2008, 2009 and 2010 was made on 21 March 2008.

The total amount of donations and charities during the accounting term is TRY 72.808,73 of which TRY 64.682,97 in cash and TRY 8.125,76 in kind. The rate of total donations to sales revenue is 0,016%.

Çimentaş, which was established as the first cement factory of Aegean Region in 1950, has renewed himself continuously considering the needs of the region. The company which improves himself and his staff continuously has gained a significant role among the Mediterranean countries by taking place in Cementir corporation since 2001.

Çimentaş is one of the effective companies in the region and a significant value added center for the country.

applications of corporate governance principles

I- SHAREHOLDERS

I.1. Shareholders Relations Department

Although there is no independent and separate "Shareholders Relations Department" within the present shareholding structure of the Company, relations with shareholders have been carried out by Legal Affairs Management in coordination with Financial and Administrative Affairs Directorate. Kayhan Karabayır, as the Legal Affairs Manager, carries out the related actions and duties.

Main activities of the department are to carry out the relations both with shareholders, CMB (Capital Market Board) and ISE (İstanbul Stock Exchange). Accordingly, pursuing the shares of the company, transactions related to shareholders' rights, disclosure of special events to public and arranging the general assembly meetings of the Company.

During the period, 30 applications were responded, which were addressed by the investors and intermediary institutions, and accordingly the requests of the people involved were met.

I.2. Shareholders' Right to Obtain and Evaluate Information

During the period, information demands coming from shareholders, investors and intermediary institutions were particularly focused on the subjects like annual report demands and 2007 profit distribution. As mentioned above, these demands were answered and met by making the required explanations and procuring relevant documents.

Studies concerning the disclosure of improvements about the shareholders' rights on electronic environment are continuing. Currently, these improvements are disclosed in accordance within the existing legal regulations.

Appointment of a private auditor is not set forth as an individual right in the articles of associations. Accordingly no demand to appoint a private auditor has been made.

I.3. Information On General Assembly

Within the period; the Company held 2006 Ordinary General Assembly Meeting on 12th of April 2007. The attendance in the meeting was 81%. There is no special and specific provision about the meeting quorum in the articles of associations and the provisions of Turkish Commercial Code is the essential concerning the issue.

Invitation to General Assembly meeting is realized by making required announcements in accordance with Commercial Code and Capital Market Law. Registry transactions for attending to general assembly by shareholders have been executed in accordance with Commercial Code and Capital Market Law. Information concerning Ordinary and Extraordinary General Assembly meetings is made ready at the headquarters of the Company for the inspection of shareholders according to Turkish Commercial Code.

Since the management and administration of the company are regulated in accordance with the provisions of Commercial Code, approval of General Assembly about the subjects like purchase-sale-rental of properties in important amount is not required and these transactions are fulfilled according to legal regulations.

In order to make easier for the shareholders' to participate to General Assembly meetings, besides the announcements, Company takes great care to enable the shareholders to reach information that constitutes the agenda of the general assembly and complies with all legal requirements.

Also, Press and media members are invited to General Assembly meetings and they attend. Minutes and documents related to general assembly meetings are constantly kept ready at the headquarters for the inspection of the shareholders.

I.4. Voting Rights and Minority Rights

Company shares do not grant privilege right; each share gives only 1 voting right to its holder. Concerning the vote usage of the companies that are in mutual participation relation, rules related to "disfranchisement" set by Turkish Commercial Code is strictly applied.

Since the minority rights in our company is quite low (about 3%), they are not represented in the management. In the articles of associations, the cumulative voting procedure does not exist in the election of Board of Directors and Statutory Auditors.

I.5. Profit Distribution Policy and Timing

Incorporators' shareholders have privileges regarding the participation to the company's profit. 10% of the remaining dividend amount; after deducting taxes, legal burdens and previous years' losses from the net profit, and setting aside a legal reserve (5%) in line with the article 466 of TCC and distributing the 1st dividend of 50% in accordance with the articles of associations, will be distributed to Incorporators' Shareholders.

As stated above, in spite the fact that the rate of 1st dividend is stated as 20% in the communiqué issued by CMB, this rate is set as 50% in the articles of associations of the Company. This is the result of the policy, which aims to maximize the dividend rights of the shareholders. Taking into consideration of general economic conditions of the country and the present conditions of the Company, Company endeavors to stick with the policy. On the other hand the Company strictly conforms to legal periods concerning the profit distribution.

I.6. Transfer of Shares

In consideration of the amendment in Articles of Association, which is approved in the Ordinary General Assembly Meeting of 2005, all company shares had been converted to bearer shares. There is no private provision in the articles of associations that impedes the transfer of shares.

II- PUBLIC DISCLOSURE AND TRANSPARENCY

II.1. Company Information Policy

Apart from those specified by laws, the Company has not constituted an Information Policy yet regarding public information.

II.2. Special Event Disclosures

Within the period, the company made 8 special event disclosures, 3 of them are demanded by IMKB/ISE and SPK/CMB, they are not in the nature of an additional explanation. No sanction has been applied by CMB related to special event disclosures.

II.3. Company's Website

There exist a website named www.cimentas.com and domain right; preparations for the content of the website had come to the end and will be planning to be implemented in 2008.

II.4. Disclosure of Real Person Controlling Shareholders of the Company

There is no real person as the controlling shareholder of the Company, the controlling shareholders are juristic person, information regarding this issue is given in the annual report.

II.5. Insider Trading

No disclosure has been made concerning the list of the persons who can potentially posses the price-sensitive information

III- STAKEHOLDERS

III.1 and 2. Informing of Stakeholders and Participation to the Management

Relations between stakeholders and the Company are completely based on written contractual agreements, relations and operations between the parties have been executed within the framework defined by the agreements.

Through meetings held time to time with both personnel and other stakeholders, information is given concerning the company and its activities. Apart from that, there is no other model regarding participation to the management and information points.

III.3. Company Policy On Human Resources

Within Human Recourses Policy of the Company, we can summarize the main elements of HR policy with the following topics below;

(I) Recruitment/Employment; To improve the qualifications of new employment and existing manpower
(II) Education; To Focus on education programs to improve the existing human recourse.
(III) Remuneration; Developing a remuneration system by taking the market conditions into consideration
(IV) Motivating Activities Making organizations and activities to raise the loyalty and working motivation of the employees.

III.4. Information Regarding Relations With Customers and Suppliers
The main policy of the company regarding customers' satisfaction is to ensure goods and/or services quality together and as having priority. For this reason; the quality of goods has been constantly supervised and customer recommendations have been taken into consideration. Also, quality in service is accepted as the priority of the personnel working in marketing and purchasing departments and beside the quality of the product, service quality has also been followed continually.

III.5. Social Responsibility
Within the social responsibility sense, the company gives long termed support particularly education, health and sport areas via the ÇESVAK Foundation and Amateur Athletics Club.

Beside; during the period, the company has not faced with any sanction regarding the environmental issues. Since the activities of the company began before the ÇED laws, although there is not a ÇED report, the company activates fully in accordance with all the other Environmental Laws.

IV . BOARD OF DIRECTORS

IV.1. Structure, Form of the Board of Directors and Independent Members

Members of BoD

Walter Montevecchi	Chairman & Managing Director
Francesco Caltagirone	Vice Chairman
M. Nazmi Akduman	Managing Director
Francesco Gaetano Caltagirone	Member
Alessandro Caltagirone	Member
Massimiliano Capece Minutolo	Member
Mario Ciliberto	Member
Fabio Gera	Member
Riccardo Nicolini	Member

Due to shareholding structure of the company, there is no independent member in the Board of Directors.

IV.2. Characteristics of BoD Members
The entire Board of Directors members have qualifications and features stated on the articles 3.1.1, 3.1.2 and 3.1.5 of the CMB Corporate Governance Principles Chapter IV. There is no specific provision related to the qualifications of the members of the BoD in the articles of association.

IV.3. Company's Mission and Vision And the Strategic Targets
Although the company has specified the vision and the policy, it has not announced that individually to the public. However, these issues have been shared with shareholders, personnel and the public view time to time via various means.

Accordingly; the vision of the company is to become the leader in domestic market, a trademark in global market and to be a model company with its high quality standards. In order to reach those targets, the policy to be applied can be summarized as follows; ensuring customers' satisfaction by giving the highest importance to product and service quality, following technological developments, giving the priority to security and environment sensibility.

There are Managing Directors (MD), who are authorized from the Board of Directors and its members. Managing Directors evaluate the monthly activity results each month and Board of Directors revises the term's activities quarterly.

IV.4. Risk Management and Internal Audit Mechanism

The management of the company has brought a risk management system named "Credit Risk Management" to follow the risks and receivables of the company on purchasers basis (covers key accounts and the entire authorized distributors), within this scope, receivables and risks of the company have been shared with the Banking System.

The company aims to activate all activities of the company and accordingly, internal audit mechanism through the information technology system named "SAP" launched in the beginning of 2005. Consequently, operations to form an internal audit department in the company are commenced with a decision taken in 2007, at the beginning of 2008 the department in question has been set up and it has started to work by directly reporting to Managing Directors.

IV.5. Authorization and Responsibility of Managers and Members Board of Directors

Authorization of the members of Board of Directors have been stated in the articles of associations within the scope of the general provisions. In the articles of associations, authorization and responsibilities of the managers have not been stated. Board of Directors members and managers are subject to the authorization and responsibilities stated in Turkish Commercial Code through the provisions stated in the articles of associations of the company.

IV.6. Fundamental Functions of the Board of Directors

Since the majority of the members of Board of Directors are settled in abroad, even though board of directors meetings generally have been made "without holding a meeting" according to the article 330/2 of Turkish Commercial Code, meetings are held via video-conference form by taking advantage of the technological facilities. During the term, 10 (ten) Board of Directors resolutions have been issued.

Secretariat of Board of Directors (preparation of the agenda, informing of members etc.) is carried out by the Legal Affairs Management of the company.

There is no cumulative vote or negative veto right at the Board of Directors.

IV.7. Prohibition Engaging In Transactions and Prohibition of Competing

According to the permission given by the General Assembly, no prohibition engaging in transactions and prohibition of competing is applied during the term. Because; members of Board of Directors are the representatives of juristic person shareholder. On the other hand, these persons neither engage in transactions with the company nor in activities like competing.

IV.8. Ethic Rules

There are no ethic rules determined by the Board of Directors and announced to the public.

IV.9. Number, Structure and Independency Of Committees Established By The Board Of Directors

Apart from the "Audit Committee", there is no other committee established by the members of the Board of Directors.

IV.10. Financial Rights Granted for Board of Directors

Apart from the attendance fee for the Board of Directors' (BoD) members and the salary paid to Chairman and Managing Director, there is no other fee or salary paid to BoD members, or a rewarding system based upon the performance. Board of Directors determines amount of the salary paid to Chairman and Managing Director.

In principle, the Company does not grant loan or credit to BoD members and manager personnel. However; under some extraordinary circumstances, it is possible that Managing Directors may use their power to grant loan to the managers but for a limited amount.

consolidated financial statements prepared according to international financial reporting standarts

Balance sheet

Income statement

Shareholders' equity & change in parent shareholders equity & minority interest

Cash flow table

Çimentaş İzmir Çimento Fabrikası Türk A.Ş.
Consolidated Balance Sheets
As of 31 December 2007 and 2006

(Amounts expressed in thousands of New Turkish lira (TRY), unless otherwise indicated.)

ASSETS	Notes	31 December 2007	31 December 2006
CURRENT ASSETS		**198.534**	**149.449**
Cash and cash equivalents	4	52.978	25.122
Available for sale investments- net	5	-	-
Trade receivables - net	7	72.266	72.302
Leasing receivables - net	8	-	-
Due from related parties - net	9	1.094	684
Other receivables - net	10	2.222	2.053
Biological assets - net	11	-	-
Inventory - net	12	56.705	47.306
Due from ongoing contractual agreements - net	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	13.269	1.982
NON-CURRENT ASSETS		**1.021.065**	**983.126**
Trade receivables - net	7	142	137
Leasing receivables - net	8	-	-
Due from related parties - net	9	-	-
Other receivables - net	10	-	-
Financial assets - net	16	376.269	364.097
Positive / negative goodwill - net	17	153.558	152.171
Tangible assets held for investment - net	18	-	-
Tangible assets - net	19	489.126	464.397
Intangible assets - net	20	1.721	1.553
Deferred tax assets	14	131	642
Other non-current assets	15	118	129
TOTAL ASSETS		**1.219.599**	**1.132.575**

Consolidated financial statements for the period of 1 January - 31 December 2007 were approved by the Board of Directors at 27 March 2008.

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

Çimentaş İzmir Çimento Fabrikası Türk A.Ş.
Consolidated Balance Sheets
As of 31 December 2007 and 2006

(Amounts expressed in thousands of New Turkish lira (TRY), unless otherwise indicated.)

LIABILITIES	Notes	31 December 2007	31 December 2006
CURRENT LIABILITIES		**208.752**	**170.512**
Financial liabilities - net	6	-	113.948
Short-term portion of long - term financial liabilities - net	6	148.764	3.889
Leasing payables - net	8	-	-
Other financial liabilities - net	10	-	-
Trade payables - net	7	42.164	32.569
Due to related parties - net	9	1.555	2.112
Advances received	21	988	2.711
Due to ongoing contractual agreements - net	13	-	-
Expense provisions	23	7.744	10.882
Deferred tax liability	14	-	-
Other liabilities - net	10	7.537	4.401
NON-CURRENT LIABILITIES		**271.247**	**345.969**
Financial liabilities - net	6	220.616	303.217
Leasing payables - net	8	-	-
Other financial liabilities - net	10	-	-
Trade payables - net	7	-	-
Due to related parties - net	9	-	-
Advances received	21	-	-
Expense provisions	23	8.454	7.988
Deferred tax liabilities	14	42.177	34.764
Other liabilities - net	10	-	-
MINORITY INTEREST	**24**	**12.461**	**11.728**
SHAREHOLDERS' EQUITY	**28**	**727.139**	**604.366**
Share capital	25	36.540	36.540
Cross-shareholding adjustment to capital	25	(89)	(89)
Capital reserves	26-27-28	507.265	467.307
Share premium	25	70.721	70.721
Income from cancellation of shares		-	-
Revaluation fund		-	-
Fair value fund of financial assets available for sale		243.900	203.942
Adjustment to share capital	26-27-28	192.644	192.644
Profit reserves	26-27-28	2.947	24.169
Legal reserves	26-27-28	2.543	2.543
Statutory reserves		-	-
Extraordinary reserves		-	-
Special reserves		-	-
Income from sale of subsidiaries and investments added to share capital		-	-
Translation differences	2	(10.962)	10.260
Effect of sale of shares between companies jointly controlled	32	11.366	11.366
Net income / (loss) for the period		104.489	34.704
Retained earnings	26-27-28	75.987	41.735
TOTAL LIABILITIES and SHAREHOLDERS' EQUITY		**1.219.599**	**1.132.575**
Commitments, contingent assets and liabilities	31		

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

Çimentaş İzmir Çimento Fabrikası Türk A.Ş.
Consolidated Statements Of Income
For The Period Of 1 January - 31 December 2007 And 2006

(Amounts expressed in thousands of New Turkish lira (TRY), unless otherwise indicated.)

	Notes	1 January - 31 December 2007	1 January - 31 December 2006
OPERATING INCOME			
Sales income (net)	36	453.454	388.564
Cost of sales (-)	36	(291.198)	(260.761)
Services income (net)		-	-
Other income from operations		-	-
GROSS OPERATING INCOME		**162.256**	**127.803**
Operating expenses (-)	37	(49.359)	(40.116)
NET OPERATING INCOME		**112.897**	**87.687**
Income from other operations	38	75.865	83.604
Expenses from other operations (-)	38	(7.177)	(8.479)
Financial expenses	39	(48.457)	(122.093)
OPERATING INCOME		**133.128**	**40.719**
Net monetary gain / (loss)	40	-	-
Minority Interest	24	(1.137)	(606)
INCOME BEFORE TAXATION		**131.991**	**40.113**
Taxes	41	(27.502)	(5.409)
NET INCOME / (LOSS) FOR THE PERIOD		**104.489**	**34.704**
EARNINGS PER SHARE (TRY)	**42**	**2, 8596**	**1, 0275**

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

Çimentaş İzmir Çimento Fabrikası Türk A.Ş.
Consolidated Statements Of Changes In Equity
For The Period Of 1 January - 31 December 2007 And 2006

(Amounts expressed in thousands of New Turkish lira (TRY), unless otherwise indicated.)

Shareholders' equity movement for the period of 1 January - 31 December 2007:

	Share Capital	Cross Shareholding Adjustment to capital	Share Premium	Fair value fund of fin. assets avai. for sale	Adjustments to share capital	Legal reserves	Translation diffferences	Effect of sale of shr. betw. joint. cont. comp.	Net income for the period	Retained Earnings	Total
1 January 2007	**36.540**	**(89)**	**70.721**	**203.942**	**192.644**	**2.543**	**10.260**	**11.366**	**34.704**	**41.735**	**604.366**
Dividend paid (Note 9ii-d)	-	-	-	-	-	-	-	-	-	(452)	(452)
Transfer to retained earnings	-	-	-	-	-	-	-	-	(34.704)	34.704	-
Change in fair value of financial assets available for sale (Note 16)	-	-	-	39.958	-	-	(27.835)	-	-	-	12.123
Translation differences	-	-	-	-	-	-	6.613	-	-	-	6.613
Net income for the period	-	-	-	-	-	-	-	-	104.489	-	104.489
31 December 2007	**36.540**	**(89)**	**70.721**	**243.900**	**192.644**	**2.543**	**(10.962)**	**11.366**	**104.489**	**75.987**	**727.139**

Shareholders' equity movement for the period of 1 January - 31 December 2006:

	Share Capital	Share Capital advance	Cross Shareholding Adjustment to capital	Share Premium	Fair value fund of financial assets available for sale	Adjustments to share capital	Legal reserves	Translation differences	Effect of sale of shares betw. joint. cont. comp.	Net income for the period	Retained Earnings	Total
1 January 2006	**31.500**	**67.315**	**(0, 1)**	**547**	**-**	**192.644**	**2.543**	**(4.798)**	**11.366**	**31.988**	**9.988**	**343.093**
Dividend paid (Note 9ii-d)	-	-	-	-	-	-	-	-	-	-	(241)	(241)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	(31.988)	31.988	-
Share capital advance - cash	-	7.899	-	-	-		-	-	-	-	-	7.899
Share capital increase	5.040	(75.214)	-	70.174	-	-	-	-	-	-	-	-
Change in fair value of financial assets available (Note 16)	-	-	-	-	203.942	-	-	12.758	-	-	-	216.700
Increase in treasury shares	-	-	(89)	-	-	-	-	-	-	-	-	(89)
Translation differences	-	-	-	-	-	-	-	2.300	-	-	-	2.300
Net income for the period	-	-	-	-	-	-	-	-	-	34.704	-	34.704
31 December 2006	**36.540**	**-**	**(89)**	**70.721**	**203.942**	**192.644**	**2.543**	**10.260**	**11.366**	**34.704**	**41.735**	**604.366**

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

Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

Consolidated Statements Of Cash Flows For The Period Of 1 January - 31 December 2007 And 2006

(Amounts expressed in thousands of New Turkish lira (TRY), unless otherwise indicated.)

	Notes	1 January- 31 December 2007	1 January- 31 December 2006
OPERATING ACTIVITIES:			
Income / (loss) before taxation		131.991	40.113
ADJUSTMENTS TO RECONCILE INCOME BEFORE TAXATION TO NET CASH PROVIDED FROM OPERATING ACTIVITIES:			
Depreciation and amortization	19-20	33.279	25.652
Gain on sales of fixed assets - net	38	(563)	(1.694)
Translation differences due to the subsidiary acquired		6.289	2.300
Interest income	38	(3.478)	(4.673)
Interest expense	39	27.904	25.130
Provision for employment termination benefits	23	1.877	1.477
Taxes paid		(18.321)	(5.449)
Proceeds form derivative financial instruments-net	38	(4.569)	-
Payments of legal provisions	23	(5.732)	-
Unearned foreign exchange loss of financial liabilities		(42.258)	28.820
	126.419	**111.676**	
CHANGES IN ASSETS AND LIABILITIES:			
Change in minority interest	24	1.137	4.613
Employment termination benefits paid	23	(1.411)	(1.036)
Decrease / (Increase) in trade receivables	7-17	365	(20.360)
Increase in inventories	12-17	(9.399)	(6.943)
(Increase) / Decrease in due from related parties	9	(410)	243
(Increase) / Decrease in other receivables	10	(169)	4.134
Increase in other current assets	15-17	(3.604)	(434)
Decrease in non-current trade receivables	15	11	14
Increase in trade payables	7-17	9.485	3.244
(Decrease) / Increase in due to related parties	9	(557)	953
(Decrease) / Increase in other short term liabilities		(166)	1.778
(Decrease) / Increase in the advances received	21	(1.723)	226
Increase in expense provisions	17-23	977	2.679
Increase in non-current trade receivables	7	(5)	(45)
Decrease in non-current other assets	10	-	201
Net cash provided by operating activities		**120.950**	**100.943**
INVESTING ACTIVITIES:			
Interest received		3.375	4.673
Purchase of tangible and intangible assets	19-20	(58.455)	(19.972)
Proceeds on sale of tangible assets		1.223	2.138
Cash outflow during affiliate purchase	17	(1.330)	(160.011)
Net cash used in investing activities		**(55.187)**	**(173.172)**
FINANCING ACTIVITIES:			
Net (decrease) / increase in financial liabilities		(1.035)	102.324
Bank loan payment		(7.541)	-
Increase in share capital		-	5.040
Increase in share premium		-	2.859
Increase in treasury shares		-	(89)
Interest paid		(28.879)	(25.226)
Dividend paid	9ii-d	(452)	(241)
Net cash generated from financing activities		**(37.907)**	**84.667**
Net increase / (decrease) in cash and cash equivalents		**27.856**	**12.438**
Cash and cash equivalents at 1 January	4	25.122	12.684
Cash and cash equivalents at 31 December	4	52.978	25.122

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

notes to the consolidated financial statements prepared according to international financial reporting standards

(Amounts expressed in thousands of New Turkish lira (TRY), unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Çimentaş İzmir Çimento Fabrikası Türk A.Ş. ("Çimentaş"), the parent company, was established on 7 August 1950, and operates in the production, sale and distribution of cement. Çimentaş is owned by Cementir Group operating in Italy (Note 25).

Çimentaş has the following subsidiaries (the "Subsidiaries") and the nature of the business of the subsidiaries is as follows:

Subsidiaries	Operating country	Nature of business
• Çimbeton Hazır Beton ve Prefabrik Yapı Elemanları San. ve Tic. A.Ş. ("Çimbeton")	Turkey	Ready mixed concrete production
• Kars Çimento Sanayi ve Tic. A.Ş. ("Kars Çimento")	Turkey	Cement production
• Bakırçay Çimento San. ve Tic. A.Ş. ("Bakırçay")	Turkey	Cement production
• Destek Organizasyon Temizlik, Akaryakıt, Tabldot Servis San. ve Tic. A.Ş. ("Destek")	Turkey	Service
• Elazığ Altınova Çimento Sanayii Tic. A.Ş. ("Elazığ Çimento")	Turkey	Cement and ready mixed concrete production
• Yapıtek Yapı Teknoloji San. ve Tic. A.Ş. ("Yapıtek")	Turkey	Non-operative
• Alfacem S.r.l. ("Alfacem")	Italy	Financial agent
• Globocem S.L. ("Globocem)	Spain	Financial agent
• Cemit LLC. ("Cemit")	Russia	cement production and trade

Çimentaş and its subsidiaries (the "Group") acquired 99.99% of llion Çimento on 3 May 2007 which is located in Manisa, for a purchase amounted TRY 1.624.145 which consists of USD 1.150.000 and price adjustment amounted TRY 78.600 (Note 17). 100% of Cemit on 12 September 2007 which is located in Russia for a purchase amounted TRY 151 thousand. Due to immaterial amount in this acquisition, clauses of International Accounting Standards (IAS) 3," Business Combinations" has not been applied (Note 17). On 21 September 2006, the Group acquired 99.99% of shares of Elazığ Çimento for a acquisition consideration of TRY 161.116 thousand (US Dollar 110.000.000) and according to the share transfer agreement dated 31 July 2006, related shares has been taken over and purchased by transfer on 21 September 2006 (Note 17).

The Group mainly operates in ready mixed concrete and cement sectors and gross sales of these operations are 94% of total gross sales (2006: 93%). 87% of the sales and operations are in Turkey and export sales to Europe and Middle East are respectively 6% and 7% of gross sales (2006: 7% and 5%). According to these results, segment reporting is not needed.

The Group is registered in Turkey. Çimentaş and its subsidiary Çimbeton are listed companies that shares equivalent to 2,20% of Çimentaş (31 December 2006: 2,20%) and shares equivalent to 15, 26% of Çimbeton (2006: 15,26%). Elazığ Çimento that was acquired in 2006, is subject to İstanbul Stock Exchange Regulations because of the number of shareholders, is not listed in any stock exchange market.

The address of the registered office is as follows:

Kemalpaşa Cad. No: 4
35070 Işıkkent / İzmir

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Application of Accounting Standards

The Group's consolidated financial statements are prepared according to the accounting and reporting principles issued by Capital Market Board (CMB Accounting Standards). CMB issued an extended set of accounting principles in No: XI-25 “Communiqué on Accounting Standards in Capital Markets”. In this communiqué it is stated that the alternative application of the accounting standards issued by International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC) is also acceptable.

In accordance with its decision dated 17 March 2005, CMB announced that, effective from 1 January 2005, the application of inflation accounting is not necessary for the companies operating in Turkey and preparing its financial statements in accordance with CMB Accounting Standards. Therefore International Accounting Standard 29 (IAS 29), "Financial Reporting in Hyperinflationary Economies” is not applied but all standards related with valuation and the amendments to these standards are applied in financial statements.

Financial statements and related notes are presented in the form, which is obliged by CMB with its announcement dated 20 December 2004.

Financial statements are prepared in New Turkish Lira and based on historical cost, except for the financial assets and liabilities expressed in their fair values. The company and its subsidiaries prepare accounts and financial statements in terms of New Turkish Lira (TRY) corresponding to the uniform accounting of Turkish Business Law, Law Legislation, and Finance Ministry. Subsidiaries located in Russia Italy and Spain prepares financial statements corresponding to legislation of their companies. With the aim of presentation of accurate consolidated financial statements in line with Capital Market Board Accounting Standards, reclassifications are reflected in the legal accounts of subsidiaries.

2.2 Restatement for the Effects of Hyperinflation

Inflation adjustment has not been made for the interim period 31 December 2007 and 2006.

2.3 Basis of Consolidation

The consolidated financial statements include the accounts of Çimentaş as the main company and its subsidiaries .The financial statements of the companies subject to consolidation are included into the consolidation in accordance with the uniform accounting policies as of the 31 December 2007 in which financial statements are explained.

Subsidiaries

The Subsidiaries are companies over which Çimentaş has power to control the financial and operating policies for the benefit of Çimentaş. The source of this control power is that Çimentaş has more than 50% of the voting rights in the Group by means of its shares owned directly or indirectly. Subsidiaries' financial reports are included into consolidated financial reports within the period from the beginning of management control until the end of it.

The minority shareholders' share in the net assets and results of the subsidiaries for the years ended are classified separately as minority interest in the consolidated balance sheet and in consolidated statement of income. (Note 24)

The following table represents the Group's shareholding structure in terms of all direct and indirect shares in all subsidiaries that come together directly or indirectly under control of the Group as of 31 December 2007 and 2006.

	Direct and indirect control by Çimentaş and its subsidiaries (%)	
	2007	**2006**
Kars Çimento	97,78	97,78
Elazığ Çimento	97,92	97,92
Bakırçay	97,84	97,84
Destek	99,98	99,98
Yapıtek	99,81	99,81
Alfacem	99,01	99,01
Globocem	99,01	99,01
Çimbeton	84,74	84,74
İlion Çimento	84,74	-
Cemit	100,00	-

Translation of Foreign Currency

I) Functional and reporting currency

Financial statements of each company in the group are calculated in the currency of the main economy in where company locates and operates. (Functional currency). Consolidated financial statements represent figures in New Turkish Lira which is the currency of the parent company.

II) Translation of financial statements of subsidiaries operating in foreign countries

The financial statements of the subsidiary that operates in the foreign country have been prepared according to the valid regulation in the country of operation. At the same time required corrections and reclassifications required by the CMB Accounting Standards are made. The assets and liabilities of the foreign subsidiary have been are translated into TRY by using the balance sheet date exchange rate. Income and expenses are translated into TRY by using an average exchange rate. The foreign exchange rate differences arising from using ending and average exchange rates are followed in "translation differences" in shareholders' equity.

III) Eliminations in consolidation

The balance sheets and statements of income / (loss) of the subsidiaries listed above are consolidated on a line-by-line basis and the carrying value of the investment held by Çimentaş and the subsidiaries is eliminated against the related shareholders' equity. Inter-company transactions and balances between the group companies are eliminated. The cost of and the dividends arising from shares held by Çimentaş in its subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

2.4 Comparative Information and Adjustments in Previous Periods
To allow the determination of fiscal situation and performance trends, Group's consolidated financial statements are prepared relative to the previous period. There is no adjustment in the previous period consolidated financial statements.

2.5 Net-off / Deduction
Items considered as important according to their natures and amounts are presented in the financial statements seperately. Immaterial amounts which are similar according to their characteristics and functions are presented together. In case of the existence of necessities to comply on substance over form figures can be presented over their impaired or net amounts. It is not contrary to the subject above. Income received by the Group except from the revenues mentioned in section "revenues recognition" are presented over their net amounts provided that they complies with the substance over form.

NOTE 3 - VALUATION PRINCIPLES / ACCOUNTING POLICIES APPLIED

The significant accounting policies followed in the preparation of consolidated financial statements are summarized below:

I. Revenue recognition
Revenues are measured at the fair value of the consideration received or receivable and recognized at the time significant risks and rewards are transferred to the buyer. Net sales represent the recognized value of goods shipped or services completed less sales returns and commissions (Note 36), excluding sales taxes. Interest income, unless it is doubtful, booked based on the efficient interest method in the period it is accrued. Rent income is accounted on the basis of accrual. Dividend income is recorded as income on the date of collection right occurred.

II. Inventory
Inventories are valued at the lower of cost or net realizable value. Net realizable value is calculated as the expected sales price minus expected finishing cost and required expected cost of sales. Cost elements included in inventories comprise all purchase costs, conversion costs and other costs afforded to get inventories into current position. The costing method is process-costing method and cost of inventories is determined on a weighted average basis (Note 12).

III. Tangible assets
Tangible assets, that are purchased before 1 January 2005 are carried at cost restated to equivalent purchasing power of TRY at 31 December 2004 and purchased after 1 January 2005 are carried at cost less accumulated depreciation and impairment loss (if any) in each case. Depreciation is provided on the restated amounts for property, plant and equipment on a straight-line basis (Note 19) with the depreciation rates reflecting the economic useful lives stated below. Land is not depreciated as it is deemed to have an indefinite life.

The economic useful lives for tangible assets are as follows:

	Estimated economical life
Land improvements	5 - 50
Buildings	25 - 50
Machinery and equipment	5 - 63
Motor vehicles	5 - 10
Furniture and fixtures	5 - 10
Other tangible non current assets	5

When the carrying amount of an asset is greater than its estimated recoverable amount, which is higher of an asset's net selling price and its value in use, it is written down immediately to its recoverable amount. Gain or losses on disposals or on impairments are determined by reference to their carrying amounts and are included in the related income and expense accounts. (Note 38)

Repair and maintenance expenses of property plant and equipment are normally booked as expense. However, under exceptional circumstances, if repair and maintenance result in improvement of the asset, than those expenses could be capitalized and depreciated based on the remaining useful life of the related asset.

IV. Intangible assets

Intangible assets comprise acquired İT systems and software copyrights. Intangible assets, that are purchased before 1 January 2005 are carried at cost restated to equivalent purchasing power at 31 December 2004 and purchased after 1 January 2005 are carried at cost less accumulated amortization and impairment loss, if any, in each case. Intangible assets are amortized on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition. In case of impairment, the carrying amount of the intangible asset is written down to its recoverable amount.

V. Impairment on assets

On every balance sheet date, the Group evaluates whether there is an indicator of impairment on each item of asset, except for the deferred tax asset (Note 14) and goodwill (Note 17). Impairment test of goodwill is made on the same date of every year and if an indicator of impairment is realized, then the related impairment test repeated more often. If such indicator exists, the recoverable amount of the related asset is estimated. Recoverable amount of tangible assets, that are not suitable for usage, are estimated on every balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, which is higher of an asset's net selling price and its value in use, impairment occurs. Losses on impairments are included in the related expense accounts.

Impairment loss on an asset is reversed; provided that the increase in the recoverable amount of that asset is related with the event occurred the following periods.

VI. Borrowing costs

Borrowings are recognized initially at the borrowing date with an amount that is calculated as the borrowed amount less the transaction cost. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. The difference between amortized cost and initial cost is expressed as financial expense in the income statement. Borrowing costs, if any, are expensed as incurred. When cost of financing occurs due to loans, it is reflected to consolidated income statements (Note 39).

VII. Financial assets

Classification of financial investments is determined with accordance to the purpose of the investments. The Group classifies the financial investment at the acquisition date and reviews this classification on every balance sheet date. Group's financial investments are classified as listed below:

a) Credits and Receivables

Receivables are non-derivative financial assets that are not quoted in an active market and they consist of constant or stable payments. Receivables occur when the Group directly provides money, product or service to a debtor. If their due dates are less than 12 months, they are classified as short-term; if more than 12 months, then they are classified as long-term assets. Receivables are included in trade receivables and other receivables in the balance sheet. Receivables are recorded after decreasing transaction costs of the related sum. Receivables are indicated on discounted cost value by using the effective interest method.

b) Available for sale investments

The financial instruments that are held irrespective of a certain period of time and could be sold due to the fulfillment of liquidity need or changes in the interest rates are classified as available for sale investments. These assets are classified in non-current assets unless the Group management has the intention of holding this financial instrument less than 12 months or needs to sell this instrument for increasing the working capital. In the latter case, it should be classified in current assets. The Group management reviews this classification regularly.

All financial investments are initially recognized at cost including acquisition charge associated with the investment. The Group evaluates its available for sale investments with their fair values and recognizes the fair value differences under shareholders' equity (Note 16). The gains and losses related to the available for sale investments are accounted in shareholders' equity, until they are omitted from the consolidated financial statements. The difference between the acquisition value and fair value of available for sale investments is reflected to consolidated income statement if it is permanent.

VIII. Business Combinations

The Group applies the clauses of International Financial Reporting Standard 3 (“IFRS 3”) “Business Combinations” in purchase and sale transactions. The difference occurred between the acquiring cost and the fair value of the purchased company is booked as goodwill unless there is another identifiable intangible asset (Note 17).

In business combinations between Cementir Group and Çimentaş Group, which are purchase-sale transactions under joint control, the clauses of International Financial Reporting Standard 3 (“IFRS 3”) “Business Combinations” could not be applied as the related transactions are not included by IFRS 3 or any other IFRS. Thus in such transactions positive or negative goodwill is not calculated. The difference occurred between the acquiring cost and the net assets of the purchased company are booked in a different account under shareholder's equity. Also in these purchases the transactions between parties are eliminated during preparation of consolidated financial statements (Note 32).

IX. Earnings per share

Earnings per share in the income statement are calculated by dividing net income for the period by the weighted average number of shares of the Group within the period

In Turkey, the companies can increase their capitals by distributing bonus shares from the previous years' profits to their shareholders. Such distribution of bonus shares is evaluated as issued stock in all the periods presented in the financial statements when calculating the profit per share. According to this, the weighted average number of shares is calculated by taking retroactive effects of the share distribution into consideration (Note 42).

X. Events after balance sheet date

Events after balance sheet date are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even they occur after the date which the financial statements or any declaration related to profit are announced (Note 34).

The Group adjusts amounts in the financial statements if events after the balance sheet date give rise to any adjustments. The cases that occur after the balance sheet date but do not require adjustment are explained in financial statement footnotes as long as they affect the economical decisions of financial statement users.

XI. Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

When the time value of money is significant, the provision amount is determined as discounted value of the amount that is expected to be needed to fulfill the obligation. The interest rate in the market and the risk related with the obligation is considered while determining the discount rate. The discount rate should be the pre-taxation rate. This discount rate does not include risk related with the future cash flow estimate.

Liabilities and assets that can be affirmed by realization of one or more indefinite future events, which are not fully under the control of the Group and result from past events, are evaluated as conditional liabilities and assets and are not included to the financial statements (Note 31).

XII.Accounting policies, changes in accounting estimates and errors

Major changes in accounting policies and identified errors are applied and corrected retrospectively. If changes in accounting estimates are related to only one period, then they are applied in the period that the change occurs; if they are related to the future periods, then they are applied both in the period that the change occurs and future periods.

XII. Leasing Transactions

Leasing transaction in which the major part of the risk and return of the property belongs to the leaser is classified as leased operations. Payments made as rent of business is booked as expense to the income statement on a straight-line basis along the leasing period.

XIV. Related Parties

For the purpose of the consolidated financial statements, Group personnel, the shareholders, key management personnel and board members, their families and the companies controlled by or affiliated with them and are considered and referred to as related parties (Note 9).

XV. Segment Reporting

The Group mainly operates in ready mixed concrete and cement sectors and gross sales of these operations are 94% of total gross sales (2006: 93%). 87% of the sales and operations are in Turkey and export sales to Europe and Middle East are respectively 6% and 7% of gross sales (2006: 7% and 5%). According to these results, segment reporting is not needed.

XVI. Construction Agreements

None (2006: None).

XVII. Abandoned operations

None (2006: None).

XVIII. Government Incentives

Government incentives are recorded systematically into income statement in order to provide a comparison with related costs (Note 30).

XIX. Tangible assets held for investment

None (2006: None) (Note 18)

XX. Taxes on corporate income

The income tax liability of the period includes current year's corporation tax and deferred tax. Corporation tax is payable at a statutory tax rate on the total income of the Group after adjusting the certain disallowable expenses, exempt income and investment and other allowances (Note 41).

Adjustments related to the previous years' tax liabilities is reported under the title of other expenses and losses.

Deferred tax assets and liabilities are recognized based upon temporary differences arising between their financial statements as reported for IFRS purposes and their tax financial statements. The rate used for the calculation of deferred tax is the statutory tax rate effective at the balance sheet date (Note 14).

Deferred tax assets or liabilities are expressed in the financial statements at the rate of increase or decrease in the tax amount when the temporary differences disappear in the future. Deferred tax liabilities are recognized for all taxable temporary differences; whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is possible that future taxable profit will be available against which the deductible temporary difference can be utilized.

The net-off deferred tax asset and liability related with corporate tax is realized in each entity due to following up the accounts by the same tax authority. But deferred tax of parent company and its subsidiaries are not done in consolidated financial statements. (Notes 14 and 41)

XXI. Provision for employment termination benefits

Under Turkish Labor Law, the Group is obliged to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause (i.e. is called up for military service, dies or who achieves the retirement age). The provision has been calculated by estimating the present value of the future likely obligations of the Group arising from the retirement of the employees (Note 23).

XXII. Retirement Plans

None (2006: None).

XXIII. Agricultural operations

None (2006: None).

XXIV. Cash flow statement

In cash flow statements, cash inflows and outflows of the period are classified and reported, based on operating, investing and financing activities (Note 43).

Cash flows from operating activities are the results of Group's operations.

Cash flows from investing activities are the results of Group's investments (purchase of tangible assets and financial investments).

Cash flows from financing activities are the results of Group's cash usage for financing activities and repayments of these cash usage.

Cash and cash equivalents comprise cash on hand, due from banks with maturities less than 3 months and investments with high liquidity and low risk of exchange (Note 4).

XXV. Repurchase Agreements

None (2006: None).

XXVI. Trade receivables and related impairment

Trade receivables that are created by the Group by providing goods or services directly to a debtor are carried at amortized cost. Short-term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

XXVII. Share capital and dividends

Ordinary shares are classified as equity. Dividends distributed are deducted from retained earnings on the period of distribution.

XXVIII. Derivative Financial Instruments

Derivative financial instruments are initially recognized in the balance sheet at cost (including transaction costs) and are subsequently recalculated at their fair value. Derivative financial instruments of the group consist of only forward contracts. These derivative financial instruments are classified as trading derivative instruments in compliance with declaration part 11 “Financial Instruments” and fair value gains and losses of these derivative financial instruments are accounted in the income statement.

XXVX. Financial instruments and risk management

The Group's activities exposed to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the financial performance of the Group.

Risk management is applied within the context of the policies approved by the Board of Directors.

Market Risk

I. Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

II. Foreign Exchange Risk

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation to New Turkish Lira of foreign currency denominated assets and liabilities. Current risks are monitored by the board of directors in regular meetings and these risks are monitored and foreign exchange position and the financial effect of change in foreign exchange is closely followed. For management of possible foreign exchange risk arises form trading operations, assets and liabilities in foreign currency, the group follows the policy that aims to increase the variety of foreign exchange basket. The foreign exchange risk is followed by analyzing of foreign currency position (Note 29).

III. Price Risk

Operational profitability and cash inflow from these operations of the group is affected from the change in the price of raw material and cement and competition in the operational area. So the prices are followed closely in the cement sector and cost saving actions is taken into consideration to reduce the pressure of costs on prices. The current risks are monitored by regular meetings by management board.

Shareholders' Equity Risk Management

The targets of the Group in managing shareholders' equity are to obtain gains for shareholders and to decrease cost of capital for the persistance of the Group's operations by adequate capital.

The group can change the dividend payment that will be paid to shareholders, can give back capital of shareholders or can sell assets to decrease debt amount.

In line with other company in the same sector, Group monitor capital by total liabilities / shareholders' equity ratio. This ratio is found by dividing net liabilities/shareholders'equity. Net liabilities is found by substracting current liabilities from total liabilities. (it includes credits, trade and related parties liabilities and other liabilities).

	31 December 2007	**31 December 2006**
Total Liabilities	421.624	462.847
Less: cash and cash equivalents (Note 4)	(52.978)	(25.122)
Net liability	368.646	437.725
Total Shareholders' Equity (Note 28)	727.139	604.366
Liability/Shareholders' Equity Ratio	**51%**	**72%**

Liquidity risk

Provident Liquidity risk management means the employability of funding lines and the power for closing market position. The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from lenders. The group follow up accounts receivables to collection on due time for achieving continuos liquidation and the group works hard on to prevent any burden due to delay in colection and as a result of bank negotiations, in case of need, cash and noncash credit limits are defined.

As of 31 December 2007, the group'slong term financial liability is TRY 220.616 thousand (2006: TRY 303.217 thousand) (Note 6). As of 31 December 2007, the group's long term financial assets are TRY 376.269 thousand. (2006: TRY 364.097 thousand) (Note 16)

Credit Risk

Ownership of financial assets implies the risk that counter-parties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk to any individual counter-party (except from the related parties) and by guarantee contracts.). The group manages this risk by updating guarantees and determines credit limits by received guarantees. Use of credit limits are always observed by the group and credit quality of customers are evaluated by regarding financial positions, previous experiences and other factors. Trade Receivables are evaluated by management regarding previous experiences and current economic position and after adequate accrual it is presented in net amounts in balance sheet. (Note 7)

Fair value of financial instruments

Fair value is the amount at which a financial instrument can 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 Group has made an estimate of financial instruments' fair values by using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data in order to estimate the fair value. Accordingly, the estimates presented herein do not necessarily indicate the amounts that the Group could realize in a current market exchange.

The following methods and assumptions had been used to estimate the fair value of the financial instruments in the case where it is practicable to estimate fair value:

Monetary assets

The fair values of balances denominated in foreign currencies, which are converted at year-end exchange rates, are considered to approximate carrying value. The fair values of cash and amounts due from banks are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values. Financial assets that fair value change accounted in the income statement are considered to reflect their fair value if they have a quoted price. Available for sale investments are considered to reflect their fair value if they have a quoted price.

Monetary liabilities

Fair value of bank credits is explained in note 6. It is assumed that booked value of trade liabilities and other monetary liabilities is approximately same as their fair values.

XXX. Significant accounting estimates and decisions

Preparation of consolidated financial statements requires estimates and assumptions to be used to determine the amounts of assets and liabilities reported at the balance sheet date, income and expenses reporting during the fiscal period and to explain contingent assets and liabilities. Although those estimates and assumptions based on the best knowledge of the Group management about the events and transactions, actual results may be different from the assumption. The significant accounting estimates are as follows:

Taxes on income

There are various transactions and calculations which are realized during the normal work flow and their uncertain effects on final tax assessment on income makes significant consideration is necessary. The group records extra tax liabilities caused by possible tax considerations. If the final results of such tax considerations differ from the initial situation, this may affect income tax and deferred tax balances.

Fair value calculation of financial assets available for sale

If any current value of financial assets available for sale does not exist in stock exchange, generally accepted fair value determination method includes the best estimations based on some assumptions of the Group management (Note 17).

Impairment of goodwill

In order to test the impairment of goodwill arising from these acquisitions in accordance with the International Accounting Standard 36 (IAS 36), "Impairment of Assets", the Group considered the outcome of the recent transactions within the cement sector in Turkey by adjusting risks and other factors like the price differences in regions. (Note 17)

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2007	31 December 2006
Cash	62	123
Banks		
• demand deposits	7.068	11.386
- Foreign currency	4.259	8.408
- New Turkish Lira	2.809	2.978
• time deposits	45.848	13.613
- Foreign currency	43.610	9.959
- New Turkish Lira	2.238	3.654
	52.978	**25.122**

As of 31 December 2007, the maturing date of the group's time deposits is 1 month and consist of Euro 17.204.738 and USD 15.782.472 (2006: Euro 7.848.380 and USD 2.728.632).

The annual effective interest rate of related currency is as follows:

	31 December 2007	31 December 2006
Time deposits in TRY	16,55%	17,96%
Time deposits in USD	5,21%	-
Time deposits in EUR	4,17%	3,58%

NOTE 5 - MARKETABLE SECURITIES

None (2006: None)

NOTE 6 - FINANCIAL LIABILITIES

	31 December 2007		31 December 2006	
	interest rate p.a (%)	thousand TRY	interest rate p.a (%)	thousand TRY
Short-term financial liabilities:				
Loans in US Dollar	-	-	5, 54	113.867
Loans in TRY	-	-	-	81
			-	**113.948**
Short-term portion of long-term financial liabilities:				
Loans in US Dollar	4, 99	145.588	5, 54	1.169
Loans in Euro	6, 87	3.176	9, 00	1.338
Loans in Japan Yen	-	-	3, 73	1.382
		148.764		**3.889**
Total short-term financial liabilities		**148.764**		**117.837**
Long-term financial liabilities:				
Loans in Euro	7, 69	220.616	9, 00	157.378
Loans in US Dollar	-	-	5, 54	141.867
Loans in Japan Yen	-	-	3, 73	3.972
Total long-term financial liabilities		**220.616**		**303.217**

Redemption schedule of principal payments for long-term financial liabilities as of 31 December 2007 and 2006 is as follows:

	31 December 2007	31 December 2006
2008	-	140.560
2009	-	1.307
2010	7.524	3.973
2011	15.050	-
2012	15.050	-
2013	182.992	157.377
	220.616	**303.217**

As of 31 December 2007, long-term bank borrowings comprise of US Dollar 100.000.000 (2006: USD 100.000.000) for the acquisition of Lalapaşa Çimento Ticari ve İktisadi Bütünlüğü ("Lalapaşa") and Euro 85.000.000(2006: Euro 85.000.000) for the acquisition of 99, 01% of Alfacem S.r.l., which holds 25% of Aalborg and Euro 44.000.000 and USD 25.000.000 (2006: USD 81.000.000) for the acquisition of Elazığ Çimento interest payments of these loans are made quarterly and semi-annually, respectively. AS of 31 December 2006, the long-term bank borrowings amounting Japan Yen 449.013.704 and USD 1.550.000 is transferred from Elazığ Çimento and the payment of all this bank loan is finalized in 2007.

Carrying amount and fair value of bank loans are as follows:

	Carrying Amount		Fair Value	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Bank Loans	**369.380**	**421.054**	**381.587**	**458.623**

Fair value of bank loans is determined by discounted cash flow method and used effective average interest rate is 5.65% for euro and 4.28% for US Dollars, annually. (2006: effective average interest rate is 4,00% for Euro, 5,13% for US Dollars and 0,58% for Japan Yen).

Carrying values of bank loans according to maturity date and classified according to remaining time to revaluation price date determined by agreement are as follows:

	Up to 3 months	3 months -1 Year	Total
31 December 2007:			
Loans with variable rate	147.006	77.007	224.013
Loans with fixed rate	-	-	145.367
	147.006	**77.007**	**369.380**
31 December 2006:			
Loans with variable rate	254.560	7.778	262.338
Loans with fixed rate	-	-	158.716
	254.560	**7.778**	**421.054**

There are no guarantees given for bank loans. (2006: None)

As of 31 December 2007, according to the sensitivity analysis if interest rate increases by 1% with the other variables remain constant, net income for the period would be TRY 2.208 thousand less (As of 2006, it would be less amounted TRY 2.620 thousand) .

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2007	31 December 2006
I. Short-term trade receivables:		
Customer current accounts	59.050	58.932
Cheques and notes receivable	15.785	14.899
Other	68	129
	74.903	**73.960**
Less: Unearned financial income	(735)	(1.031)
Provision for doubtful receivables	(1.902)	(627)
Trade Receivables- net	**72.266**	**72.302**

As of 31 December 2007 and 2006 the average effective interest rate on trade receivables for the related currencies are as follows:

Trade receivables in TRY	16,26%	18,58%
Trade receivables in US Dollars	4,63%	5,33%
Trade Receivables in euro	4,41%	3,63%

The maturity date of trade receivables excep fr cheques and note receivables is 2 months. (2006: 2 months)

The due dates of cheques and notes receivable are as follows:

0-30 days	8.477	9.033
31-60 days	4.464	3.436
61-90 days	1.668	1.367
91 days and above	1.176	1.063
	15.785	**14.899**

Guarantees received for Trade Receivables

Trade recievables of the Group arises from cement and ready-mixed concrete sales. As of 31 December 2007, there are guarantees and mortgages received amounted TRY 83.206 thousand (2006: TRY 55.128 thousand). For overdue trade receivables with any doubtful receivables provisions amounted TRY 72.266 thousand (2006: TRY 72.302 thousand). Regarding to the Group's historical experience at collection of accounts receivable, management does not seem any significant collection problem.

Aging Analysis of trade Receivables

As of 31 December 2007 and 2006, aging analysis of trade receivables with no doubtful provisions is as follows:

	31 December 2007	31 December 2006
Overdue trade receivables	14.641	6.649
0-30 days	30.702	36.182
31-60 days	18.758	21.547
61-90 days	6.262	5.550
91-120 days	1.700	1.852
121 days and over	203	522
	72.266	**72.302**

As of 31 December 2007, there are guarantees received amounted TRY 57.964 thousand (2006: TRY 27.005 thousand) for overdue trade receivables amounted TRY 14.641 thousand (2006: TRY 6.649 thousand).

As of 31 December 2007 and 2006, aging analysis of overdue-trade receivables is as follow:

0-1 month	6.072	3.582
1-3 month	6.470	2.962
3-6 month	2.099	105
	14.641	**6.649**

Movement of doubtful receivables is as follows:

	2007	2006
1 January	**627**	**609**
Provision for doubtful receviables (Note 38-b)	1.342	-
Increase due to acquisition of the subsidiary	-	18
Collection during the period (Note 38-a)	(67)	-
31 December	**1.902**	**627**

	31 December 2007	31 December 2006
II. Long-term Trade Receivables:		
Deposits and guarantees received	142	137
III. Short-term Payables:		
Supplier current accounts	42.284	31.695

Deposits and guarantees received	317	1.341
	42.601	**33.036**
Less: Unaccrued financial costs	(437)	(467)
Trade Payables- net	**42.164**	**32.569**

As of 31 December 2007 and 2006, the effective interest rates used to calculate unaccrued financial costs in short-term trade payables in TRY, Euro and USD are as follows:

Trade Payabels in TRY	16, 22%	18, 51%
Trade Payables ın USD	4, 61%	5, 34%
Trade Payables in EUR	4, 41%	3, 66%

The average due dates of supplier current accounts are 2 months (2006: 2 months).

NOTE 8 - LEASING RECEIVABLES AND PAYABLES

None (2006: None).

NOTE 9 - DUE FROM AND DUE TO RELATED PARTIES

Due to and due from related parties as of 31 December 2007 and 2006 are as follows:

I) Balances with related parties:

	31 December2007	**31 December2006**
a. Due from related parties:		
Receivables from employees	836	-
Çimentaş Education and Health Fund (“Çimentaş Fund”)	130	67
Cementir	69	579
Other	59	38
	1.094	**684**

Due to maturity date less than 2 months and immaterial unaccrued interest income receviables from the related parties are valued over not discounted invoices amount.

b. Due to related parties:		
Payables to employees	1.088	386
Cementir	304	1.306
Çimentaş Fund	101	175
Other	62	245
	1.555	**2.112**

As of 31 December 2007, payables to employess includes bonus pyments. Cementir includes payables of Administrative services to t Cementir. Due to maturity date less than 2 months and immaterial unaccrued interest expense, payables to the related parties are valued over not discounted invoices amount.

II) Transactions with related parties:

	1 January - 31 December2007	**1 January - 31 December2006**
a. Product sales to related parties		
Çimentaş Fund	867	606

Cementir	-	3.380
	867	**3.986**

As of 31 December 2007, product sales to Cementir include export relized through Cementir but in the period of this report exports are realized by the Group.

b. Service purchases from related parties:

Cementir	629	2.367
Çimentaş Fund	170	213
	799	**2.580**

Services purchases from Cementir consist of human resources, strategy improvement and assurance services.

c. Remuneration of directors and key management personnel:

Remuneration of directors and key management personnel	3.156	2.994

d. Dividend Payments:

Çimentaş Fund	452	241

NOTE 10 - OTHER RECEIVABLES AND LIABILITIES

	31 December2007	31 December2006
a) Other Short-Term Receivables		
Value added tax transferred	1.794	1.152
Job advances given	344	516
Prepaid corporate taxes to be deducted	21	153
Other	63	232
	2.222	**2.053**
b) Other Short-Term Liabilities		
Taxes, fund and social security premium payable	4.147	4.337
Expense provisions for derivatives (Notes 31-f and 38)	3.068	-
Payable due to acquisition of the subsidiary (Note 17)	234	-
Other	88	64
	7.537	**4.401**

The original maturity of the payable due to acquisition of the subsidiary is 1 month. (2006: none).

NOTE 11 - BIOLOGICAL ASSETS

None (2006: None).

NOTE 12 - INVENTORY

	31 December 2007	31 December 2006
Raw materials	15.380	16.475
Work-in-process	18.300	10.160
Finished goods	1.817	1.973
Trade goods	388	445
Spare parts	20.137	17.815
Other	683	438
	56.705	**47.306**

The cost of direct inventory expensed during the period is TRY 159.243 thousand (2006: TRY 139.052 thousand).

NOTE 13 - DUE FROM AND DUE TO ONGOING CONTRACTUAL AGREEMENTS

None (2006: None).

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

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

The Group calculates deferred tax assets and liabilities by recognizing the temporary differences arising between their financial statements as reported for IFRS purposes and Tax Procedure Law

The rate used for deferred tax assets and liabilities, calculated by future temporary differences method, is 20% (2006: 20%).

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities provided at 31 December 2007 and 2006 using enacted tax rates at the balance sheet date are as follows:

	Taxable temporary differences		**Deferred tax assets / (liabilities)**	
	2007	**2006**	**2007**	**2006**
Restatement differences on tangible and intangible assets	192.618	197.022	(26.269)	(27.150)
Depreciation of goodwill in legal books	82.811	55.207	(16.562)	(11.041)
Financial derivatives (Notes 10 and 15)	4.569	-	(914)	-
Income accrual for energy incentive	3.760	638	(752)	(128)
Tax exemptions deserved but not used	1.293	1.499	(259)	(300)
Dedeuctable financial loss	-	(11.741)	-	2.348
Revaluation differences on bank loans	(177)	3.069	68	(1.174)
Provision forwages and bonus	(494)	(1.245)	99	249
Provision for doubtful receivables	(1.202)	-	240	-
Provision for ongoing legal cases	(2.434)	(3.277)	487	655
Provision of employment termination benefits	(8.127)	(7.690)	1.626	1.538
Other	295	1.195	59	239
Deferred tax assets			2.579	5.029
Deferred tax liabilities			(44.756)	(39.793)
Deferred Tax Liability - net			**(42.177)**	**(34.764)**
Provision of employment termination benefits	(327)	(298)	65	60
Deductable financial loss	-	(1.519)	-	581
Other			66	1
Deferred Tax Assets - net			**131**	**642**

The movement of deferred tax is as follows:

	2007	2006
1 January	**(34.122)**	**(22.721)**
Deferred tax (loss) / income of the current period (Note 41)	(7.944)	504
Translation difference of foreign currrency	20	(17)
Additional tax due to acquisition of the subsidiary (Note 17)	-	(11.888)
31 December	**(42.046)**	**(34.122)**

NOTE 15 - OTHER CURRENT / NON - CURRENT ASSETS AND LIABILITIES

	31 December 2007	31 December 2006
I. Other Current Assets		
Income accrual for financial derivatives (Notes 31- f and 38)	7.637	-
Income accrual of energy incentive	4.495	1.448
Prepaid Expenses	1.050	508
Other	87	26
	13.269	**1.982**

Major part of prepaid expenses is insurance premiums.

II. Other non-current assets		
Prepaid Expenses	118	129

NOTE 16 - FINANCIAL ASSETS

On 23 June 2005, the Group has acquired 99, 01% of net assets of Alfacem which holds 25% of shares in Aalborg, of which fair value is Euro 365.922.000, for a purchase consideration of TRY 139.519 thousand (equivalent of Euro 85.000 thousand) and this investment is recognized at the fair value in the balance sheet as of 31 December 2005. The fair value of the related shares is determined based on the amount paid to third parties on 1 November 2004 by Cementir Group while purchasing 100% of Aalborg. As of 31 December 2006, shares of Aalborg are reflected to consolidated financial statement on their fair value of Euro 786.600.000 by means of discounted cash flow method. The investment in Aalborg is treated as an available-for-sale financial asset in the consolidated accounts of Çimentaş complied with purposes of IAS 28 requirements and is stated at fair value.

As of 31 December 2007 and 2006, available for sale investments are as follows:

	31 December 2007	31 December 2006
Aalborg	376.269	364.097
	376.269	**364.097**

The movement of available for sale investments during the period is as follows:

	2007	2006
1 January	**364.097**	**145.230**
Increase in fair value of financial assets available for sale (refer to change in equity statement)	39.958	203.942
Minority interest affect of increase in fair value of financial essets available for sale	324	2.039

Translation differences	(27.835)	12.758
Portion of translation differences on minority interest	(275)	128
31 December	**376.269**	**364.097**

NOTE 17 - POSITIVE / NEGATIVE GOODWILL

As of 31 December 2007 and 2006 pozitive goodwill is as follows:

	31 December 2007	31 December 2006
Goodwill resulted from the purchase of Lalapaşa	138.665	138.665
Goodwill resulted from the purchase of Elazığ Çimento	13.506	13.506
Goodwill resulted from the purchase of İlion Çimento	1.387	-
	153.558	**152.171**

I. Acquisition of Lalapaşa

Group participated in the auction for Lalapaşa arranged by Saving Deposits Insurance Fund ("SDIF") on 10 October 2005 and acquired Lalapaşa in exchange of TRY 223.510 thousand (USD 166.500.000). Following the confirmation of Competition Board and Fund Board, Lalapaşa has been transferred to the Group on 28 December 2005 and the acquisition is accounted in accordance with IAS 3. The difference between acquisition amount and the fair value of net assets of Lalapaşa is booked as goodwill as there is no other intangible asset identified in IAS 38. The goodwil arose from this operation was subjected to impairment test in accordance with International Accounting Standard 36 (IAS 36) "Impairment on Assets" as of 31 December 2006.

II. Acquisition of Elazığ Çimento

On 21 September 2006, the Group acquired 100% of shares of Elazığ Çimento for a acquisition consideration of TRY 161.116 thousand (US Dollar 110.000.000). The acquisition has been accounted for in accordance with the IFRS 3, Business Combinations. The resulting goodwill amounting to TRY 13.506 thousand has been accounted for in the consolidated financial statements.

Cost	
Cash paid	161.116
Total acquisition cost	**161.116**
Net fair value of acquired assets	**147.610**
Goodwill	**13.506**
Fair value of the acquired net assets	
Cash and cash equivalents	1.105
Tangible assets (Note 19)	164.057
Trade receivables	14.246
Inventories	8.852
Financial liabilities	(19.567)
Trade payables	(4.231)
Deferred tax liabilities (Note 14)	(11.888)
Provision for taxation	(4.178)
Provision for employment termination benefits (Note 23)	(2.255)
Other	1.469
Value of the acquired net asset	**147.610**
Goodwill	**13.506**
Total acquisition cost	**161.116**
Cash and cash equivalents in acquired asset	**1.105**
Cash Outflow	**(160.011)**

As of 30 September 2006, fair value of tangible assets has been determined by the independent experts and for the other current items, their discounted values by using the effective interest rate are considered as approximate to the fair values

In order to test the impairment of goodwill arising from these acquisitions in accordance with the International Accounting Standard 36 (IAS 36), "Impairment of Assets", the Group considered the outcome of the recent transactions within the cement sector in Turkey by adjusting risks and other factors like the price differences in regions as there is no binding sale agreement to be adjusted for incremental costs directily attributable to the sale in an arm's length transaction, and there is no active market for such transactions. In accordance with the results of the assessment based on the recent transactions within the cement sector, it has been concluded by the Group management that there was no impairment of the goodwill related eith the acquisitions of Elazığ and Lalapaşa as of 31 December 2007.

Group acquired 99.99% of İlion Çimento on 3 May 2007 which is located in Manisa, for a purchase amounted TRY 1.624.145 which consists USD 1.150.000 and price adjustment amounted TRY 78.600 (Note 17). The acquisition is accounted in accordance with IAS 3 and there is no other intangible asset identified in IAS 38. The difference between acquisition amount and the fair value of net assets of Lalapaşa is booked as goodwill as the goodwil arose from this operation was booked in consolidated interim period financial statements and amounted TRY 1.386.679.

Acquiring goodwill of the Company is asset, liability and contingent liabilities of the acquired company. The difference occurred between the acquiring cost and the fair value of the asset, liabilities, and contingent liabilities is booked as goodwill in consolidated Financial Statements. In business combinations, assets which are not presented in financial statements of the acquired company (i.e. carry loss), intangible assets (i.e. brand value) and/or fair value of contingent liabilities is presented in financial statements. Goodwill in acquired company is not considered as identified assets. (Note 17)

Cost	
Cash paid	1.361
Liability due to acqusition of subsidiary (*)	263
Total acquisition cost	**1.624**
Net fair value of acquired assets	**(237)**
Goodwill	**1.387**

Fair value of the acquired net assets	
Cash and cash equivalents	31
Tangible assets (Note 19)	318
Trade receivables	329
Trade Payables	(110)
Other	(331)
Value of the acquired net asset	**237**
Goodwill	**1.387**
Total acquisition cost	**1.624**
Liability due to acqusition of subsidiary	**263**
Cash and cash equivalents in acquired asset	**31**
Cash Outflow	**(1.330)**

As of 3 May 2007, Fair values of intangible assets are determined by an independent expertise and in other current acoounts it is assumed that deducted values determined by effective interest rate is approximate value.

(*) As of 31 December 2007, the liability amounted 234 thousand TRY due to change in foreign exchange (as of 3 May 2007 it is TRY 263 thousand) has not been paid, yet. TRY 29 thousand is booked as foreign exchange loss in consolidated financial statements. (Note 39)

NOTE 18 - TANGIBLE ASSETS HELD FOR INVESTMENT

Buildings that have been used neither for the Group's production of goods or service nor for managerial purposes and yet neither have been sold nor kept for rental or appreciation with the net book value of TRY 10.970.642 (31 December 2006: TRY 11.109.676), have been classified as tangible assets not for the purpose of investment. Such buildings are presented at the net value after deducting accumulated depreciation and impairment (if there is).

NOTE 19 - TANGIBLE ASSETS

The movement of tangible assets during the period 1 January - 31 December 2007 is as follows:

	1 January 2007	Additions	Disposals	Transfers	Additions by Acquisition of Subsidiary (Note 17.III)	31 December 2007
Cost:						
Land	97.186	547	-	-	-	97.733
Land improvements	59.235	48	-	1.236	-	60.519
Building	112.248	268	-	1.505	-	114.021
Machinery and equipment	606.666	1.388	-	27.060	95	635.209
Motor vehicles	28.375	193	(3.486)	-	-	25.082
Furniture and fixtures	21.138	357	(40)	419	17	21.891
Other tangible assets	3.540	5	(22)	-	-	3.523
Advances given and construction in progress	19.662	55.223	(541)	(30.220)	206	44.330
	948.050	**58.029**	**(4.089)**	**-**	**318**	**1.002.308**
Accumulated depreciation:						
Land improvements	(45.414)	(1.088)	-	-	-	(46.502)
Buildings	(51.926)	(2.155)	-	-	-	(54.081)
Machinery and equipment	(345.802)	(26.576)	-	-	-	(372.378)
Motor vehicles	(21.394)	(2.172)	3.442	-	-	(20.124)
Furniture and fixtures	(15.827)	(951)	28	-	-	(16.750)
Other tangible assets	(3.290)	(79)	22	-	-	(3.347)
	(483.653)	**(33.021)**	**3.492**	**-**	**-**	**(513.182)**
Net book value	**464.397**					**489.126**

The movement of tangible assets the period 1 - 31 December 2006 is as follows:

	1 January 2006	Additions	Disposals	Transfers	Additions by Acquisition of Subsidiary (Note 17.II)	31 December 2006
Cost:						
Land	53.431	61	-	-	43.694	97.186
Land improvements	54.409	423	-	403	4.000	59.235
Building	95.088	327	-	811	16.022	112.248
Machinery and equipment	512.431	2.992	(51)	3.806	87.488	606.666
Motor vehicles	32.462	1.416	(6.707)	-	1.204	28.375

Other tangible assets	19.466	483	-	435	754	21.138
Furniture and fixtures	3.450	106	(16)	-	-	3.540
Advances given and construction in progress	356	14.085	(136)	(5.538)	10.895	19.662
	771.093	**19.893**	**(6.910)**	**(83)***	**164.057**	**948.050**
Accumulated Depreciation						
Land improvements	(44.554)	(860)	-	-	-	(45.414)
Building	(50.142)	(1.784)	-	-	-	(51.926)
Machinery and equipment	(325.913)	(19.889)	-	-	-	(345.802)
Motor vehicles	(25.846)	(1.998)	6.450	-	-	(21.394)
Furniture and fixtures	(14.986)	(841)	-	-	-	(15.827)
Other tangible assets	(3.235)	(71)	16	-	-	(3.290)
	(464.676)	**(25.443)**	**6.466**	**-**	**-**	**(483.653)**
Net book value	**306.417**					**464.397**

(*) As of 31 December 2006, licence fee amounted TRY 83 thousand is transfered to intangible assets. (Note 20)

As of 31 December 2007 and 2006, the considerable amount of advances given and construction in progress include investment expenditures for renovation and modernization, which will be finished in 2008. Disposals in motor vehicles include mixer and pump sales.

Current period depreciation and amortization cost that is recognized under cost of sales amounts to TRY 29.736 thousand (2006: TRY 23.220 thousand), under general administrative expenses amounts to TRY 2.022 thousand (2006: TRY 1.539 thousand) and under sales and marketing expenses amounts to TRY 117 thousand (2006: TRY 139 thousand) and under inventory amounts to TRY 1.404 thousand (2006: TRY 754 thousand).

NOTE 20 - INTANGIBLE ASSETS

The movement of intangible assets during the period 1 January and 31 December 2007 is as follows:

	1 January 2007	Additions	Disposals	31 December 2007
Rights	3.304	426	-	3.730
Less: Accumulated amortization	(1.751)	(258)	-	(2.009)
Net book value	**1.553**			**1.721**

The movement of intangible assets during the period 1 January and 31 December 2006 is as follows:

	1 January 2006	Additions	Disposals	Transfers (Note 19)	Acquisiton	31 December 2006
Rights	2.925	79	-	83	217	3.304
Less: Accumulated amortization	(1.542)	(209)	-	-	-	(1.751)
Net book value	**1.383**					**1.553**

NOTE 21 - ADVANCES RECEIVED

As of 31 December 2007, advances received are TRY 988 thousand and TRY 862 thousand are cash advances. (As of 31 December 2006, advances received are TRY 2.711 thousand including cash advances received amounted TRY 2.380 thousand.)

NOTE 22 - RETIREMENT PLANS

None (2006: None).

NOTE 23 - EXPENSE PROVISIONS

As of 31 December 2007 and 2006, short-term expense provisions are as follows:

	31 December 2007	**31 December 2006**
Provision for Corporate Tax	3.510	2.405
Provisions for ongoing legal cases and penalties	3.013	6.995
Provision for personnel bonus payments	494	1.045
Other	727	437
	7.744	**10.882**

The movement of provisions for ongoing legal cases and penalties during the period is as follows:

	2007	**2006**
1 January	**6.995**	**3.780**
Provision of the current period (Note 38)	1.750	6.694
Payment for legal cases and penalties	(5.732)	-
Terminated provision (Note 38)	-	(3.479)
31 December	**3.013**	**6.995**

b) As of 31 December 2007 and 2006 long-term expense provisions are as follows:

Provision for employment termination benefits	**8.454**	**7.988**

Provision for employment termination benefits is booked based on the explanations below:

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who reaches the retirement age (58 for women and 60 for men) or the retirement right by completing 25 years of service (20 years for women).

The amount payable consists of one month's gross salary and other benefits limited to a maximum of TRY 2.030,19 at 31 December 2007 (31 December 2006: TRY 1.857,44) for each year of service.

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

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

CMB accounting standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

The basic assumption in the calculation is increasing the maximum provision by the inflation rate in each semi-year. Consequently, discount rate shows the real rate cleaned from expected effects of inflation. Provision of termination is arranged each semi-year. It is valid as of 1 January 2008, it is calculated TRY 2087,92. 1 January 2008: TRY 1.960,69)

Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2007	31 December 2006
Discount rate (%)	5, 71	5, 71
Turnover rate to estimate the probability of retirement (%)	99, 12	99, 24

Movements of the provision for employment termination benefits during the period are as follows:

	2007	2006
1 January	**7.988**	**5.292**
Interest Cost	456	333
Increase in period	1.407	991
Actuarial Loss	14	153
ETB Paid	(1.411)	(1.036)
Addition with acquisition (Note 17)	-	2.255
31 December	**8.454**	**7.988**

Total amount of Interest cost, actuarial gain and loss and current service cost TRY 1.877 thousand added to general and administrative expenses. (2006: TRY 1.477 thousand) (Note 37).

NOTE 24 - MINORITY INTEREST

Movement of minority interest during the year is as follows:

	2007	2006
1 January	**11.728**	**4.948**
Current yeat priofit related to minority interest	1.137	606
Translation differences	(404)	6.174
31 December	**12.461**	**11.728**

NOTE 25 - CAPITAL/ADJUSTMENTS TO SHARE CAPITAL

As of 31 December 2007, the share capital of the Group is TRY 36.540 thousand, comprised of 36.540.000 shares with a face value of TRY 1 each (31 December 2006: Share capital is TRY 36.540 thousand, comprised of 36.540.000 shares with a face value of TRY 1 each).

The composition of the Group's shareholding is as follows:

	31 December 2007		31 December 2006	
	Share percentage (%)	**Share amount TRY**	**Share percentage (%)**	**Share amount TRY**
Intercem S.A.	67, 23	24.565	67, 23	24.565
Cementir Cementerie del Tirreno S.p.A.	29, 37	10.734	29, 37	10.734
Simest S.p.A	1, 20	438	1, 20	438
Public quotation	2, 20	803	2, 20	803
	100, 00	**36.540**	**100,00**	**36.540**
Cross-shareholding adjustment to capital		(89)		(89)
		36.451		**36.451**
Adjustment to share capital (*)		20.069		20.069
Total restated share capital		**56.520**		**56.520**

(*) Adjustment to share capital represents the adjustment of cash contributions to share capital in terms of the purchasing power at 31 December 2004 (Note 26-27-28).

Treasury shares of TRY 89 thousand (31 December 2006: TRY 89 thousand) represent Çimentaş shares obtained from third parties and are stated at cost values. The reason of the increase in treasury shares is the pre-emptive right used by Çimbeton during the share capital increase of Çimentaş. Total number treasury shares are 42.839 as of 31 March 2007. (31 December 2006: 42.839).

Share premium of TRY 70.721 thousand (31 December 2006: TRY 70.721 thousand) represents the excessive part of the difference between nominal and sales values of Çimbeton and Çimentaş shares issued to the public.

NOTES 26 - 27 - 28 - CAPITAL RESERVES, PROFIT RESERVES, RETAINED LOSSES

Retained earnings in statutory records can be distributed except for the clause explained below:

According to Turkish Commercial Code, there are two types of legal reserves: first legal reserve and second legal reserve. According to Turkish Commercial Code, first legal reserve is appropriated by the Company at the rate of 5% of net statutory profit until it reaches 20% of the paid-in share capital. Second legal reserve is 10% of the distributed profit exceeding 5% of the paid-in share capital. Under the Turkish Commercial Code, the legal reserves are not available for distribution unless they exceed 50% of paid-in share capital, but may be used to offset losses in the event that the general reserve is exhausted.

Publicly held companies are subject to dividend requirements regulated by the CMB as follows:

Effective from 1 January 2008 according to decision numbered 4/138 taken by Capital Markets Board of Turkey minimum dividend distribution rate is 20% (2006: 20%), based on the financial statements prepared according to the CMB communiqué. According to this decision, the opportunity to distribute dividends either in cash, in bonus shares or cash and bonus shares in specific proportions according to the decision taken in general assembly in case of adding cash or dividend to the group capital. If first dividend amount is less than 5% of registered capital, the related amount can be hold in group. In case of increase of capital without distribution dividends related to the preious periods and for this reason proportions are classifed as “new” and “old” in incorporated company, 1st dividend payment of 2007 must be distributed in cash.The companies may distribute dividends either in cash, in bonus shares not less than 20% of the distributable income or cash and bonus shares in specific proportions according to the decision taken in general assembly. The Group changed 1st dividend rate in the principal agreement to 50% according to the decision made at Administrative Board meeting dated 13.03.2007.

In the first restatement period in accordance with the CMB communiqué, the items of “Share Capital, Share Premium, Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves” are expressed in their historic amounts in the balance sheet. The restatement differences of these items take place in “Share Capital Restatement Differences” account in the shareholders' equity.

Share capital restatement differences could be used only for share capital increase in form of bonus shares or to offset losses and the historic values of extraordinary reserves could be used only for share capital increase, dividend distribution in cash or to offset losses.
As of 31 December 2007 and 2006 the shareholders' equity based on the clauses above is as follows:

	31 December 2007	**31 December 2006**
Share capital (historical amount)	36.540	36.540
Cross-shareholding adjustment to capital (historical amount)	(89)	(89)
Share premium (historical amount)	70.721	70.721
Fair value fund of financial assets available for sale	243.900	203.942
Adjustment to share capital	192.644	192.644
Legal reserves (historical amount)	2.543	2.543

Translation differences	(10.962)	10.260
Effect of sale of shares between companies jointly controlled	11.366	11.366
Net income for the period	104.489	34.704
Retained earnings	75.987	41.735
Total shareholders' equity	**727.139**	**604.366**

The restated amounts of the items above, which are expressed in their historic amounts and share capital restatement differences are as follows

	31 December 2007		
	Historic Amounts	**Restated Amounts**	**Adjustment to Share Capital**
Share capital	36.540	56.609	20.069
Cross-shareholding adjustment to capital	(89)	(629)	(540)
Share premium	70.721	117.049	46.328
Fair value fund of financial assets available for sale	243.900	243.900	-
Extraordinary reserve	-	95.193	95.193
Legal reserves	2.543	33.373	30.830
Translation differences	(10.962)	(10.962)	-
Effect of sale of shares between companies jointly controlled	11.366	11.366	-
Net income for the period	104.489	104.489	-
Retained earnings	75.987	76.751	764
	534.495	**727.139**	**192.644**

	31 December 2006		
	Historic Amounts	**Restated Amount**	**Adjustment to Share Capital**
Share capital	36.540	56.609	20.069
Cross-shareholding adjustment to capital	(89)	(629)	(540)
Share premium	70.721	117.049	46.328
Fair value fund of financial assets available for sale	203.942	203.942	-
Extraordinary reserve	-	95.193	95.193
Legal reserves	2.543	33.373	30.830
Translation differences	10.260	10.260	-
Effect of sale of shares between companies jointly controlled	11.366	11.366	-
Net income for the period	34.704	34.704	-
Retained earnings	41.735	42.499	764
	411.722	**604.366**	**192.644**

NOTES 29 - FOREIGN CURRENCY POSITION

The information about the foreign exchange risk of the group, in TRY equivalents, as of 31 December 2007 and 31 December 2006 is as follows:

	31 December2007		
	US Dollars	**Euro**	**Total**
Assets in foreign currency:			
Cash and Cash Equivalents	15.782	17.204	47.869
Trade Receivables	318	391	1.039
Due from related parties	-	40	69

Other current assets	8	2	12
Total Assets			48.989
Liabilities in foreign currency:			
Financial Liabilities	(125.000)	(130.857)	(369.380)
Trade Payables	(552)	(387)	(1.305)
Due to related parties	-	(178)	(304)
Other payables	-	(558)	(955)
Total Liabilities			(371.944)
Net foreign currency liability position			**(322.955)**

	31 December 2006			
	USD	**Euro**	**Other**	**Total**
Assets in foreign currency:				
Cash and Cash Equivalents	2.728	7.849	-	18.367
Trade Receivables	242	738	-	1.707
Due from related parties	-	27	-	50
Total Assets				20.124
Liabilities in foreign currency:				
Financial Liabilities	(182.771)	(85.723)	(5.354)	(420.973)
Trade Payables	(1.037)	(937)	-	(3.192)
Due to related parties	-	(705)	-	(1.306)
Total Liabilities				(425.471)
Net foreign currency liability position				**(405.347)**

The foreign exchange rate sensitivity analysis of the Group is explained below:

As of 31 December 2007, if TRY devaluates 10% against US Dollars and Euro at the same time, with the other variables remain constant, net income for the period would be TRY 32.296 thousand less due to the net foreign exchange loss arose from the assets and liabilities denominated in these currencies. (As of 2006, it would be less amounted TRY 39.999 thousand).

As of 31 December 2007, if TRY devaluates 10% against US Dollars, with the other variables remain constant, net income for the period would be TRY 12.747 thousand (2006: TRY 25.419 thousand) less due to the net foreign exchange loss arose from the assets and liabilities denominated in that currency.

As of 31 December 2007, if TRY devaluates 10% against Euro, with the other variables remain constant, net income for the period would be TRY 19.549 thousand (2006: TRY 14.580 thousand) less due to the net foreign exchange loss arose from the assets and liabilities denominated in that currency.

NOTE 30 - GOVERNMENT INCENTIVES

In the current period, the Group has calculated pro-rata income accrual systematically in order to match the costs in the consolidated financial statements for the TRY 3.760 thousand of electricity expenses within the scope of "The law concerning the incentive for the investment and employment", numbered 5084 (2006: 1.448 bin YTL) in Elazığ and Kars Çimento. In the current period, Group used energy incentives amounted TRY 5.269 thousand and this amount is net-off from electricity expenses in consolidated income statement (2006: TRY 2.473 thousand). In 2007 income accrual amounted TRY 735 thousand regarding to credit taken from a public institution at abroad due to affiliate of Alfacem into one of the Group's subsidiary is booked in consolidated financial statements and incentive of TRY 1.658 thousand is used (2006: none).

NOTE 31 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

31.1 Commitments and contingent liabilities

Commitments and contingencies, from which the management does not anticipate any significant losses or liabilities, are as follows:

	31 December 2007	31 December 2006
a) Guarantees given (TRY)		
Letters of guarantee	11.192	7.829
Guarantee notes	74	108
	11.266	**7.937**
b) Guarantees received (TRY)		
Letters of guarantee	92.107	72.480
Mortgages	6.458	4.980
Guarantee notes	4.321	4.226
Cheques	88	702
	102.974	**82.388**
Bails given	93	93

c) Guarantees given and / or received in foreign currency are as follows:

	31 December 2007 Original FX balance	31 December 2006 Original FX balance
I. Guarantees received:		
Euro	1.400.707	3.704.458
US Dollars	404.053	66.695

d) Sales Commitments

Çimentaş has 136.512 tones different types of cement sales commitments to different customer groups in 31 December 2007 (2006: 147.280 tones).

e) Purchase Commitments

Çimentaş has purchase commitments for the upgrading of existing kiln production line of the Lalapaşa plant amounting to TRY 12.998 thousand (7.600.000 Euro) (2006: TRY 22.218 thousand, 12.000.000 Euro).

f) Financial Derivatives

Financial Derivatives	Contract amount	Current Value	Profit / (Loss) due to forward transactions- net
Forward Foreign Contracts - buy	10.276	12.223	(1.947)
Forward Foreign Contracts - sell	107.160	113.676	6.516

As of 31 December 2007, financial derivatives consist of Euro sell in exchange of TRY amounted 21.054.978 forward contract, Euro buy in exchange of TRY amounted 6.008.846 forward contract and USD buying exchange of Euro amounted 41.605.255 forward contract.

As of 31 December 2007, maturity date analysis of financial derivatives is as follows:

	1 month	3 month-1 year	Total
Buy USD Sell Euro forward contract	-	71.152	71.152
Buy TRY Sell Euro forward contract	22.311	13.697	36.008
Buy Euro Sell TRY forward contract	10.276	-	10.276
Total	**32.587**	**84.849**	**117.436**

As of 31 December 2006 there are any financial derivatives.

31.2 Ongoing significant legal cases

• Lawsuit against Republic of Turkey:

Çimentaş has filed a lawsuit against the Republic of Turkey in the European Court of Human Rights regarding the deferral of payment of fair value for the 192.661 m^2 land of Çimentaş expropriated by the state in 1991. An amount of US Dollar 4.512.101 subject to the court case comprises interest and supplementary losses related to deferral by the General Directorate of State Highways (Payment was supposed to be received by 1995 but received in 1998).

• Lawsuits against the Group:

As of 31 December 2007 legal actions were initiated against the Group for compensation of losses amounting to a total of TRY 3.591 thousand (2006: TRY 2.511 thousand). The Group, by taking into consideration these grounds and the possible liabilities that may arise due to recent local court resolutions, some of which are in favor and some are against, has set aside a provision of TRY 2.118 thousand including the legal interest and expenses in its consolidated financial statements at 31 December 2007 (31 December 2006: TRY 3.143 thousand). The Group management has evaluated the poteantial lawsuits to be brought against the Group and has made an estimation of TRY 6.000 of total claim amount. However, as the management can not anticipate the term and the concertration of those potential lawsuits no provision has been reserved in the consolidated financial statements.

• Investigation of the Competition Board:

Competition board at their meeting dated 24 April 2003 and numbered 03-27 has decided according to the investigation they started on a number of companies (two of which are Çimentaş and Çimbeton) in order to figure out whether they had been performing some certain actions banned by 4th clause of the rule numbered 4054 (aims to protect the competition in the ready-mixed concrete market in the Aegean Region) that the mentioned companies were indeed violating the rule numbered 4054 and has pronounced a punishment of TRY 3.297 thousand administrative fine in total (TRY 340 thousand to Çimbeton, TRY 3.297 thousand to Çimentaş). The case was taken to the state council with the demand of the cancellation of the sentences subsequent to the written notice's announcement concluded in the invalidation of Competition Board's decision, subject to the court case, according to the sentence of state council's 13th office dated 9 May 2006 and numbered E.2005/7387, K.2006/2133. The Group has reflected the related return of TRY 3.297 thousand as income on the financial statements dated 30 June 2006. However; the decision of Competition Board, which had been cancelled by the Council of State, was renewed by Competition Board on 19 October 2006, numbered 06-66/991-286 and the Group was notified about this decision on 29 December 2006. In due time, the Group has brought an action for rescission, against this decision at the Council of State requesting for the suspension of execution. The Group accounted for a provision amounting to TRY 3.297 thousand in its consolidated financial statements at 31 December 2007. The Group has brought an action for rescission, against this decision for the administrative fine of TRY 340 thousand and the demand of recission is accepted. The Group accounted a provision for administrative fine amounting TRY 340 thousand on 31 December 2007 in the consolidated financial statements (2006: TRY 3.297 thousand).

31.3 Environmental rehabilitation, mine amendment and mine retirement liabilities

Based on the recent changes in “Mining Law” in Turkey, which has been revised and enacted on 15 December 2007, companies are required to prepare projects regarding the rehabilitation of the areas affected by various mining operations and submit to the government authority, within one year period since 14 December 2007.

As the necessary studies to reliably measure the environmental exposure have not been finalized as of the date of this memorandum, the Group did not account for respective asset retirement cost and provision for environmental rehabilitation.

In the first time, the booking of provisions for environmental rehabilitation, mine amendment and mine retirement will be followed in account named "costs of environmental rehabilitation, and mine retirement" in tangible assets and depreciation rate will be determined by production amount.

NOTE 32 - BUSINESS COMBINATONS

On 23 June 2005, the Group has acquired 99, 01% of net assets of Alfacem which holds 25% of shares in Aalborg, of which fair value is Euro 365.922.000, for a purchase consideration of TRY 139.519 thousand (equivalent of Euro 85.000 thousand) and this investment is recognized at the fair value in the balance sheet as of 31 December 2005. The fair value of the related shares is determined based on the amount paid to third parties on 1 November 2004 by Cementir Group while purchasing 100% of Aalborg. As of 31 December 2006, shares of Aalborg are reflected to consolidated financial statement on their fair value of Euro 786.600.000 by means of discounted cash flow method. The investment in Aalborg is treated as an available-for-sale financial asset in the consolidated accounts of Çimentaş complied with purposes of IAS 28 requirements and is stated at fair value (Note 16). The difference occured between the acquiring cost and the net asset of the purchased company are booked in a account under shareholders equity because of intercompany transactions.

Cost	
Cash paid	139.519
Total acquisition cost	**139.519**
Net fair value of acquired assets	150.885
Effect of sale of shares between jointly controlled Companies (Shareholders' Equity)	11.366
Fair value of the acquired net assets:	
Cash and cash equivalents	16
Receivables due from related parties	861
Other receivables	5
Intangible assets	25
Subsidiaries	150.161
Trade Payables	(3)
Other payables	(180)
Value of the acquired net asset	**150.885**
Effect of sale of shares between jointly controlled Companies (Shareholders' Equity)	(11.366)
Total acquisition cost	**139.519**
Cash and cash equivalents in acquired asset	(16)
Cash Outflow	139.503

NOTE 33 - SEGMENT REPORTING

The Group mainly operates in ready mixed concrete and cement sectors and gross sales of these operations are 94% of total gross sales (2006: 93%). 87% of the sales and operations are in Turkey and export sales to Europe and Middle East are respectively 6% and 7% of gross sales (2006: 7% and 5%). According to these results, segment reporting is not needed.

NOTE 34 - EVENTS AFTER BALANCE SHEET DATE

As a result of conflict between Cement Sector Employer Trade Union (Çimentaş is one of the members) and Turkey Çimse Union, application to Ministry of Labour and Social Security is done for determine a negotiator. The negotiation is still continuing during the preparing date of financial statements.

NOTE 35 - ABANDONED OPERATIONS

None (2006: None).

NOTE 36 - OPERATING INCOME

	1 January - 31 December 2007	1 January - 31 December 2006
Domestic Sales	409.530	351.950
Export Sales	58.662	47.699
Gross Sales	**468.192**	**399.649**
Discounts (-)	(14.738)	(11.085)
Net Sales	**453.454**	**388.564**
Cost of sales (-)	(291.198)	(260.761)
Gross operating profit	**162.256**	**127.803**

NOTE 37 - OPERATING EXPENSES

Sales, marketing and distribution expenses and general and administrative expenses during the periods of 1 January - 31 December 2007 and 2006 are as follows:

	1 January - 31 December2007	1 January - 31 December2006
I. Sales, marketing and distribution expenses:		
Loading expenses	4.999	4.114
Personnel expenses	2.150	1.688
Outsourced services	126	2.668
Depreciation and amortization (Note 19)	117	139
Other	1.042	1.177
	8.434	**9.786**

II. General and administrative expenses:

	1 January - 31 December 2007	1 January - 31 December 2006
Personnel expenses	18.937	15.113
Outsourced services	4.615	2.834
Advisory and consultancy expenses	4.268	1.773
Taxes duties and funds	2.235	2.141
Depreciation and amortization (Note 19)	2.022	1.539
Provision for employment termination expenses (Note 23)	1.877	1.477
Advertisement expenses	729	547
Material and fuel oil expenses	682	703
Insurance	396	377
Representation and entertainment expenses	369	356
Utilities	327	197
Rent	251	207
Donations	201	219
Other	4.016	2.847
	40.925	**30.330**
Total operating expenses	**49.359**	**40.116**

NOTE 38 - INCOME / (LOSS) FROM OTHER OPERATIONS

a) Income from other operations during the periods of 1 January - 31 December 2007 and 2006 are as follows:

	1 January - 31 December 2007	1 January - 31 December 2006
Foreign exchange gains	59.731	70.826
Income from forward contracts (Notes 15 and 31)	7.637	-
Interest income on bank deposits	3.478	4.673
Financial income from credit transactions	2.053	1.027
Income from scrap sales	1.236	1.125
Income from sales of tangible assets	626	1.694
Collected doubtful receivables (Note 7)	67	-
Cancellation of provision of Competition Board penalty (Note 23)	-	3.297
Terminated provisions for legal cases (Note 23)	-	182
Other	1.037	780
	75.865	**83.604**

b) Expense from other operations during the periods of 1 January - 31 December 2007 and 2006 are as follows:

Loss from forward contract (Notes 10 and 31)	(3.068)	-
Provision for legal cases (Note 23)	(1.750)	(3.397)
Provision for doubtful receivables (Note 7)	(1.342)	-
Loss from tangible asset sale	(63)	-
Court Penalty Expense	-	(637)
Provision of Competition Board penalty (Note 23)	-	(3.297)
Other	(954)	(1.148)
	(7.177)	**(8.479)**

NOTE 39 - FINANCIAL EXPENSES

Financial expenses during the periods of 1 January - 31 December 2007 and 2006 are as follows:

	1 January - 31 December 2007	1 January - 31 December 2006
Interest expense of bank loans	(27.904)	(25.130)
Foreign exchange losses	(20.443)	(96.792)
Financial expenses from credit-natured trade operations	(110)	(171)
	(48.457)	**(122.093)**

NOTE 40 - NET MONETARY GAIN / (LOSS)

None (2006: None)

NOTE 41 - TAXES

As of 31 December 2007 and 2006 prepaid corporate tax and provision for corporate tax are as follows:

	31 December 2007	31 December 2006
Provision for corporate tax	19.558	10.091
Less: Prepaid corporate tax	(16.069)	(7.839)
Prepaid corporate tax-net	**3.489**	**2.252**

In Turkey, corporation tax rate is 20% for 2007 (2006: 20%). The tax rate is applied to the tax base, which comprises total income of the companies after adjusting for certain disallowable expenses, exempt income (income from subsidiaries, investment incentives etc.) and other allowances. No further tax is payable unless the profit is distributed (except for the investment incentive utilized in the scope of Tax Procedure Law Temporary Article No: 61, which are subject to withholding tax at the rate of 19,8%).

75% of capital gains derived from the sale of equity investments and immovable held for not less than two years are tax exempt, if such gains are collected until the end of following second year. In order to benefit from the exempt, related capital gain should be booked in a fund account in equity and kept in the company for five years. Tax returns are open for 5 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.

Investment incentive allowance exemption, which has long been in force and most recently calculated as 40% of capital expenditures over certain amounts by corporate taxpayers, have been terminated by tax law No: 5479 enacted in 30 March 2006. In accordance with article No: 69 of corporate tax law amended by Tax law No: 5479, unused investment incentives of income and corporate taxpayers as at 31 December 2005 that has not been deducted from corporate income of 2005 and investment incentive allowances calculated based on the regulations enacted as of 31 December 2005.

a) Within the scope of the investments that have already begun in accordance with the investment incentive certificates obtained with the respect to submissions made prior to 24 April 2003, and prior to the removal of the articles 1, 2, 3, 4, 5 and 6 of Income Tax law No: 193 by issuance of Law No: 4842 enacted on 9 April 2003; the investments that will be made after 1 January 2006 provided that they meet such criteria;

b) Within the scope of the repealed article No: 19 of Income Tax Law No: 193 related to the investments that began before 1 January 2006, investments made after 1 January 2006 which by technical and economical substance are complementary to previous investments can only be offset from the profits incurred in years 2006, 2007 and 2008, in accordance with the enacted laws on 31 December 2005 (including articles regarding applicable tax rates). Consequently, in accordance with Tax Law No: 5479, income and corporate taxpayers can utilize unused investment incentives as at 31 December 2005 and can be offset against taxable income of the years 2006, 2007 and 2008, only if the tax rate used is 30%.

In this respect as Çimentaş fully utilized unused investment incentives in 2007, the corporation rate was 30% for the year ended 31 December 2007. Due to not having investment incentive allowance exception, the rate is 20% for the subsidiaries. (2006: 20%)

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% (2006: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax. 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% (2006: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Tax returns are open for 5 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.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporate tax statements are delivered in to the related tax administration until evening of 25th of 4th month following the closing.

In Corporate Tax Law, there are several exceptions for companies. The exceptions, which are related with the Group, are explained below:

Dividend income received from companies via participation in share capital is exempt from corporate tax (except for the dividends received from investment fund participations and investment trust shares). Share premium income received due to the sale of pre-emptive right coupons and sale of shares at nominal value during the establishment or paid-in capital increase of joint stock companies is exempt from corporate tax.

Dividend income received from non-resident subsidiaries (except for those whose nature of business is leasing or security investment), of which the participation in share capital 10% or more and at least for one year, is exempt from corporate tax. However this income should be bearing at least 15% of corporate tax in accordance with the tax law of the resident country (for those whose nature of business is fund raising or insurance, at the rate applied in Turkey).

Transfer Pricing

As of 1 January 2007, regulations related to transfer pricing inured with the Law numbered 552 article 13. Considerable amendments have been made to transfer pricing regulations by taking OECD and EU transfer pricing guidelines as a basis. If the group enters into transactions regarding the sale or purchase of goods and services with related parties, the prices must be set in accordance with the arm's length principle. The arm's length principle aims to set the price regarding the sale or purchase of goods and services if there is no transaction like this one and to determine of a price is needed. The group must determine the best transfer pricing model among the models in the law regarding the arm's length principle. Documents and calculations used to set the price regarding the arm's length principle must be kept by the companies. Also, companies must prepare a report consists of information and transaction with related parties in the period of account.

If the group enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, related profits are considered to be distributed in a disguised manner through transfer pricing.

Completely or partially distributed profit in a disguised manner will be reclassified as dividends distributed and for foreign-based tax payer it is reclassified as the amount transferred to the head quarter. By calculating gross dividend payment with the assumption based on distributed dividends by transfer pricing as net dividend payment, tax deduction will be made with the rates based on legal composition of shareholders. The taxation transactions made before must be adjusted on the behalf of taxpayer. In order to make adjustments in this respect, the taxes assessed in the name of the group distributing dividend n a disguised manner must be finalized and paid. The amount taken into consideration for the adjustment that will be made on the behalf of the group to whom distributed must be the finalized and paid amount.

To clarify the procedure and applications of the corporate Tax Law with effective date set as 11 January 2007, Minister of Finance has been published General Communiqué (Serial No: 1) about disguised profit distribution through transfer pricing on 18 November 2007.

The taxation on income, which takes place in the income statement, for the period ending 1 January-31 December 2007 and 2006 is as follows.

	1 January - 31 December 2007	1 January - 31 December 2006
Corporate tax of the current period	(19.558)	(5.913)
Deferred tax income / (expense)	(7.944)	504
Total taxation on income	**(27.502)**	**(5.409)**

The reconciliation of tax income / (expense) for the periods 1 January - 31 December 2007 and 2006 is as follows.

	1 January - 31 December 2007	1 January - 31 December 2006
Profit before taxation	131.991	40.113
Tax calculated on profit before taxation		
by parent account tax rate	(39.597)	(8.023)
Tax effect of change in corporate tax rate and legislations		
Tax effect of subsidiaries with different rates	6.599	-
Tax effect of investment incentive	4.532	(3.834)
Tax effect of change in corporate tax rate and legislations	-	6.817
Tax effect of income deductible from tax assessment	2.656	58
Tax effect of disallowable expenses	(1.791)	(481)
Other	99	54
Total tax income / (expense)	**(27.502)**	**(5.409)**

NOTE 42 - EARNINGS PER SHARE

Earnings per share disclosed in the statement of income are determined by dividing net income by the weighted average number of shares in existence during the period concerned.

Companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. The number of ordinary shares outstanding before the distribution of bonus share is adjusted for the proportionate change as if the event had occurred at the beginning of the earliest period reported and earnings per share is determined accordingly.

Earnings per share are determined by dividing net income attributable to ordinary shareholders by the weighted average number of shares in existence during the period concerned.

		1 January - 31 December 2007	1 January - 31 December 2006
Net profit of the current period	A	104.489	34.704
Weighted average numbers of shares			
(TRY per share)	B	36.540.000	33.776.000
Earnings / (loss) per share	**A/B**	**2, 8596**	**1, 0275**

There is no difference between basic earnings per share and diluted earnings per share in any period.

NOTE 43 - STATEMENTS OF CASH FLOWS

Statements of cash flows for the periods of 1 January - 31 December 2007 and 2006 are presented together with the financial statements (Refer to the page 5).

NOTE 44 - OTHER MATTERS EFFECTING THE FINANCIAL STATEMENTS OR NEEDED TO BE EXPLAINED FOR THE FINANCIAL STATEMENTS TO BE INTERPRETABLE AND COMPREHENSIBLE

None (2006: None)

proposal for profit distribution

The Board has submitted to the General Assembly a profit distribution proposal as follows; After evaluating the decision of Capital Market Board announced in Weekly Bulletin numbered 2008/6 and article 26 of our Company's articles of association regulating the profit distribution;

a- By taking into consideration (I) the financial needs of the Company in respect of the ongoing modernization investments and (II) the fluctuations on the economical conjuncture in general and in the sector, and in order to maintain working capital needs in adequate levels, it is resolved to propose to the General Assembly to realize a non-cash profit distribution by adding 1st dividend amount to the share capital.

b- Under these circumstances, pursuant to provisions of articles of associations, to set aside 50% of distributable 2007 profit as 1th dividend, which is realized with respect to UFRS records and to distribute to the shareholders as share certificates (free of charge) as it is explained above;

c- To set aside remaining 10% to the owners of the incorporators' shares as profit and to distribute in cash,

d- To transfer remaining amount to extraordinary reserves after setting aside 2nd order legal reserve fund pursuant to the provisions of Capital Market Board.

profit distribution proposal 31.12.2007

Net Profit		104,489,000
Previous Years Losses		0
Legal Reserve 1st Part	(c x 5%)	2,341,508
Deductions (Çimbeton, Kars, İlion, Destek)		23,800,364
Net Distributable Profit	(c - d - e)	78,347,128
Donations		72,808
Net Distributable Profit after Donations	(f + g)	78,419,936
1st Dividend	(h x 50%)	39,209,968
Dividend to Founders (gross)	(h - i) x 10%	3,913,716
Legal Reserve 2nd Part	(j x 10%)	208,672
Extraordinary Reserves	(f - i - j - k)	58,815,136

report by the statutory auditors

To The General Assembly of Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

Name of the Company	: Çimentaş İzmir Çimento Fabrikası Türk A.Ş.
Headquarters Located in	: İzmir
Registered Capital	: TRY 75.000.000
Capital	: TRY 36.540.000 entirely paid-in
Principal business activity	: Production and sale of clinker, cement
Names, terms of office, and partnership Status of the statutory auditors	: Sıtkı Şükürer 07.04.2005-25.04.2008 Not a shareholder Bumin Anal 07.04.2005-25.04.2008 Not a shareholder
Number of Board of Directors meetings Participated in during the year	: Two
Number of times statutory Auditors Formally convened	: Four

Scope and dates of reviews of the company's legal accounts, books and documents and the conclusions that were reached to:
Four reviews were performed (30 March 2007, 29 June 2007, 28 September 2007, 31 December 2007) in accordance with the authorization limit of the Turkish Commercial Code. All records appeared to be in order.

Number of cash accounts performed at the company cashier's office in accordance with the requirements of subparagraph - 3 of paragraph 1 of the article 353 of Turkish Commercial Code and the conclusions that were reached to:
Cash counts were performed at the company cashier's office on 30 March 2007, 29 June 2007, 28 September 2007, 31 December 2007 in accordance with the requirements of the Turkish Commercial Code. All cash balances conformed to the books of accounts.

Dates on which examinations were performed in accordance with the requirements of subparagraph 4 of paragraph 1 of the article 353 of Turkish Commercial Code and the conclusions that were reached to:
Our examinations into this matter revealed that all negotiable instruments entrusted to the company were present.

Charges or complaints of improprieties received and actions taken:
It has not been received any complaint or charge.

We have examined the accounts and transactions of the firm of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. for the period 1 January 2007 to 31 December 2007 for compliance with the requirements of the Turkish Commercial Code, the Company's articles of incorporation, relevant laws and regulations, and generally accepted accounting principles and standards. In our opinion, the enclosed balance sheet for the period 1 January 2007 to 31 December 2007, the contents of which we certify, accurately reflects the true financial standing of the company on the latter date; the income statement for the period 1 January 2007 to 31 December 2007 accurately and truly reflects the results of business activities during the same period; the proposed distribution of profit is in compliance with the requirements of law and with the Company's articles of incorporation. We hereby recommend that the balance sheet and income statement be approved and that the members of the Board of directors be acquitted of their fiduciary responsibilities.

THE SATUTORY AUDITORS

Sıtkı ŞÜKÜRER H. Bumin ANAL

report by the independent auditors

To Board of Directors of Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

1. We have audited the accompanying consolidated balance sheet of Çimentaş İzmir Çimento Fabrikası Türk A.Ş. (the "Company") and its subsidiaries at 31 December 2007 and the related consolidated statements of income, consolidated statements of changes in equity and of cash flows, summary of important accounting policies and explanatory notes for the year then ended.

Responsibility of the Group Regarding Financial Tables
2. Group is responsible for the preparation and submission of consolidated financial statements in accordance with the rules published by the Capital Market Board (CMB). The company should plan, implement and carry on internal system, should make accounting estimations and choose appropriate accounting policies in order to provide the preparation of consolidated financial tables without containing any fault and deception.

Responsibility of Independent Auditors
3. Our responsibility is to declare an opinion about consolidated financial tables in respect of our independent audit. The independent audit has been made in accordance with the auditing standards published by the Capital Market Board (CMB). Those standards require; conformity with ethnic principles and planning conducting the independent audit in order to provide a reasonable assurance whether the consolidated financial statements are reflecting the truth in real and accurate way.

Independent audit includes; utilization of independent audit techniques in order to provide evidences for the amounts in the statements and notes. Selection of independent audit techniques have been made under our professional opinions including a risk evaluation whether the consolidated financial statements contain significant errors including the evaluation whether these are arising from mistake and/or deception. In this risk evaluation we have also taken into consideration the internal control system of the Company. However, it is not our aim to give an opinion on the effectiveness of the internal control system, but to introduce the link between the consolidated financial statements and the internal control in order to design independent audit techniques in conformity with the circumstances. Our independent audit also covers a conformity evaluation on the "as a whole submission" of the accounting policies adopted by the Group, significant accounting assumptions and consolidated financial statements.

We believe that independent audit evidences we had during our audit constitute a sufficient and appropriate basis for our opinions.

Opinion
4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2007, and the results of its operations and its cash flows for the year then in accordance with International Financial Reporting Standards. (Note 2)

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers

Adnan Akan, SMMM

İstanbul, 27 March 2008


TOTAL CEMENT ANALYZER

çimentaş group

ÇİMBETON HAZIRBETON VE PREFABRİK YAPI ELEMANLARI SANAYİ VE TİCARET A.Ş.

Founded in 1986 Çimbeton A.Ş. is the leading suppliers of region ready mixed concrete market. The Company, which indicates the place, meaning and characteristics of the RMC in the construction sector, became the most important institution of the region market. It is one of the profitable and productive companies.

KARS ÇİMENTO SANAYİ VE TİCARET A.Ş.

Kars Çimento joined the group in 1996 by acquisition from the Privatization Administration in accordance with the comprehension of “corporate responsibility”. It is the profitable and efficient establishment in the region in terms of the economic and social situation.

ELAZIĞ ALTINOVA ÇİMENTO SANAYİİ TİCARET A.Ş.

Elazığ Çimento the acquision of which was accomplished from OYAK-GAMA Joint Venture in September 2006, is one the leading establishments in respect of economic and social development of its region.

DESTEK ORGANİZASYON TEMİZLİK AKARYAKIT TABLDOT SERVİS SAN. VE TİC. A.Ş.

Destek A.Ş., which provides logistic support, serves as cleaning and other services beside operating an oil service station, table d'hot and restaurant, also it finances the Çimentaş Education and Health Foundation with its sources and revenue.

BAKIRÇAY ÇİMENTO SANAYİ VE TİCARET A.Ş.

Bakırçay Çimento A.Ş., which is located between the strategic points of this region for cement production/distribution and new investment, is the business enterprise that executes the revision aimed at preparations.

YAPITEK YAPI TEKNOLOJİSİ SAN. VE TİC. A.Ş.

Yapıtek was established in 1987 to carry out the construction work of companies of Çimentaş Group. It's activities have been suspended pending possible restructuring according to developments in its potential market. The policy of the company will reveal in the forthcoming term.

ÇİMENTAŞ EDUCATION AND HEALTH FUND

One of the important social institutions in the region with a strong reputation for its support of education and health services, Çimentaş Education and Health Fund was founded in 1986 and received tax-exempt status in 1992. Çimentaş Education and Health Fund granted various health and education institutions to the public at the past term.

ÇİMENTAŞ AMATEUR ATHLETICS CLUB

The club was established in 1978 and in the beginning of the year 1994, it was started to be managed by Çimentaş with the aim of supporting athleticism. Beside the athleticism, Çimentaş brings up champion sportsmen in the area of rhythmic gymnastic. Also, it has been a good sample with her management comprehension for other industrial institutions and sports club.

İLION ÇİMENTO İNŞAAT SANAYİ VE TİCARET LTD. ŞTİ.

İlion Çimento joined the Group in 2007 and has operations in Soma Seaş Thermal Power Plant to supply fly ash requirements of Çimentaş and Çimbeton.