



## DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS  
AT DECEMBER 31, 2002  
TOGETHER WITH INDEPENDENT  
AUDITOR'S REPORT



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## AUDITOR'S REPORT

To the Board of Directors of  
Doğan Şirketler Grubu Holding A.Ş.

1. We have audited the accompanying consolidated balance sheet of Doğan Şirketler Grubu Holding A.Ş. (the "Holding") at December 31, 2002 and the related consolidated statements of income and of cash flows for the year then ended, all expressed in the equivalent purchasing power of the Turkish lira as of December 31, 2002. These consolidated financial statements are the responsibility of the Holding's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the consolidated financial statements referred to in the first paragraph above present fairly, in all material respects, the consolidated financial position of Doğan Şirketler Grubu Holding A.Ş. at December 31, 2002 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to the following matters:

4. The consolidated financial statements include the accounts of the parent company, its Subsidiaries and Joint Ventures (Note 3). Subsidiaries are companies in which the Holding has power to control the financial and operating policies for the benefit of the Holding through the exercise of voting power relating to shares held by the Holding and its Subsidiaries together with voting power which the Holding effectively exercises relating to shares held by Doğan family members or through the actual exercise of dominant influence. Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Holding and its Subsidiaries and one or more other parties. In effect the Doğan family members allow the Holding to exercise the voting power in respect of their shares held in these companies. In the consolidated financial statements the shares held by Doğan family members are treated as minority interest.
5. As explained in Note 2.b to the consolidated financial statements, US dollar ("US\$") amounts shown in the accompanying consolidated financial statements have been included solely for the convenience of the reader and are translated from Turkish lira ("TL"), as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official TL exchange rate of TL 1,634,501 = US\$ 1.00 for purchases of US\$ on December 31, 2002. Thus, US dollar amounts do not form a part of the consolidated financial statements prepared in accordance with International Financial Reporting Standards as at December 31, 2002. Such translations should not be construed as a representation that the TL amounts have been or could be converted into US\$ at this or any other rate.

Başaran Nas Serbest Muhasebeci  
Mali Müşavirlik Anonim Şirketi  
a member of  
PricewaterhouseCoopers  
Coşkun Şen, SMMM

Istanbul, July 3, 2003

# DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

## CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2002

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)  
(Amounts translated into US dollars for convenience purposes only (See Note 2 (b)))

	Notes	2002 US\$ thousands	2002 TL millions	2001 TL millions
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and amounts due from banks	6	543,022	887,570,781	1,492,622,265
Trading securities	7	390,916	638,953,103	414,922,276
Reserve deposits with the Central Bank of Turkey	8	157,750	257,842,221	171,164,303
Originated loans	9	1,199,439	1,960,474,887	1,263,422,653
Derivative financial instruments	10	2,835	4,634,432	932,576
Investment securities:				
- available-for-sale	11	153,275	250,528,894	118,857,240
- held-to-maturity	11	9,823	16,055,000	11,563,553
Trade receivables	12	242,305	396,047,865	408,967,576
Due from related parties	13	21,581	35,274,949	35,390,179
Inventories	14	90,729	148,296,751	132,886,249
Other current assets	15	123,063	201,147,333	83,500,582
<b>Total current assets</b>		<b>2,934,738</b>	<b>4,796,826,216</b>	<b>4,134,229,452</b>
<b>Non-current assets:</b>				
Investment securities:				
- available-for-sale	11	331,966	542,597,978	224,278,628
- held-to-maturity	11	-	-	8,605,053
Available-for-sale equity investments	16	6,369	10,409,448	8,554,125
Property, plant and equipment - net	17	686,277	1,121,719,957	1,040,529,509
Intangible assets - net	18	787,652	1,287,418,031	972,467,688
Other non-current assets		3,450	5,639,678	22,319,761
Deferred tax assets	25	159,086	260,026,282	275,100,302
<b>Total non-current assets</b>		<b>1,974,800</b>	<b>3,227,811,374</b>	<b>2,551,855,066</b>
<b>Total assets</b>		<b>4,909,538</b>	<b>8,024,637,590</b>	<b>6,686,084,518</b>

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

# DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

## CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2002

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)  
(Amounts translated into US dollars for convenience purposes only (See Note 2 (b)))

	Notes	2002 US\$ thousands	2002 TL millions	2001 TL millions
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities:</b>				
Bank borrowings - finance	19	308,249	503,833,569	493,538,227
Bank borrowings - non-finance	19	563,741	921,434,496	653,986,347
Banking deposits	20	157,104	256,786,602	87,828,917
Customer deposits	20	1,742,191	2,847,613,007	2,183,439,424
Derivative financial instruments	10	434	708,777	666,048
Trade payables	21	104,508	170,817,790	139,052,138
Due to related parties	13	17,538	28,665,559	23,302,621
Insurance technical reserves	22	25,649	41,922,903	48,111,592
Other current liabilities	23	217,298	355,173,013	197,439,318
Taxes on income	25	18,251	29,831,147	32,802,765
<b>Total current liabilities</b>		<b>3,154,963</b>	<b>5,156,786,863</b>	<b>3,860,167,397</b>
<b>Non-current liabilities:</b>				
Bank borrowings - finance	19	69,085	112,919,541	85,367,578
Bank borrowings - non-finance	19	631,039	1,031,433,503	1,201,254,118
Reserve for employment termination benefits	26	9,437	15,424,283	13,893,139
Insurance technical reserves	22	8,525	13,933,789	9,920,881
Other non-current liabilities	24	91,299	149,228,497	69,844,362
Deferred tax liabilities	25	46,063	75,290,479	84,148,201
<b>Total non-current liabilities</b>		<b>855,448</b>	<b>1,398,230,092</b>	<b>1,464,428,279</b>
<b>Total liabilities</b>		<b>4,010,411</b>	<b>6,555,016,955</b>	<b>5,324,595,676</b>
Minority interest - Doğan family members	5.g	22,774	37,223,772	26,865,354
- Other	5.g	319,278	521,859,503	693,660,841
<b>Minority interest</b>	<b>5.g</b>	<b>342,052</b>	<b>559,083,275</b>	<b>720,526,195</b>
<b>Shareholders' equity:</b>				
Share capital	27	276,834	452,485,051	251,380,584
Adjustment to share capital	27	309,191	505,372,287	505,372,287
<b>Total paid-in capital</b>		<b>586,025</b>	<b>957,857,338</b>	<b>756,752,871</b>
Share premium		1,957	3,197,924	2,881,784
Translation reserve	2.c	1,428	2,333,740	29,365,937
Accumulated deficit	28	(32,335)	(52,851,642)	(148,037,945)
<b>Total shareholders' equity</b>		<b>557,075</b>	<b>910,537,360</b>	<b>640,962,647</b>
<b>Total liabilities and shareholders' equity</b>		<b>4,909,538</b>	<b>8,024,637,590</b>	<b>6,686,084,518</b>
<b>Commitments and contingent liabilities</b>	<b>35</b>			

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

**DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.**  
**CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2002**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)  
(Amounts translated into US dollars for convenience purposes only (See Note 2 (b)))

	Notes	2002 US\$ thousands	2002 TL millions	2001 TL millions
<b>Revenues:</b>				
Non-banking and non-financial services	5.c	2,758,179	4,508,245,836	4,424,298,154
Banking and financial services	5.c	692,648	1,132,133,129	1,418,112,455
		3,450,827	5,640,378,965	5,842,410,609
<b>Operating expenses:</b>				
Non-banking and non-financial services	5.c	(2,686,827)	(4,391,622,033)	(4,434,259,042)
Banking and financial services	5.c	(555,246)	(907,549,574)	(1,293,479,197)
		(3,242,073)	(5,299,171,607)	(5,727,738,239)
<b>Other operating expense-net:</b>				
Non-banking and non-financial services	5.c and 31	(53,235)	(87,013,108)	(32,541,679)
Banking and financial services	5.c and 31	(30,746)	(50,254,794)	(57,513,470)
		(83,981)	(137,267,902)	(90,055,149)
<b>Operating profit/(loss):</b>				
Non-banking and non-financial services		18,117	29,610,695	(42,502,567)
Banking and financial services		106,656	174,328,761	67,119,788
		<b>124,773</b>	<b>203,939,456</b>	<b>24,617,221</b>
Financial expense - net	30	(134,907)	(220,504,858)	(1,178,909,901)
Gain on net monetary position		121,116	197,964,743	658,151,310
<b>Income/(loss) before taxation on income and minority interest</b>		<b>110,982</b>	<b>181,399,341</b>	<b>(496,141,370)</b>
Taxation on income	25	(31,135)	(50,890,428)	124,086,233
<b>Income/(loss) before minority interest</b>		<b>79,847</b>	<b>130,508,913</b>	<b>(372,055,137)</b>
Minority interest - Doğan family members		1,210	1,978,525	24,665,103
- Other		(22,820)	(37,301,135)	70,278,549
<b>Net income/(loss)</b>		<b>58,237</b>	<b>95,186,303</b>	<b>(277,111,485)</b>
Weighted average number (thousands) of shares with face value of TL 10,000 each	4	25,193,156	25,193,156	19,597,737
Basic and diluted earnings/(loss) per share in full US\$ and in TL	4	0.0023	3,778	(14,140)

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

# DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2002

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)  
(Amounts translated into US dollars for convenience purposes only (See Note 2 (b)))

	Notes	2002 US\$ thousands	2002 TL millions	2001 TL millions
Net income/(loss) before taxation and minority interest		110,982	181,399,341	(496,141,370)
<b>Adjustments to reconcile net income/(loss) to net cash (used in)/from operating activities:</b>				
Cash (used in)/generated from operations	29	(352,903)	(576,822,887)	197,751,218
Finance segment interest received		452,621	739,809,964	1,367,485,800
Finance segment interest paid		(312,961)	(511,534,379)	(929,293,125)
Taxes paid		(23,412)	(38,267,141)	(123,199,351)
Net cash (used in)/from operating activities		(125,673)	(205,415,102)	16,603,172
<b>Cash flows from investing activities:</b>				
Purchase of property, plant and equipment	17	(137,833)	(225,288,387)	(281,187,900)
Purchase of intangible assets	18	(2,810)	(4,592,529)	(25,376,693)
Proceeds from sale of property, plant and equipment and intangibles		11,157	18,236,255	41,405,664
Change in available-for-sale investments		(345)	(563,198)	17,222,094
Change in other non-current assets and liabilities		8,049	13,155,888	25,325,728
Acquisition of subsidiaries, net off cash acquired	34	(188,838)	(308,655,579)	(8,647,431)
Disposal of joint venture	34	(23,968)	(39,175,124)	-
Non-finance segment interest received		76,232	124,601,396	261,127,380
Net effect of changes in minority shares		2,081	3,401,663	(15,079,997)
Inflation effect on investing activities		17,100	27,949,986	19,943,856
Net cash (used in)/from investing activities		(239,175)	(390,929,629)	34,732,701
<b>Cash flows from financing activities:</b>				
Proceeds of issuance of share capital to minority interests	5.g	3,683	6,019,671	27,858,835
Dividends paid to minority interests	5.g	(129)	(210,973)	(43,602,049)
Net increase/(decrease) in short-term borrowings		117,234	191,619,685	(448,898,382)
Net (decrease)/increase in long-term borrowings		(96,583)	(157,864,542)	179,869,522
Repayments of debt securities in issue		-	-	(152,854,930)
Non-finance segment interest paid		(139,100)	(227,358,458)	(375,491,640)
Proceeds from issuance of share capital		123,231	201,420,607	184,735,177
Effect of changes in shareholding structure		-	-	(3,927,565)
Inflation effect on financing activities		406,053	663,693,652	1,609,686,570
Net cash from financing activities		414,389	677,319,642	977,375,538
Net increase in cash and cash equivalents		49,541	80,974,911	1,028,711,411
Inflation effect on cash and cash equivalents		(281,588)	(460,255,262)	(1,223,330,090)
Cash and cash equivalents at the beginning of the year	4.z	1,170,994	1,913,990,496	2,108,609,175
<b>Cash and cash equivalents at the end of the year</b>	<b>4.z</b>	<b>938,947</b>	<b>1,534,710,145</b>	<b>1,913,990,496</b>

Cash and cash equivalents amounting to TL 22,437,808 million (2001: TL 51,627,158 million) are unavailable for use at the balance sheet date (Note 6).

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

**DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2002**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)  
(Amounts translated into US dollars for convenience purposes only (See Note 2 (b))

	Share capital	Adjustments to share capital	Share premium	Translation reserves	General and legal reserves	Unappropriated net income/(loss)	Retained earnings/(Accumulated deficit)		Shareholders' equity total
							Retained earnings/ (Accumulated deficit) total	Retained earnings/ (Accumulated deficit) total	
<b>At January 1, 2001</b>	<b>93,103,920</b>	<b>408,450,451</b>	<b>2,760,163</b>	<b>(7,031,265)</b>	<b>102,216,872</b>	<b>101,369,177</b>	<b>203,586,049</b>	<b>700,869,318</b>	
Decrease in retained earnings due to additional subsidiaries consolidated during the year	-	-	-	-	(3,927,565)	-	(3,927,565)	(3,927,565)	
Currency translation differences	-	-	-	36,397,202	-	-	-	36,397,202	
Transfers	-	-	-	-	101,369,177	(101,369,177)	-	-	
Dividends	30,258,775	21,390,650	-	-	(51,649,425)	-	(51,649,425)	-	
Increase in share capital	128,017,889	75,531,186	121,621	-	(18,935,519)	-	(18,935,519)	184,735,177	
Net loss for the year	-	-	-	-	-	(277,111,485)	(277,111,485)	(277,111,485)	
<b>At December 31, 2001</b>	<b>251,380,584</b>	<b>505,372,287</b>	<b>2,881,784</b>	<b>29,365,937</b>	<b>129,073,540</b>	<b>(277,111,485)</b>	<b>(148,037,945)</b>	<b>640,962,647</b>	
Currency translation differences	-	-	-	(27,032,197)	-	-	-	(27,032,197)	
Transfers	-	-	-	-	(277,111,485)	277,111,485	-	-	
Increase in share capital	201,104,467	-	316,140	-	-	-	-	201,420,607	
Net income for the year	-	-	-	-	-	95,186,303	95,186,303	95,186,303	
<b>At December 31, 2002</b>	<b>452,485,051</b>	<b>505,372,287</b>	<b>3,197,924</b>	<b>2,333,74</b>	<b>(148,037,945)</b>	<b>95,186,303</b>	<b>(52,851,642)</b>	<b>910,537,360</b>	

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

# DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2002

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)

### NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding" or the "Holding") was established on October 22, 1980 as a corporation to coordinate the activities of and liaise between companies operating in different fields including trade, media, finance, tourism and energy, and is registered in Turkey. Doğan Holding is owned by members of Doğan family, Adilbey Holding A.Ş. (which is also owned by Doğan family members) and Aydın Doğan Vakfı as defined in Note 27. Doğan Holding is listed on Istanbul Stock Exchange. The address of the registered office is as follows:

Oymacı Sokak No: 51 81190 Altunizade-İstanbul

Doğan Holding has the following subsidiaries (the "Subsidiaries"). The nature of the business of the Subsidiaries are as follows:

Name	Nature of business	Segment
Türk Dış Ticaret Bankası A.Ş. ("Dışbank")	Banking	Finance
Dış Ticaret Factoring A.Ş. ("Dış Factoring")	Factoring	Finance
Dış Ticaret Finansal Kiralama A.Ş. ("Dış Leasing")	Leasing	Finance
Dış Yatırım A.Ş. ("Dış Yatırım")	Brokerage and fund management	Finance
Dış Portföy Yönetimi ("Dış Portföy")	Portfolio management	Finance
Dış Holding Malta Limited ("Dış Holding Malta")	Holding	Finance
Dışbank Malta ("Dışbank Malta")	Banking	Finance
Dış Globus Malta ("Dış Globus")	Banking	Finance
Dışbank Nederland N.V. ("Dışbank Nederland")	Banking	Finance
Ray Sigorta A.Ş. ("Ray Sigorta")	Insurance	Finance
Doğan Hayat Sigorta A.Ş. ("Doğan Hayat")	Insurance	Finance
Dış Holding B.V. ("Dış Holding B.V.")	Banking	Finance
Doğan Factoring Hizmetleri A.Ş. ("Doğan Factoring")	Factoring	Finance
Hürriyet Gazetecilik ve Matbaacılık A.Ş. ("Hürriyet")	Newspaper publishing	Media
Milliyet Gazetecilik A.Ş. ("Milliyet")	Newspaper publishing	Media
Yaysat Yayın Satış Pazarlama ve Dağıtım A.Ş. ("Yaysat")	Distribution	Media
DYG İlan ve Reklam Hizmetleri A.Ş. ("DYG İlan")	Advertising	Media
Doğan Ofset Yayıncılık ve Matbaacılık A.Ş. ("Doğan Ofset")	Newspaper publishing	Media
Doğan Raks Satış Pazarlama ve Dağıtım A.Ş. ("Doğan Raks")	Retail	Media
Doğan Kitapçılık A.Ş. ("Doğan Kitapçılık")	Book publishing	Media
Doğan Haber Ajansı A.Ş. ("Doğan Haber")	News agency	Media
Doğan Basım ve Dağıtım İşleri A.Ş. ("Doğan Basım")	Distribution	Media
Simge Yayıncılık ve Dağıtım A.Ş. ("Simge")	Newspaper publishing	Media
Milliyet Haber Ajansı A.Ş. ("Milliyet Haber")	News agency	Media
Hürriyet TV Film Production A.Ş. ("Hür TV")	TV broadcasting	Media
Doğan Prodüksiyon ve Ticaret A.Ş. ("Doğan Prodüksiyon")	TV broadcasting	Media
ANS Uluslararası Yapım Yayın Reklamcılık A.Ş. ("ANS")	Visual production	Media
Doğan İletişim Elektronik Servis Hizmetleri A.Ş. ("Doğan Online")	Internet service provider	Media
Doğan Media International ("Doğan Media")	Distribution	Media
D Finans Ticaret A.Ş. ("D Finans")	Internet services	Media
Doğan Müzik Yapım ve Ticaret A.Ş. ("DMC")	Music and entertainment	Media
D Market Ticaret A.Ş. ("D Market")	Internet services	Media
D Pazarlama ve Ticaret A.Ş. ("D Pazarlama")	Retail	Media
Hürriyet Gazetecilik ve Matbaacılık A.Ş. Zweigniederlassung Deutschland ("Hürriyet Zweigniederlassung")	Newspaper publishing	Media
Doğan Daily News Gazetecilik ve Matbaacılık A.Ş. ("Doğan Daily News")	Newspaper publishing	Media
Doğan Dağıtım Satış ve Pazarlama A.Ş. ("Doğan Dağıtım")	Distribution	Media
Milliyet İnternet Hizmetleri A.Ş. ("Milliyet İnternet")	Internet services	Media
Doğan Medya Pazarlama A.Ş. ("Doğan Medya Pazarlama")	Trading	Media
Basın İşletmecilik A.Ş. ("Basın İşletmecilik")	Media	Media
Doğan Bilgi Teknolojileri A.Ş. ("Doğan Bilgi")	Trading	Media

# DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2002

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)

Name	Nature of business	Segment
Doğan Müşteri Hizmetleri A.Ş. ("Doğan Müşteri")	Internet services	Media
Milliyet Verlags und Handels GmbH ("Milliyet Verlags")	Distribution	Media
Doğan Kitap Müzik Pazarlama A.Ş. ("Doğan Kitap Müzik")	Publishing	Media
Doğan Telekomünikasyon Kart Sistemleri ve Tic. A.Ş. ("Doğan Telekom")	Communication	Media
DTV Haber ve Görsel Yayıncılık A.Ş. ("Kanal D")	TV broadcasting	Media
Doğan TV ve Radyo Yayıncılığı A.Ş. ("Doğan TV")	Holding	Media
DTV Radyo Televizyon Yayıncılığı ve Haber Ajansı A.Ş. ("Radyo D")	Radio broadcasting	Media
Hür-Bim Bilgisayar ve Teknik Hizmetler A.Ş. ("Hürbim")	Information technology	Media
Alp Görsel Yayıncılık A.Ş. ("Alp Görsel")	TV broadcasting	Media
Bravo Televizyon Yayıncılık Yapımcılık Sanayi ve Ticaret A.Ş. ("Bravo TV")	TV broadcasting	Media
Fun Televizyon Yayıncılık Yapımcılık Sanayi ve Ticaret A.Ş. ("Fun TV")	TV broadcasting	Media
Galaksi Radyo Televizyon Yayıncılık Yapımcılık Sanayi ve Ticaret A.Ş. ("Galaksi Radyo")	Radio broadcasting	Media
Foreks Yayıncılık ve Reklamcılık A.Ş. ("Hür FM")	TV broadcasting	Media
Işıl Televizyon Yayıncılık Yapımcılık Sanayi ve Ticaret A.Ş. ("Işıl TV")	TV broadcasting	Media
Kanalspor Televizyon ve Radyo Yayıncılık A.Ş. ("Kanalspor")	TV broadcasting	Media
Milenyum Televizyon Yayıncılık A.Ş. ("Milenyum TV")	TV broadcasting	Media
Radyo Kulübü Uluslararası Programlar A.Ş. ("D Radyo")	Radio broadcasting	Media
Hürriyet Radyo Production ve Yayın A.Ş. ("Radyo Foreks")	Radio broadcasting	Media
Tempo Televizyon Yayıncılık Yapımcılık Sanayi ve Ticaret A.Ş. ("Tempo TV")	TV broadcasting	Media
TV 2000 Televizyon Yayıncılık Yapımcılık Sanayi ve Ticaret A.Ş. ("TV 2000")	TV broadcasting	Media
Dergi Pazarlama Planlama A.Ş. ("Dergi Pazarlama")	Advertising	Media
DS Servis ve İdari Hizmetler A.Ş. ("DS Servis")	Administrative service	Media
Hürriyet İnternet Hizmetleri ve Ticaret A.Ş. ("Hürriyet İnternet")	Internet services	Media
Egeser Servis ve İdari Hizmetler A.Ş. ("Egeser")	Administrative services	Media
Hür Servis Sosyal Hizmetler ve Ticaret A.Ş. ("Hürservis")	Administrative services	Media
Hür Medya İlanlık ve Reklamcılık Ticaret A.Ş. ("Hürmedya")	Advertising	Media
Doğan Kitap Satış Dağıtım A.Ş. ("Doğan Kitap Satış Dağıtım")	Retail and distribution	Media
Milpa Ticari ve Sınai Ürünler Pazarlama Sanayi ve Ticaret A.Ş. ("Milpa")	Trading	Other
Hürriyet Ticari ve Sınai Ürünler Pazarlama Sanayi ve Ticaret A.Ş. ("Hürriyet Pazarlama")	Trading	Other
Milanur İnşaat Pazarlama Turizm Sanayi ve Ticaret Limited Şirketi ("Milanur")	Construction	Other
Doğan Otomobilcilik Ticaret ve Sanayi A.Ş. ("Doğan Oto")	Trading	Other
Doğan Havacılık Sanayi ve Ticaret A.Ş. ("Doğan Havacılık")	Aviation	Other
Doğan Yayın Holding A.Ş. ("Doğan Yayın")	Holding	Other
Çelik Halat ve Tel Sanayi A.Ş. ("Çelik Halat")	Production	Other
Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. ("Ditaş Doğan")	Production	Other
Milta Turizm İşletmeleri A.Ş. ("Milta Turizm")	Tourism	Other
Doğan Karton A.Ş. ("Doğan Karton")	Production	Other
CH Investment B.V.	Investment	Other
CH UK Limited	Investment	Other
Entralle Handels GmbH	Trading	Other
3D Güvenlik Sistemleri ve Organizasyon Ticaret A.Ş. ("3D Güvenlik")	Service	Other
Organik Tarım Ürünleri Sanayi ve Ticaret A.Ş. ("Organik Tarım")	Agriculture	Other
İsedaş İstanbul Elektrik Dağıtım Sanayi ve Ticaret A.Ş. ("İsedaş")	Energy	Energy
Zigana Elektrik Dağıtım Sanayi ve Ticaret A.Ş. ("Zigana")	Energy	Energy

The number of employees of the Holding at December 31, 2002 is 11,082 (2001: 9,642).

For the purposes of the segmental information in these consolidated financial statements, Doğan Holding's separate financial statements were included in the "other" segment (Note 5).

All the Subsidiaries are registered in Turkey except for Dış Holding Malta, Dış Globus and Dışbank Malta in Malta, Dışbank Netherland and Dış Holding B.V. in the Netherlands, Hürriyet Zweignderslassung, Milliyet Verlag, Entralle Handels GmbH and Doğan Media in Germany, CH Investments B.V. and CH UK Limited in the United Kingdom. However, as the sales and the purchases of the Group are made and the assets of the Group are located mainly in Turkey, no geographic segmental information is considered necessary.

Doğan Holding has the following Joint Ventures (the "Joint Ventures"). All the Joint Ventures are registered in Turkey. The nature of the businesses and for the purpose of the accompanying consolidated financial statements, the respective business segments of the Joint Ventures and Joint Venture Partners are as follows:

<b>Name</b>	<b>Nature of business</b>	<b>Segment</b>	<b>Joint Venture Partner</b>
Doğan Burda Rizzoli Dergi Yayıncılık ve Pazarlama A.Ş. ("DBR")	Press	Media	Burda GmbH
Doğan ve Egmont Yayıncılık A.Ş. ("Doğan Egmont")	Publishing	Media	Egmont
Ultra Kablolu Televizyon ve Telekomünikasyon Sanayi ve Ticaret A.Ş. ("Ultra Kablo")	Telecommunication	Media	Koç Holding A.Ş.
Digital Hizmetler Pazarlama A.Ş. ("Digital Hizmetler")	Telecommunication	Media	Çukurova Holding A.Ş.
Süper Kanal Televizyon Video Radyo Basın Yapım Yayın Tanıtım ve Haber Hizmetleri A.Ş. ("Süper Kanal")	TV broadcasting	Media	Erler Film A.Ş.
Eko TV Televizyon Yayıncılık A.Ş. ("CNN Türk")	TV broadcasting	Media	Turner Broadcasting Int.
Petrol Ofisi A.Ş. ("POAŞ") (*)	Distribution of petroleum products	Energy	T. İş Bankası A.Ş.

(\*) POAŞ has 52% share in Kıbrıs Türk Petrolleri Ltd. ("Kipet"), 100% share in Lysa Investments Ltd. ("Lysa") and 100% share in PO Petrofinance N.V. ("Petrofmançe"). Kipet was established in the Turkish Republic of Northern Cyprus and its primary operation is the distribution of fuel. Lysa was founded in the Bahamas in 2001 for the trading of petroleum products. Petrofinance was founded in the Netherlands in 2002 for generation of funds and taking out and granting of loans.

## **NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

### **a) Turkish lira financial statements**

Doğan Holding and its Subsidiaries and Joint Ventures registered in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in Turkish lira in accordance with the Turkish Commercial Code (the "TCC"), tax legislation, and starting from January 1, 1994, the uniform chart of accounts issued by the Ministry of Finance, applicable Turkish insurance laws for insurance companies and banking law for banks; and for listed Subsidiaries only, accounting principles issued by the Turkish Capital Market Board ("CMB Principles"). These consolidated financial statements are based on the statutory records, which are maintained under the historical cost convention (except for the revaluation of property, plant and equipment as discussed in Note 17), with adjustments and reclassifications including restatement for changes in the general purchasing power of the Turkish lira, for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). The foreign Subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

The restatement for the changes in the general purchasing power of the Turkish lira as of December 31, 2002 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The restatement was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Such indices and conversion factors used to restate these consolidated financial statements at December 31, are given below:

<b>Dates</b>	<b>Index</b>	<b>Conversion factors</b>	<b>Cumulative three-year inflation rates</b>
<b>December 31, 2002</b>	<b>6,478.8</b>	<b>1.000</b>	<b>227.3%</b>
December 31, 2001	4,951.7	1.308	307.5%
December 31, 2000	2,626.0	2.467	233.4%

# DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2002

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)

The main procedures for the above mentioned restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities which are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant (monthly, yearly average, year-end) conversion factors. Additions to property, plant and equipment in the year of acquisition are restated using the relevant conversion factors.
- Comparative financial statements are restated using general inflation indices at the currency purchasing power at the latest balance sheet date.
- All items in the statements of income are restated by applying the relevant (monthly, yearly average, year end) conversion factors.
- The effect of inflation on the net monetary position of Doğan Holding, the Subsidiaries and Joint Ventures is included in the statements of income as gain on net monetary position.

### **b) US dollar convenience translation**

US dollar ("US\$") amounts shown in these consolidated financial statements have been included solely for the convenience of the reader and are translated from Turkish lira ("TL"), as a matter of arithmetic computation only, at the official TL exchange rate for purchases of US\$ announced by the Central Bank of Turkey on December 31, 2002 of TL 1,634,501 = US\$ 1. Thus, US\$ amounts do not form a part of the consolidated financial statements prepared in accordance with IFRS as at December 31, 2002. Such translation should not be construed as a representation that the TL amounts have been or could be converted into US\$ at this or any other rate.

### **c) Translation of foreign subsidiary financial statements**

The assets and liabilities of foreign subsidiaries are translated into Turkish lira using the relevant foreign exchange rates prevailing at the year-end. The results of the foreign subsidiaries are translated into Turkish lira using average exchange rate for the year and then restated in accordance with IAS 29. Exchange differences arising on retranslating of the opening net assets of foreign subsidiaries and arising from using year-end and average exchange rates are included in the shareholders' equity as translation reserve.

### **d) Adoption of IAS 39**

IAS 39 ("Financial Instruments: Recognition and Measurement") has become effective for accounting periods beginning on or after January 1, 2001. The Holding has adopted IAS 39 prospectively in accordance with its special transitional requirements. The retained earnings at January 1, 2001 has been adjusted for the effects of the adoption of IAS 39, net of taxes.

## **NOTE 3 - GROUP ACCOUNTING**

a) The consolidated financial statements include the accounts of the parent company, Doğan Holding, its Subsidiaries and its Joint Ventures (collectively referred to as the "Group") on the basis set out in sections (b) to (e) below. Regarding the financial statements of Doğan Holding and Doğan Yayın, reporting dates of these companies are different from the ones included in the consolidation. For the consolidation purposes, Doğan Holding and Doğan Yayın have prepared financial statements as the same date as the financial statements of the companies included in the consolidation which has been prepared as of the date of the consolidated financial statements. The financial statements of the companies included in the consolidation are based on the statutory records, which are maintained under the historical cost convention (except for the revaluation of property, plant and equipment as discussed in Note 17), with adjustments and reclassifications including restatement for changes in the general purchasing power of the Turkish lira, for the purpose of fair presentation in accordance with IFRS and applying uniform presentation (Note 4).

b) Subsidiaries are companies in which Doğan Holding has power to control the financial and operating policies for the benefit of Doğan Holding either (a) through the power to exercise more than 50% voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or by certain Doğan family members and companies whereby Doğan Holding exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them; or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

The table below sets out all Subsidiaries and shows their shareholding structure at December 31:

Name	Proportion of voting power held by Doğan Holding and its Subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interest (%)	
	2002	2001	2002	2001	2002	2001	2002	2001
Dışbank	66.37%	66.37%	0.00%	0.00%	66.37%	66.37%	63.92%	63.92%
Dış Factoring	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	62.84%	61.17%
Dış Leasing	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	63.91%	63.91%
Dış Yatırım	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	63.92%	63.92%
Dış Portföy	100.00%	-	0.00%	-	100.00%	-	63.92%	-
Dış Holding Malta	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	65.49%	65.49%
Dışbank Malta	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	65.49%	65.49%
Dış Globus	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	65.49%	65.49%
Dışbank Nederland	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	63.92%	63.92%
Dışbank Kıbrıs (1)	-	100.00%	-	0.00%	-	100.00%	-	63.92%
Ray Sigorta	67.32%	67.32%	0.00%	0.00%	67.32%	67.32%	43.03%	43.03%
Doğan Hayat	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	60.21%	60.13%
Dış Holding B.V.	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	63.92%	63.92%
Doğan Leasing (2)	-	100.00%	-	0.00%	-	100.00%	-	63.64%
Doğan Factoring	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	75.51%	74.81%
Hürriyet	66.63%	66.63%	0.00%	0.00%	66.63%	66.63%	51.01%	51.01%
Milliyet	79.76%	79.92%	0.67%	0.67%	80.43%	80.59%	62.12%	62.25%
Yaysat	75.00%	75.00%	0.00%	0.00%	75.00%	75.00%	51.04%	51.04%
DYG İlan	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	64.96%	62.80%
Doğan Ofset	99.89%	99.77%	0.00%	0.00%	99.89%	99.77%	62.46%	62.38%
Doğan Raks	96.70%	96.70%	0.00%	0.00%	96.70%	96.70%	73.19%	72.65%
Doğan Kitapçılık	99.90%	99.90%	0.10%	0.10%	100.00%	100.00%	64.00%	64.00%
Doğan Haber	89.13%	42.60%	0.00%	0.00%	89.13%	42.60%	52.99%	28.52%
Doğan Basım	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	51.01%	51.01%
Simge	100.00%	42.80%	0.00%	57.20%	100.00%	100.00%	76.57%	32.37%
Milliyet Haber	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	73.54%	55.16%
Hür TV	100.00%	99.92%	0.00%	0.00%	100.00%	99.92%	51.01%	50.97%
Doğan Prodüksiyon	96.00%	96.00%	0.00%	0.00%	96.00%	96.00%	61.12%	61.14%
ANS	70.00%	70.00%	0.00%	0.00%	70.00%	70.00%	53.60%	53.60%
Doğan Online	60.00%	60.00%	40.00%	40.00%	100.00%	100.00%	45.94%	45.94%
Doğan Media	97.66%	97.66%	2.34%	2.34%	100.00%	100.00%	63.55%	63.55%
D Finans	99.92%	74.96%	0.08%	0.04%	100.00%	75.00%	45.90%	34.44%
DMC	99.17%	78.50%	0.02%	0.50%	99.19%	79.00%	75.93%	60.11%
D Market	89.97%	89.97%	0.00%	0.00%	89.97%	89.97%	41.33%	41.33%
D Pazarlama	64.94%	64.94%	35.06%	35.00%	100.00%	99.94%	49.72%	49.72%
Hürriyet								
Zweigniederlassung	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	51.01%	51.01%
Doğan Daily News	94.25%	94.25%	0.00%	0.00%	94.25%	94.25%	72.16%	72.16%
Doğan Dağıtım	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	76.55%	76.55%
Milliyet İnternet	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	67.83%	45.37%
Doğan Medya								
Pazarlama	99.92%	99.92%	0.08%	0.02%	100.00%	99.94%	76.51%	76.51%
Basın İşletmecilik	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	65.71%	41.75%
Doğan Bilgi	98.00%	98.00%	2.00%	2.00%	100.00%	100.00%	75.04%	75.04%
Doğan Müşteri	98.00%	98.00%	0.50%	0.50%	98.50%	98.50%	45.02%	45.02%
Milliyet Verlags	99.17%	99.03%	0.83%	0.97%	100.00%	100.00%	71.07%	71.08%
Doğan Kitap Müzik	99.80%	99.20%	0.00%	0.00%	99.80%	99.20%	72.96%	72.07%
Doğan Telekom	96.00%	81.00%	4.00%	19.00%	100.00%	100.00%	58.68%	55.05%
Kanal D (4)	89.97%	-	0.00%	-	89.97%	-	68.70%	-
Doğan TV (4)	100.00%	-	0.00%	-	100.00%	-	76.57%	-
Radyo D (4)	95.00%	-	0.00%	-	95.00%	-	65.26%	-
Hürbim (4)	99.92%	-	0.00%	-	99.92%	-	76.51%	-
Alp Görsel (4)	98.75%	-	0.00%	-	98.75%	-	75.61%	-
Bravo TV (4)	99.60%	-	0.00%	-	99.60%	-	76.26%	-
Fun TV (4)	99.07%	-	0.00%	-	99.07%	-	75.85%	-
Galaksi Radyo (4)	99.07%	-	0.00%	-	99.07%	-	75.85%	-
Hür FM (4)	99.89%	-	0.00%	-	99.89%	-	76.48%	-
İşıl TV (4)	99.06%	-	0.00%	-	99.06%	-	75.85%	-
Kanalspor (4)	99.06%	-	0.00%	-	99.06%	-	75.85%	-
Milenyum TV (4)	99.06%	-	0.00%	-	99.06%	-	75.85%	-

# DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2002

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)

Name	Proportion of voting power held by Doğan Holding and its Subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interest (%)	
	2002	2001	2002	2001	2002	2001	2002	2001
D Radyo (4)	95.60%	-	0.00%	-	95.60%	-	73.20%	-
Radyo Foreks (4)	99.89%	-	0.00%	-	99.89%	-	76.48%	-
Tempo TV (4)	99.06%	-	0.00%	-	99.06%	-	75.85%	-
TV 2000 (4)	99.06%	-	0.00%	-	99.06%	-	75.85%	-
Dergi Pazarlama	90.00%	-	10.00%	-	100.00%	-	47.47%	-
DS Servis	100.00%	-	0.00%	-	100.00%	-	51.01%	-
Hürriyet İnternet	100.00%	-	0.00%	-	100.00%	-	51.01%	-
Egeser	100.00%	-	0.00%	-	100.00%	-	51.01%	-
Hürservis	100.00%	-	0.00%	-	100.00%	-	51.01%	-
Hürmedya	100.00%	-	0.00%	-	100.00%	-	51.01%	-
Doğan Kitap Satış								
Dağıtım	100.00%	-	0.00%	-	100.00%	-	73.19%	-
Milpa	65.00%	65.00%	0.50%	0.50%	65.50%	65.50%	65.00%	65.00%
Hürriyet Pazarlama	46.00%	45.00%	54.00%	55.00%	100.00%	100.00%	23.61%	22.96%
Milanur	99.99%	50.00%	0.01%	50.00%	100.00%	100.00%	65.00%	32.50%
Doğan Oto	99.65%	99.30%	0.35%	0.70%	100.00%	100.00%	99.65%	99.30%
Doğan Havacılık	100.00%	85.00%	0.00%	15.00%	100.00%	100.00%	84.91%	74.42%
Doğan Yayın	76.57%	76.57%	3.37%	3.37%	79.94%	79.94%	76.57%	76.57%
Çelik Halat	58.44%	58.44%	4.00%	4.00%	62.44%	62.44%	54.83%	54.83%
Ditaş Doğan	55.71%	55.71%	0.00%	0.00%	55.71%	55.71%	55.71%	55.71%
Milta Turizm	58.23%	93.00%	39.57%	5.00%	97.80%	98.00%	36.76%	93.00%
Milta Acenta (2)	-	94.00%	-	6.00%	-	100.00%	-	87.42%
Karada (2)	-	57.21%	-	41.07%	-	98.28%	-	31.49%
Doğan Karton (5)	65.00%	-	35.00%	-	100.00%	-	65.00%	-
CH Investment B.V.	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	54.83%	54.83%
CH UK Limited	100.00%	100.00%	0.00%	0.00%	100.00%	100.00%	54.83%	54.83%
Entrallee Handels								
GmbH	95.48%	95.48%	4.52%	4.52%	100.00%	100.00%	62.06%	62.06%
3D Güvenlik	99.00%	99.00%	0.00%	0.00%	99.00%	99.00%	63.28%	63.28%
Organik Tarım (6)	100.00%	65.00%	0.00%	35.00%	100.00%	100.00%	99.09%	61.15%
İsedaş (3)	40.00%	40.00%	5.00%	5.00%	45.00%	45.00%	40.00%	40.00%
Zigana	65.00%	65.00%	4.99%	5.00%	69.99%	70.00%	65.00%	65.00%

(1) Dışbank Kıbrıs was liquidated in 2002.

(2) In 2002, Doğan Leasing merged legally with Dış Leasing and Milta Acenta and Karada merged with Milta Turizm in accordance with article 451 of TCC and articles 37-39 of Corporate Tax Law.

(3) The proportion of voting power held in this subsidiary is less than 50%; however, Doğan Holding exercises a dominant influence and power to govern the financial and operating policies of the company.

(4) These Subsidiaries were acquired on October 31, 2002. The results of operations of these Subsidiaries are included in these consolidated financial statements as from the date of acquisition in accordance with IAS 27 ("Consolidated Financial Statements and Accounting for Investments in Subsidiaries"). Detailed information concerning these acquisitions is disclosed in Note 34.

(5) This subsidiary was among the investments of Doğan Holding at December 31, 2001 and has been included in the scope of consolidation at December 31, 2002 on the grounds of increased materiality.

(6) The name of the subsidiary, Kelkit Tekstil Sanayi ve Ticaret A.Ş., has been changed to Organik Tarım in 2002.

The balance sheets and the statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Doğan Holding and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Doğan Holding and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Doğan Holding in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Where necessary, accounting policies for Subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

- c) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Doğan Holding and one or more other parties. Doğan Holding exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or by certain Doğan family members and companies whereby Doğan Holding exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them. The Group's interest in Joint Ventures is accounted for by way of proportionate consolidation. By this method, the Group includes its share of assets, liabilities, income and expenditure of each Joint Venture in the relevant components of the financial statements.

The table below sets out the Joint Ventures and shows their shareholding structure at December 31:

	Proportion of voting power held by Doğan Holding and its Subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interest (%)	
	2002	2001	2002	2001	2002	2001	2002	2001
DBR	40.72%	40.72%	2.02%	2.02%	42.74%	42.74%	31.18%	31.18%
Doğan Egmont	50.00%	50.00%	0.00%	0.00%	50.00%	50.00%	38.28%	38.28%
Ultra Kablo	50.00%	50.00%	0.00%	0.00%	50.00%	50.00%	38.28%	38.28%
Digital Hizmetler	50.00%	50.00%	0.00%	0.00%	50.00%	50.00%	32.47%	32.46%
Süper Kanal	49.00%	-	0.00%	-	49.00%	-	37.52%	-
CNN Türk	79.93%	-	0.00%	-	79.93%	-	61.20%	-
İş Doğan (1)	-	49.90%	-	0.10%	-	50.00%	-	49.90%
POAŞ (1)	47.43%	-	0.00%	-	47.43%	-	47.43%	-

(1) On December 27, 2002, POAŞ and İş Doğan merged legally in accordance with article 451 of TCC and articles 37-39 of Corporate Tax Law (Note 34).

- d) Available-for-sale equity investments in which the Group, together with Doğan family members, have interest below 20%, or above 20% over which the Holding does not exercise a significant influence, or which are immaterial and that do not have quoted market price in active markets and whose fair values cannot be measured reliably, are carried at cost and restated to the equivalent purchasing power at December 31, 2002 less any provision for diminution in value (Note 16).

Available-for-sale equity investments in which the Group, together with Doğan family members, have interest below 20% or over which the Holding does not exercise a significant influence and that have quoted market prices in active markets and whose fair values can be measured reliably are carried at fair value.

- e) The results of Subsidiaries are included or excluded from their effective dates of acquisition and disposal, respectively.

The minority shareholders' share in the net assets and results for the year for Subsidiaries are separately classified in the consolidated balance sheets and statements of income as minority interest.

Certain Doğan family members and companies controlled by them who are shareholders of Doğan Holding have interests in the share capital of certain Subsidiaries. In the consolidated financial statements, their interests are treated as minority interest and are not included in the Group's net assets and profits attributable to shareholders of Doğan Holding.

#### NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Where necessary, accounting policies for Subsidiaries and Joint Ventures have been changed to ensure consistency with the policies adopted by the Group. The significant accounting policies, other than Group accounting which is described in Note 3, followed in the preparation of these consolidated financial statements are summarized below:

##### A. Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them and joint ventures are considered and referred to as related parties. A number of transactions are entered into with related parties in the normal course of business. These transactions were priced predominantly at market rates (Note 13).

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)

## **B. Investment securities**

The Group classified its investment securities into the following two categories: held-to-maturity and available-for-sale. Investment securities with fixed maturity where management has both the intent and the ability to hold-to-maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. Available-for-sale investments are included in current assets unless management has the express intention of holding the investment for more than 12 months from the balance sheet date. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All regular way purchases and sales of investment securities are recognized at trade date, which is the date the Group commits to purchase or sell the asset. All other purchases and sales are recognized as derivative forward transactions until settlement. Cost of purchase includes transaction costs.

Investment securities are initially recognized at cost. Available-for-sale investments are subsequently carried at fair value based on quoted bid prices or prices quoted by the Central Bank of Turkey ("CBT") in the Official Gazette. Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in the income statement in the period in which they arise.

Held-to-maturity investments are carried at amortized cost using the effective yield method.

## **C. Trading securities**

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit making exists. Trading securities are initially recognized at cost and subsequently carried at fair value based on quoted bid prices or prices announced by the CBT in the Official Gazette. All related realized and unrealized gains and losses of the Subsidiaries in banking business and of the remaining Group are included in revenues and in the financial income, respectively. Dividends received are included in dividend income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognized at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise, such transactions are treated as derivatives until settlement occurs.

## **D. Sale and repurchase agreements**

Securities sold subject to linked repurchase agreements ("repos") are retained in the financial statements as trading securities or available-for-sale securities and a counterparty liability is included in amounts due to other banks or customer deposits as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as due from other banks. The difference between sale and repurchase price is treated as interest and amortized over the life of repo agreements using the effective yield method.

## **E. Trade receivables**

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Short duration 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.

## **F. Originated loans and provisions for loan impairment**

Loans originated by the Group by providing money directly to the borrower are categorized as loans originated by the Group and are carried at amortized cost, less any provision for loan losses.

### ***i) Loans and advances to customers***

All loans and advances are recognized when cash is advanced to borrowers.

Foreign currency indexed loans are recognized at their initial Turkish lira values and subsequent foreign currency gains calculated on such loans are included in the operating results in the income statement.

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

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the internal credit risk rating of the borrowers and current economic climate in which the borrowers operate. The level of provision is also based on applicable banking regulations.

The movement in provision is charged against the income for the year. When a loan is deemed uncollectable, it is written off against the related provision for impairment. The loan is written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Subsequent recoveries are credited to the income statement if previously written off. Provisions are reversed, in part or as a whole, if the reason that originated them ceases to exist.

### ***(ii) Securities***

Debt securities issued by the Government of the Republic of Turkey and originated by the Group at original issuance by transferring the funds directly to the government are categorized as loans originated by the Group and are carried at amortized cost using the effective yield method, less any provision for impairment.

## **G. Factoring receivables**

Factoring receivables that are created by way of providing money directly to third parties are recorded net of provisions and are carried at amortized cost. The level of the provision is based on management's evaluation of the portfolio including such factors as the volume and character of receivables, past pattern of losses and general economic conditions. The movement in provision made during the year is charged against the income for the year. Receivables that cannot be recovered are written off and charged against the provision for losses. These receivables are written off after all the necessary legal proceedings have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction of the charge for provision for factoring receivables for the year.

## **H. Inventories**

Inventories are valued at the lower of cost or net realizable value, restated to equivalent purchasing power at December 31, 2002. Cost elements included in inventory are materials, labor and an appropriate amount of factory overheads. Cost of inventories is determined on the weighted average basis. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 14).

# DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2002

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)

### I. Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation, in these consolidated financial statements. Depreciation is provided on property, plant and equipment on a straight-line basis. Land is not depreciated as it is deemed to have an indefinite life. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Years
Buildings	50
Land improvements	25-50
Machinery and equipment	4-15
Furniture and fixtures	4-15
Motor vehicles	4-10
Leasehold improvements	5-20
Other fixed assets	5-10

Gains or losses on disposals of property, plant and equipment with respect to their restated amounts are included in the related income and expense accounts, as appropriate.

Expenses for the repair of property, plant and equipment are normally charged against income. They are, however, capitalized in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

Property, plant and equipment is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use.

### J. Leases

#### *i) The Group as the lessee*

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset. Lease payments are treated as comprising capital and interest elements. The capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged to the statement of income. Depreciation on the relevant asset is also charged to the statement of income over a period depending on the useful life of the asset.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

#### *ii) The Group as the lessor*

When assets are sold under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. The lease income, which is the total unearned finance income at the transaction date, is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

### K. Goodwill and amortization

Goodwill arising on consolidation, represents the difference between the purchase consideration and the attributable share of the Group in the fair value of the underlying net assets of the acquired company. Goodwill is amortized using the straight-line method over the estimated useful life of 5 to 20 years and is included in intangible assets (Notes 18 and 34).

## **L. Negative goodwill and amortization**

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the purchase consideration. Negative goodwill is presented in the same balance sheet classifications as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognized in the income statement when the future losses and expenses are recognized. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognized in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognized in the income statement immediately.

## **M. Intangible assets**

Intangible assets other than goodwill, comprise acquired intellectual property, trademarks and other identified rights. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated economic lives for a period not exceeding 10 years from date of acquisition (Note 18). Where an indication of impairment exists, the carrying amount of any intangible assets including goodwill are assessed and written down immediately to its recoverable amount.

## **N. Deferred income taxes**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used to determine deferred income tax.

Under this method the Group is required to make provision for deferred income taxes on the restatement of certain assets and, in relation to an acquisition, on the difference between the fair values of the net assets acquired and their tax base. The principal temporary differences arise from the restatement of property, plant and equipment and inventory over their historical cost, accrued income, provision for employment termination benefits, provision for promotion campaigns and tax losses carried forward.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized (Note 25).

Deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and deferred tax assets and liabilities are offset accordingly.

## **O. Employment termination benefits**

Employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labor Law and Press Labor Laws for the companies in media segment (Note 26).

## **P. Revenue recognition**

### **Finance segment**

#### ***Banking***

Interest income is recorded on an accrual basis. Interest income is suspended when loans become doubtful of collection in management's estimates and judgements. The amounts suspended, less recoveries of amounts suspended in prior years, are excluded from interest receivable on loans and advances. Interest income includes coupons earned on fixed income investment and trading securities and amortized discount and premium on treasury bills and government bonds.

Commission income and fees for various banking services are recorded as income at the date when the transactions to which they relate are effected.

# DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2002

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)

### **Insurance**

A provision for unearned premiums is set up in respect of in-force policies for which the premium period extends beyond the accounting period. Unearned premiums are determined from premiums written during the year, less reinsurance, on the basis that premiums are written on the middle day of each month (Note 22).

Life:

Premium income represents premiums accrued on policies issued during the year, as adjusted by the reserve for unearned premiums for annual life policies.

Non-Life:

Premium income represents premiums on policies written during the year, net of taxes and cancellations, as adjusted by the reserve for unearned premiums.

### **Other segments**

Revenues are recognized on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

### **Q. Insurance reserves**

#### ***Life assurance provision***

The Subsidiaries dealing in life assurance are required to establish benefit reserves which in the aggregate must be sufficient to provide for future guaranteed benefits as they become due. The life assurance provision is based on the level of premiums (as adjusted by commission), and administrative expenses and risk premiums that are computed on the basis of worldwide actuarial mortality assumptions applicable for Turkish insurance companies as approved by the Insurance Supervisory Office. The life assurance provision also takes account of the net rate of return on investments.

#### ***Claims and claim provisions***

Non-life insurance claims are recorded in the period in which they occur, based on reported claims or on the basis of estimates when not reported. Differences between estimates at the end of successive accounting periods are recognized in claims expenses for the periods in which these differences are identified.

Full provision is made for outstanding claims, including claim settlements, reported at the year-end. Incurred but not reported ("IBNR") claims are included under claim provisions.

### **R. Share capital and dividends**

Ordinary shares are classified as equity. Pro-rata capital increases to existing shareholders are accounted for at par value as approved. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

### **S. Research and development costs**

Research and development costs are recognized and expensed in the income statement in the period in which they are incurred.

## **T. Programme stocks and programme rights**

Programme stocks involve internal/external productions that have been produced but not yet broadcast. Current programme stocks are recognized at acquisition or production cost and they are not subject to amortization. These programmes are either transferred to programme rights when they are broadcast or charge to income according to their ability to generate revenue.

Programme rights are initially recognized at acquisition cost or production cost when the Group controls, in substance, the respective assets and the risks and rewards attached to them.

Programme rights include both in-house productions and co-productions, whether in progress or scheduled for transmission and are stated at the lower of cost and net realizable value. Consumption is based on the expected number of transmissions over the life of the contract, in order to balance the cost of consumption with the benefits received. The rates of consumption applied for broadcasting rights are the following:

- Soaps, in-house productions, domestic series, game shows, music shows, children's programmes, sport programmes and other events and documentaries are fully consumed upon the first transmission and the current year charge is included as cost of sales in the consolidated statement of income.
- Foreign movies, foreign series and domestic films are recognized at acquisition cost of the broadcasting right and they are amortized upon the number of transmissions over the life of the contract.

## **U. Barter agreements**

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

## **V. Provisions**

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

## **X. Investment grants**

The Group has right to exercise investment grants when the investment incentive certificate is approved by the related authorities. The Group does not reflect these investment grants in the statutory financial statements but only has right to deduct the amounts approved from the project costs from the corporate tax base subject to fulfilling the requirements regarding completion of the investment (Note 33).

## **Y. Borrowing costs**

Borrowing costs are charged to the statement of income as they are incurred and recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings.

# DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2002

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)

### Z. Cash and cash equivalents

Cash and cash equivalents include cash and amounts due from banks, and trading and investment securities with original maturity periods of less than three months.

Analysis of cash and cash equivalents included in the consolidated statements of cash flows for the years ended December 31, are as follows:

	2002	2001
<b>Cash and cash equivalents:</b>		
Cash and amounts due from banks excluding accrued interest	877,699,104	1,479,212,581
Trading and investment securities with original maturities of less than three months excluding accrued interest	657,011,041	434,777,915
	<b>1,534,710,145</b>	<b>1,913,990,496</b>

### Aa. Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts, currency and interest rate swap instruments and other derivative financial instruments are initially recognized in the balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. All derivative financial instruments are classified as held for trading. Certain derivative transactions, while providing effective economic hedges under the Group's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held-for-trading with fair value gains and losses reported in the statement of income. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to December 31. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives held-for-trading are included in net trading income.

### Ab. Financial instruments and financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, 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 potential adverse effects on the financial performance of the Group.

Risk management is carried out by individual Subsidiaries and Joint ventures under policies approved by their Board of Directors.

#### **Foreign exchange risk**

Foreign currency denominated assets and liabilities together with purchase and sale commitments in the banking sector give rise to foreign exchange exposure. Open exchange exposures are hedged with derivative financial instruments which primarily include forward foreign exchange contracts. All forward contracts hedging foreign exchange risk have a duration of less than a year.

#### **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.

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### ***Funding risk***

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

### ***Credit risk***

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and limiting the aggregate risk to any individual counterparty. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases and their dispersion across many different industries.

### ***Fair value of financial instruments***

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

#### ***Monetary assets***

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to carrying value.

The fair value of loans and consumer loans are also considered to approximate carrying value and the fair value of the loan portfolio is estimated by assessing the risk components of the portfolio.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks and deposits with banks are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The fair value of trading and investment securities is based on prices prevailing at the balance sheet date announced by the CBT in the Official Gazette.

The carrying values of trade receivables along with the related allowances for uncollectability are estimated to be their fair values.

#### ***Monetary liabilities***

The fair value of customer deposits, funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. Trading liabilities, derivatives and foreign exchange instruments, have been estimated at their fair values.

Long-term borrowings which, in principle at variable rates and denominated in foreign currencies are translated at year-end exchange rates and accordingly their carrying values approximate their fair values.

**DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2002**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at December 31, 2002 unless otherwise indicated)

**Ac. Earnings/(loss) per share**

Earnings/(loss) per share disclosed in the accompanying consolidated statement of income/(loss) are determined by dividing net profit/(loss) by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings/(loss) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year. Bonus shares issued during the year were as follows:

Year	Number of shares issued attributable to transfers to share capital from:		
	Retained earnings	Revaluation surplus	Total
2002	-	-	-
2001	3,127,188,400	1,528,007,600	4,655,196,000

There was no difference between basic and diluted earnings per share for any class of shares for any of these years.

**Ad. Comparatives**

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year so that the reclassification will result in a more appropriate presentation of events or transactions.

**Ae. Offsetting**

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

**NOTE 5 - SEGMENTAL INFORMATION**

**a) External revenues**

	2002	2001
Finance	1,132,133,129	1,418,112,455
Media	755,039,009	816,704,329
Energy	3,646,932,256	3,458,329,322
Other	106,274,571	149,264,503
	<b>5,640,378,965</b>	<b>5,842,410,609</b>

**b) Operating profit/(loss)**

	2002	2001
Finance	174,328,761	67,119,788
Media	30,178,146	(73,141,419)
Energy	70,276,939	91,619,741
Other	(70,844,390)	(60,980,889)
	<b>203,939,456</b>	<b>24,617,221</b>

**c) Segmental analysis for the year ended December 31, 2002:**

	Finance	Media	Energy	Other	Inter segment elimination	Total
External revenues	1,132,133,129	755,039,009	3,646,932,256	106,274,571	-	5,640,378,965
Intra segment revenues	87,498,981	317,900,035	-	4,091,364	-	409,490,380
Inter segment revenues	53,690,469	11,426,442	238,821	18,345,107	-	83,700,839
<b>Combined revenues</b>	<b>1,273,322,579</b>	<b>1,084,365,486</b>	<b>3,647,171,077</b>	<b>128,711,042</b>	<b>-</b>	<b>6,133,570,184</b>
<b>Combined cost of sales</b>	<b>(796,776,017)</b>	<b>(839,191,587)</b>	<b>(3,462,283,610)</b>	<b>(98,966,629)</b>	<b>-</b>	<b>(5,197,217,843)</b>
Revenues	1,185,823,598	766,465,451	3,647,171,077	124,619,678	(83,700,839)	5,640,378,965
Cost of sales	(713,509,834)	(568,883,000)	(3,462,283,610)	(98,089,795)	84,851,741	(4,757,914,498)
Gross profit	472,313,764	197,582,451	184,887,467	26,529,883	1,150,902	882,464,467
Selling, distribution and administrative expenses	(282,965,503)	(154,235,283)	(82,086,626)	(47,556,408)	25,586,711	(541,257,109)
Other operating expense - net	(50,254,794)	(16,382,889)	(33,199,167)	(35,664,809)	(1,766,243)	(137,267,902)
Operating profit/(loss) - before inter segment elimination	139,093,467	26,964,279	69,601,674	(56,691,334)	24,971,370	203,939,456
Profit elimination due to inter segment elimination	35,235,294	3,213,867	675,265	(14,153,056)	(24,971,370)	-
<b>Operating profit/(loss) - after inter segment elimination</b>	<b>174,328,761</b>	<b>30,178,146</b>	<b>70,276,939</b>	<b>(70,844,390)</b>	<b>-</b>	<b>203,939,456</b>

**c) Segmental analysis for the year ended December 31, 2001:**

	Finance	Media	Energy	Other	Inter segment elimination	Total
External revenues	1,418,112,455	816,704,329	3,458,329,322	149,264,503	-	5,842,410,609
Intra segment revenues	331,934,384	298,762,324	-	1,756,723	-	632,453,431
Inter segment revenues	27,770,759	18,393,083	24	29,485,235	-	75,649,101
<b>Combined revenues</b>	<b>1,777,817,598</b>	<b>1,133,859,736</b>	<b>3,458,329,346</b>	<b>180,506,461</b>	<b>-</b>	<b>6,550,513,141</b>
<b>Combined cost of sales</b>	<b>(1,356,579,312)</b>	<b>(965,264,272)</b>	<b>(3,265,908,968)</b>	<b>(166,290,988)</b>	<b>-</b>	<b>(5,754,043,540)</b>
Revenues	1,445,883,214	835,097,412	3,458,329,346	178,749,738	(75,649,101)	5,842,410,609
Cost of sales	(1,026,910,558)	(709,625,742)	(3,265,908,968)	(165,425,267)	6,479,986	(5,161,390,549)
Gross profit	418,972,656	125,471,670	192,420,378	13,324,471	(69,169,115)	681,020,060
Selling, distribution and administrative expenses	(269,539,269)	(172,135,413)	(95,819,325)	(54,732,464)	25,878,781	(566,347,690)
Other operating expense - net	(57,513,470)	(29,312,069)	(7,054,312)	(209,459)	4,034,161	(90,055,149)
Operating profit/(loss) - before inter segment elimination	91,919,917	(75,975,812)	89,546,741	(41,617,452)	(39,256,173)	24,617,221
Profit elimination due to inter segment elimination	(24,800,129)	2,834,393	2,073,000	(19,363,437)	39,256,173	-
<b>Operating profit/(loss) - after inter segment elimination</b>	<b>67,119,788</b>	<b>(73,141,419)</b>	<b>91,619,741</b>	<b>(60,980,889)</b>	<b>-</b>	<b>24,617,221</b>

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**d) Segment assets employed**

	<b>2002</b>	<b>2001</b>
<b>Total assets</b>		
Finance	5,631,144,902	5,183,433,420
Media	1,605,622,232	1,152,702,512
Energy	1,857,390,062	1,564,123,822
Other	3,134,516,163	2,921,105,953
<b>Total combined</b>	<b>12,228,673,359</b>	<b>10,821,365,707</b>
Less: segment elimination	(4,204,035,769)	(4,135,281,189)
<b>Total assets as per these consolidated financial statements</b>	<b>8,024,637,590</b>	<b>6,686,084,518</b>
<b>Net assets</b>		
Finance	936,545,118	901,779,746
Media	846,180,443	497,254,442
Energy	511,063,461	591,146,544
Other	2,181,296,575	1,918,704,619
<b>Total combined</b>	<b>4,475,085,597</b>	<b>3,908,885,351</b>
Less: segment elimination	(3,564,548,237)	(3,267,922,704)
<b>Shareholders' equity</b>	<b>910,537,360</b>	<b>640,962,647</b>
Minority interest	559,083,275	720,526,195
<b>Total net assets as per these consolidated financial statements</b>	<b>1,469,620,635</b>	<b>1,361,488,842</b>

**e) Capital expenditures and depreciation**

	<b>2002</b>	<b>2001</b>
<b>Capital expenditures</b>		
Finance	76,015,192	46,886,425
Media	43,434,489	137,150,156
Energy	53,387,560	77,409,777
Other	52,451,146	10,027,923
	<b>225,288,387</b>	<b>271,474,281</b>
<b>Depreciation charge</b>		
Finance	39,323,000	29,558,825
Media	65,508,316	57,129,375
Energy	14,623,264	8,083,503
Other	11,907,648	13,488,150
	<b>131,362,228</b>	<b>108,259,853</b>

#### f) Interest in joint ventures

Aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities and net income related to Joint Ventures, which are proportionately consolidated as explained under Note 3.c in these consolidated financial statements, are as follows on a combined basis:

	2002	2001
Current assets	561,738,202	286,275,203
Non-current assets	1,351,858,998	1,315,137,366
<b>Total assets</b>	<b>1,913,597,200</b>	<b>1,601,412,569</b>
Current liabilities	1,019,196,146	295,762,102
Non-current liabilities	361,975,190	863,070,059
Shareholders' equity	532,425,864	442,580,408
<b>Total liabilities and shareholders' equity</b>	<b>1,913,597,200</b>	<b>1,601,412,569</b>
Revenues	3,678,721,146	3,574,068,118
Gross profit	198,915,850	206,890,587
Net income/(loss)	53,133,269	(30,391,629)

#### g) Minority interest

	2002			2001		
	Doğan family members	Other	Total	Doğan family members	Other	Total
Media	20,672,801	257,327,893	278,000,694	11,680,629	195,672,667	207,353,296
Finance	(1,752,331)	217,348,968	215,596,637	(1,153,652)	237,720,197	236,566,545
Energy	-	439,753	439,753	279,469	173,732,417	174,011,886
Other	18,303,302	46,742,889	65,046,191	16,058,908	86,535,560	102,594,468
	<b>37,223,772</b>	<b>521,859,503</b>	<b>559,083,275</b>	<b>26,865,354</b>	<b>693,660,841</b>	<b>720,526,195</b>

Changes in minority interest during 2002 and 2001 are as follows:

	2002	2001
January 1	720,526,195	827,973,492
Increase in share capital	6,019,671	27,858,835
Translation reserve	(13,757,559)	18,319,566
Disposal of joint venture (Note 34)	(67,532,461)	-
Increase in minority interest due to additional subsidiaries consolidated during the year	-	177,432
Disposal of subsidiaries	(121,284,208)	(15,257,429)
Payment of dividends	(210,973)	(43,602,049)
Net income/(loss) attributable to minority interest	35,322,610	(94,943,652)
<b>December 31</b>	<b>559,083,275</b>	<b>720,526,195</b>

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### h) Non-cash expenses

Significant non-cash expenses included in segment results are as follows:

	2002				Total
	Finance	Media	Energy	Other	
Amortization of goodwill	-	8,670,048	48,819,290	-	57,489,338
Provision for loan losses	50,108,134	-	-	-	50,108,134
Interest expense accrual	8,058,921	-	-	-	8,058,921
Reserve for employment termination benefits	147,121	3,735,072	(1,819,472)	(531,577)	1,531,144
Provision for doubtful receivables	-	2,693,947	1,117,529	767,371	4,578,847
Provision for net realizable value	-	2,298,153	-	1,801,315	4,099,468
	<b>58,314,176</b>	<b>17,397,220</b>	<b>48,117,347</b>	<b>2,037,109</b>	<b>125,865,852</b>

	2001				Total
	Finance	Media	Energy	Other	
Amortisation of goodwill	-	7,822,215	45,311,903	-	53,134,118
Provision for loan losses	56,713,960	-	-	-	56,713,960
Insurance technical reserves	5,950,781	-	-	-	5,950,781
Reserve for employment termination benefits	4,346,391	2,831,505	23,136,455	1,149,770	31,464,121
Provision for doubtful receivables	-	8,936,456	6,061,601	9,645,848	24,643,905
Provision for net realizable value	-	45,157	-	-	45,157
	<b>67,011,132</b>	<b>19,635,333</b>	<b>74,509,959</b>	<b>10,795,618</b>	<b>171,952,042</b>

### NOTE 6 - CASH AND AMOUNTS DUE FROM BANKS

The analysis of cash and amounts due from banks at December 31, 2002 and 2001 are as follows:

	2002			2001		
	Banking TL millions	Other TL millions	Total TL millions	Banking TL millions	Other TL millions	Total TL millions
Cash in hand	53,108,901	709,155	53,818,056	66,982,549	1,978,850	68,961,399
Banks - demand deposits	2,218,182	25,440,290	27,658,472	17,908,403	18,044,789	35,953,192
- time deposits	7,430,424	272,147,198	279,577,622	73,671,581	169,214,034	242,885,615
- loan to banks	3,643,756	4,427,835	8,071,591	1,866,431	2,343,740	4,210,171
Placements with banks	225,984,816	-	225,984,816	368,453,084	-	368,453,084
Interbank money market placements	261,411,758	-	261,411,758	694,605,458	-	694,605,458
Loans and advances to banks	-	-	-	22,965,394	-	22,965,394
Cheques	1,794,565	6,816,093	8,610,658	1,214,719	1,746,075	2,960,794
Blocked bank accounts	20,120,637	2,317,171	22,437,808	34,560,078	17,067,080	51,627,158
	<b>575,713,039</b>	<b>311,857,742</b>	<b>887,570,781</b>	<b>1,282,227,697</b>	<b>210,394,568</b>	<b>1,492,622,265</b>

At December 31, 2002, interest rates for local currency time deposits are between 36% and 53% (2001: 15%-76%) and interest rates for foreign currency time deposits are between 1% and 10% (2001: 2%-21%).

Loan to banks consist of Turkish government bonds and treasury bills held for resale to banks under reverse repurchase agreements. These are all short-term with periods of less than three months, with an interest rate varying from 32%-64% (2001: 20%-59%). The market values of such loan approximated carrying values, including accrued income at the respective year-ends.

Interest rates for placements with other banks ranged between 47% and 66% for local currency placements (2001: 15%-400%) and 1% and 4% (2001: 2%-16%) for foreign currency placements.

Interbank money market placements ranged between 44% and 45% for local currency in 2002 (2001: 61%-62%) and were 1% for foreign currency (2001: 3%-8%).

At December 31, 2002, Subsidiaries in insurance sector deposits investments amounting to TL 3,520,637 million (2001: TL 15,430,956 million) in a blocked account with a state bank in favor of the Undersecretariat of Treasury as required by Insurance Supervisory Law No: 7397. The remaining blocked bank accounts are provided to collateralize the bank borrowings obtained by the Subsidiaries.

#### NOTE 7 - TRADING SECURITIES

The breakdown of marketable securities at December 31, 2002 and 2001 were as follows:

	2002			2001		
	Banking	Other	Total	Banking	Other	Total
Government bonds	519,977,965	1,149,653	521,127,618	253,839,266	-	253,839,266
Treasury bills	95,489,448	20,858,172	116,347,620	138,469,867	21,071,163	159,541,030
Other	449,165	1,028,700	1,477,865	511,012	1,030,968	1,541,980
	<b>615,916,578</b>	<b>23,036,525</b>	<b>638,953,103</b>	<b>392,820,145</b>	<b>22,102,131</b>	<b>414,922,276</b>

Government bonds and treasury bills are discount and coupon securities issued by the Republic of Turkey.

Included in government bonds were securities pledged under repurchase agreements with other banks whose market value at December 31, 2002 was TL 30,672,800 million (2001: TL 139,916,397 million).

The net unrealized gain on trading securities amounted to TL 13,020,326 million at December 31, 2002 (2001: TL 32,719,379 million).

The interest rates for treasury bills and government bonds held at December 31, 2002 are between 43%-53% (2001: 58%-70%). Interest rates for the trading securities in foreign currency held at December 31, 2002 are between 7% and 9% (2001: 7%-10%).

	2002	2001
Period remaining to the contractual maturity date:		
1-30 days	619,723,075	393,851,112
30-90 days	932,509	21,071,164
90 days-1 year	18,297,519	-
	<b>638,953,103</b>	<b>414,922,276</b>

#### NOTE 8 - RESERVE DEPOSITS WITH THE CENTRAL BANK OF TURKEY

	2002	2001
Reserve deposits	257,842,221	171,164,303

According to the regulations of the CBT, the banks are required to maintain reserve deposits equivalent to a certain portion of their customer deposits, other than Interbank deposits, based on the type of deposits (foreign currency or Turkish lira), at different percentages ranging from 6% to 11% (2001: 4% to 11%). These funds are not available to finance the banks' day to day operations.

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**NOTE 9 - ORIGINATED LOANS**

	<b>2002</b>	<b>2001</b>
Commercial and industrial loans	1,111,749,060	705,225,435
Export loans	470,713,802	273,083,437
Investment loans	111,743,960	71,470,340
Consumer loans	106,370,129	68,244,397
Investment in direct finance leases - net of unearned finance income	77,984,868	43,947,665
Originated loans to the Undersecretariat of the Treasury of the Prime Ministry of the Republic of Turkey	48,082,152	51,552,414
Factoring receivables	30,102,108	20,443,173
	<b>1,956,746,079</b>	<b>1,233,966,861</b>
Non-performing loans	100,434,709	96,842,334
<b>Total gross loans and advances</b>	<b>2,057,180,788</b>	<b>1,330,809,195</b>
Less: Provision for loan losses	(96,705,901)	(67,386,542)
<b>Net loans and advances to customers</b>	<b>1,960,474,887</b>	<b>1,263,422,653</b>

Originated loans granted to the Undersecretariat of the Treasury represent foreign currency indexed government bonds issued by the Government of the Republic of Turkey originated by the Group at original issuance by transferring the funds directly to the government.

Movement in provisions for loan losses is as follows:

	<b>2002</b>	<b>2001</b>
Balance at January 1	67,386,542	43,976,393
Loan impairment expense for the year	51,435,939	61,045,904
Recoveries of amounts previously provided	(1,327,805)	(4,331,944)
Monetary gain	(20,788,775)	(33,303,811)
<b>Balance at December 31</b>	<b>96,705,901</b>	<b>67,386,542</b>

Non-performing loans include loans under legal follow-up amounting TL 70,25 6,344 million (2001: TL 35,605,222 million).

Interest rates vary between 7% and 9% (2001: 4%-24%) per annum for foreign currency loans and 44% and 51% (2001: 35%-120%) per annum for Turkish lira loans.

The loans and advances to customers include finance lease receivables, as shown below:

	<b>2002</b>	<b>2001</b>
Gross investment in finance leases	90,764,174	50,752,566
Less: Unearned finance income	(12,779,306)	(6,804,901)
<b>Net investment in finance leases</b>	<b>77,984,868</b>	<b>43,947,665</b>

Lease payments receivable consist of rentals over the terms of leases. The rentals according to maturity are as follows:

	<b>2002</b>	<b>2001</b>
2002	-	31,430,645
2003	52,270,458	8,986,105
2004	19,394,992	2,783,508
2005	5,896,724	339,212
2006	278,479	265,693
2007	144,215	142,502
	<b>77,984,868</b>	<b>43,947,665</b>

Under the lease agreements made with lessees, there is no residual value guaranteed to the lessor and the ownership of the items leased will be transferred to the lessees at the end of the lease terms.

Economic sector risk concentrations for the performing loan portfolio were as follows:

	<b>2002</b>		<b>2001</b>	
	<b>TL millions</b>	<b>%</b>	<b>TL millions</b>	<b>%</b>
Wholesale and retail trade	316,456,163	17	174,691,614	13
Textiles	242,023,499	13	148,915,965	12
Food and beverage	204,547,498	10	107,986,040	9
Oil and gas	172,161,023	9	61,092,675	5
Metal processing	143,488,898	7	90,713,423	7
Construction and cement	125,864,242	6	83,221,186	7
Retail and consumer	106,370,129	5	68,244,397	6
Financial institutions	97,990,670	5	48,901,388	4
Medicine, chemicals and dyes	84,511,511	4	125,189,379	10
Media	61,343,493	3	3,837,252	-
Tourism	57,981,916	3	21,057,755	2
Automotive	56,949,006	3	22,502,967	2
Originated loans to the Undersecretariat of the Treasury of the Prime Ministry of the Republic of Turkey	48,082,152	2	51,552,414	4
Agriculture	39,521,984	2	11,958,637	1
Durable goods	29,720,322	2	7,801,316	1
Other	169,733,573	9	206,300,453	17
	<b>1,956,746,079</b>	<b>100</b>	<b>1,233,966,861</b>	<b>100</b>

#### **NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS**

The Group utilizes the following derivative instruments for non-hedging purposes:

"Currency forwards" represents commitments to purchase foreign and domestic currency, including undelivered spot transactions.

"Foreign currency futures" are contractual obligations to receive or pay a net amount based on changes in currency rates or to buy or sell foreign currency at a future date at a specified price established in an organized financial market. Since future contracts are collateralized by cash or investment securities and changes in the futures contract value are settled daily with the exchange rate, the credit risk is negligible.

"Currency swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. Except in the case of certain currency swaps, no exchange of principal takes place. The Group's "credit risks" represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

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"Foreign currency options" are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency at a predetermined price. In consideration for the assumption of foreign exchange or interest rate risk, the seller receives a premium from the purchaser. The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held for trading at December 31, 2002 and 2001 are set out in the following table:

	Contract/Notional amount	Fair values	
		Assets	Liabilities
<b>December 31, 2002</b>			
<b>Foreign exchange derivatives</b>			
Currency forwards	136,400,181	2,402,083	(548,272)
Currency swaps	194,479,492	2,232,349	-
Gold futures	3,493,868	-	(160,505)
<b>Total derivative assets/(liabilities)</b>	<b>334,373,541</b>	<b>4,634,432</b>	<b>(708,777)</b>
<b>December 31, 2001</b>			
<b>Foreign exchange derivatives</b>			
Currency forwards	38,743,953	102,606	(90,616)
Currency swaps	392,817,990	829,970	(575,432)
<b>Total derivative assets/(liabilities)</b>	<b>431,561,943</b>	<b>932,576</b>	<b>(666,048)</b>

### NOTE 11 - INVESTMENT SECURITIES

The breakdown of securities available-for-sale at December 31, 2002 and 2001 were as follows:

	2002			2001		
	Banking	Other	Total	Banking	Other	Total
Government bonds	276,512,938	-	276,512,938	126,866,915	-	126,866,915
Eurobonds	365,481,238	-	365,481,238	215,889,178	-	215,889,178
Treasury bills	149,944,795	-	149,944,795	-	-	-
Other	1,187,901	-	1,187,901	379,775	-	379,775
	<b>793,126,872</b>	<b>-</b>	<b>793,126,872</b>	<b>343,135,868</b>	<b>-</b>	<b>343,135,868</b>

Government bonds, treasury bills and Eurobonds are discount and coupon securities issued by the Republic of Turkey.

Interest rates for treasury bills and government bonds held at December 31, 2002 vary between 43% and 53% (2001: 62%-67%). Interest rates for the investment securities in foreign currency vary between 9% and 11% (2001: 5%-11%).

At December 31, 2002, TL 83,843,000 million (2001: nil) of government bonds and treasury bills classified in available-for-sale investment securities were pledged under repurchase agreements with customers.

At December 31, 2002, investment securities available-for-sale amounting to TL 117,788,875 million were pledged to third parties namely, CBT for legal requirements and Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası A.Ş. ("İMKB Takasbank A.Ş.") as a guarantee for stock exchange and money market operations (December 31, 2001: TL 166,925,839 million).

At December 31, 2002, investment securities available-for-sale amounting to TL 12,505,818 million (2001: TL 393,892 million) were pledged to a state bank in favor of the Undersecretariat of Treasury as required by Insurance Supervisory Law No: 7397.

The breakdown of securities held-to-maturity at December 31, 2002 and 2001 were as follows:

	2002			2001		
	Banking	Other	Total	Banking	Other	Total
Government bonds	16,055,000	-	16,055,000	8,605,053	-	8,605,053
Equity stock-foreign currency	-	-	-	-	11,563,553	11,563,553
	<b>16,055,000</b>	<b>-</b>	<b>16,055,000</b>	<b>8,605,053</b>	<b>11,563,553</b>	<b>20,168,606</b>

At December 31, 2002, investment securities held-to-maturity amounting to TL 8,701,889 million (2001: TL 3,076,497 million) were pledged to a state bank in favor of the Undersecretariat of Treasury as required by Insurance Supervisory Law No: 7397.

As at December 31, 2001, the purchase cost of the listed equity stocks was US\$ 5,034,677 (equivalent of TL 9,482,956 million) and it was financed through borrowings. The Group holds call and put options for equity stocks. These options are double-sided, therefore are treated as forward commitments to sell the equities at a future date at predetermined price specified in option contracts. The Group locked in a total fixed gain of US\$ 1,119,575 (equivalent of TL 2,108,751 million) which represents the difference between the purchase price of the equities and the strike price specified in the option contract. Total gain is amortized to income over the life of the option contract. At December 31, 2001, the amortized gain amounted to US\$ 1,104,628 or the equivalent of TL 2,080,597 million. The amortized gain on outstanding option contracts is included in interest income on investment securities as of December 31, 2001. The option contract has matured and equity stocks have been disposed in 2002.

The comparison of the fair values of government bonds in the investment portfolio classified as held-to-maturity with the carrying values is as follows:

	2002	2001
Carrying value of securities held-to-maturity	16,055,000	8,605,053
Fair value of securities held-to-maturity	16,125,002	8,427,432

Interest rate for government bonds held-to-maturity at December 31, 2002 vary between 45% and 55% (2001: 67%).

Analysis of investment securities per their maturities at December 31, 2002 and 2001 were as follows:

	2002	2001
Period remaining to maturity:		
1-30 days	1,369,534	12,416,746
30-90 days	48,106,265	8,007,714
90 days-1 year	217,108,095	109,996,333
Over 1 year	542,597,978	232,883,681
	<b>809,181,872</b>	<b>363,304,474</b>

## NOTE 12 - TRADE RECEIVABLES

	2002	2001
Trade receivables-net of unearned finance income	283,118,908	312,935,991
Notes receivables-net of unearned finance income	125,150,018	122,299,571
Provision for doubtful receivables	(17,308,499)	(29,092,630)
Other	5,087,438	2,824,644
	<b>396,047,865</b>	<b>408,967,576</b>

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### NOTE 13 - TRANSACTIONS AND BALANCES WITH RELATED COMPANIES AND SHAREHOLDERS

Amounts due from and due to related parties at December 31 and a summary of the major transactions with related companies are as follows:

<b>Due from related companies:</b>	<b>2002</b>	<b>2001</b>
Aktif Tekstil Yatırımı Sanayi ve Ticaret A.Ş. ("Aktif Tekstil")	17,401,696	21
Doğan Dış Ticaret Mümessillik A.Ş. ("Doğan Dış Ticaret")	9,618,798	5,886,845
Bimaş Birleşik Medya Pazarlama A.Ş. ("Bimaş")	5,048,307	-
Biryay Birleşik Yayın Dağıtım A.Ş. ("Biryay")	2,089,515	196
Ortadoğu Otomotiv Ticaret A.Ş. ("Ortadoğu Otomotiv")	17,057	401,393
Adil Bey Holding A.Ş.	3,505	1,161,747
Kanal D (*)	-	17,567,002
CNN Türk (*)	-	9,045,269
Other	1,096,071	1,327,706
	<b>35,274,949</b>	<b>35,390,179</b>

At December 31, 2002, due from Aktif Tekstil amounting to TL 17,401,696 million is the principal and accrued interest of bank borrowings lended to Aktif Tekstil under same conditions as the original borrowings.

In 2001, the Group provided funds to Kanal D and CNN Türk amounting to TL 11,972,514 million and TL 5,815,252 million, respectively. The Group generated financial income from Kanal D and CNN Türk amounting to TL 17,659,832 million and TL 600,635 million, respectively.

<b>Due to related companies:</b>	<b>2002</b>	<b>2001</b>
Doğan Family	16,818,331	4,302
Doğan Dış Ticaret	8,755,198	14,450,668
Biryay	774,836	351,478
Mesiar Medya Sigortacılık Hizmetleri Aracılık A.Ş. ("Mesiar")	682,332	345,805
Ortadoğu Otomotiv	303,104	73,997
CNN Türk (*)	-	5,127,392
Kanal D (*)	-	1,355,399
Hürservis (*)	-	417,913
D Radyo (*)	-	180,598
Other	1,331,758	995,069
	<b>28,665,559</b>	<b>23,302,621</b>

The amount due to the Doğan Family includes a payable in the amount of TL 16,810,665 million, which is the remaining portion of a total consideration of TL 208,260,078 million related to the acquisitions made in the media sector on October 31, 2002 (Notes 3.b and 34).

Major materials, property, plant and equipment and service purchases from related parties for the years ended December 31 were as follows:

<b>Service and product purchases:</b>	<b>2002</b>	<b>2001</b>
Doğan Dış Ticaret	140,721,641	215,562,858
Ortadoğu Otomotiv	997,187	-
CNN Türk (*)	-	20,132,700
Kanal D (*)	-	16,248,335
Hürmedya (*)	-	5,562,803
Hürbim (*)	-	4,373,344
Marmara İdari ve Genel Hizmetler A.Ş.	-	2,282,159
Hürriyet İnternet (*)	-	940,234
Hürservis (*)	-	593,902
D Radyo (*)	-	315,688
Other	1,619,296	2,506,177
	<b>143,338,124</b>	<b>268,518,200</b>

<b>Property, plant and equipment purchases:</b>	<b>2002</b>	<b>2001</b>
Doğan Dış Ticaret	10,582,587	-
Ortadoğu Otomotiv	71,867	-
Doku Yapı İnşaat Sanayi ve Ticaret A.Ş. ("Doku Yapı")	-	375,980
Other	-	42,294
	<b>10,654,454</b>	<b>418,274</b>

Major sales to related companies, net of sales discounts and returns, for the years ended December 31 were as follows:

<b>Service and product sales:</b>	<b>2002</b>	<b>2001</b>
Bimaş	23,811,370	-
Doğan Dış Ticaret	3,402,289	3,204,498
Ortadoğu Otomotiv	98,641	1,259,473
CNN Türk (*)	-	31,226,527
Kanal D (*)	-	18,848,107
Hürservis (*)	-	6,060,535
Hürriyet İnternet (*)	-	3,784,818
Marmara İdari ve Genel Hizmetler A.Ş.	-	1,480,984
Hürbim (*)	-	496,099
Radyo Foreks (*)	-	233,995
Other	950,952	1,396,114
	<b>28,263,252</b>	<b>67,991,150</b>

<b>Property, plant and equipment sales:</b>	<b>2002</b>	<b>2001</b>
Doku Yapı	1,577,995	2,944
Biryay	1,397,689	-
Aydın Doğan Vakfı	901,461	-
Hürriyet İnternet (*)	-	21,858
Doğan Dış Ticaret	-	201
	<b>3,877,145</b>	<b>25,003</b>

<b>Interest income/(expense) - banking:</b>	<b>2002</b>	<b>2001</b>
Doğan Dış Ticaret	3,229,573	2,449,265
Anadolu Otomotiv Ticaret ve Sanayi A.Ş. ("Anadolu Otomotiv")	1,670,160	2,036,425
Ortadoğu Otomotiv	-	1,485,862
Other	826,987	1,094,334
	<b>5,726,720</b>	<b>7,065,886</b>

Doğan Family	(33,218,615)	(19,527,060)
Born Investment Holding S.A.	(821,023)	(161,171)
Anadolu Otomotiv	-	(1,292,955)
Ortadoğu Otomotiv	(388,092)	(1,208,691)
Kanal D (*)	-	(1,450,093)
Other	(1,224,359)	(343,776)
	<b>(35,652,089)</b>	<b>(23,983,746)</b>

<b>Interest expense - net</b>	<b>(29,925,369)</b>	<b>(16,917,860)</b>
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<b>Interest income/(expense) - non-banking:</b>	<b>2002</b>	<b>2001</b>
Kanal D (*)	-	17,659,832
CNN Türk (*)	-	600,635
Other	6,865	-
	<b>6,865</b>	<b>18,260,467</b>
Doğan Dış Ticaret	(4,965,999)	-
CNN Türk (*)	-	(2,478,673)
Other	(5,946)	(157,531)
	<b>(4,971,945)</b>	<b>(2,636,204)</b>
<b>Interest (expense)/income - net</b>	<b>(4,965,080)</b>	<b>15,624,263</b>

(\*) These Subsidiaries are included in the scope of consolidation in 2002.

### NOTE 14 - INVENTORIES

	<b>2002</b>	<b>2001</b>
Finished goods and merchandise	100,458,391	84,751,602
Promotion stocks	16,126,249	17,273,754
Raw materials and supplies	15,694,985	16,172,945
Semi-finished goods	6,732,700	5,914,644
Spares, supplies and advances	2,319,682	2,507,769
Other inventories	9,675,542	7,629,095
	151,007,549	134,249,809
Provision for net realizable value	(2,710,798)	(1,363,560)
	<b>148,296,751</b>	<b>132,886,249</b>

### NOTE 15 - OTHER CURRENT ASSETS

	<b>2002</b>	<b>2001</b>
Receivables from the sale of subsidiary shares	58,255,790	-
Prepaid taxes and funds	36,846,797	19,073,445
Programme rights	22,990,717	-
Prepaid expenses	13,152,972	11,893,259
Deferred acquisition costs	12,250,030	14,674,409
Programme stocks	10,835,144	-
Advances given	9,853,769	6,826,306
Value Added Tax ("VAT") receivable	8,097,102	12,563,057
Other	28,865,012	18,470,106
	<b>201,147,333</b>	<b>83,500,582</b>

At December 31, 2002, receivable from the sale of subsidiary shares amounting to TL 58,255,790 million was originated through sale to Türkiye İş Bankası A.Ş. of POAŞ shares, which were held by İş Doğan prior to the legal merger explained in Note 34.

Movements of programme stocks and programme rights during the year are as follows:

	<b>January 1 2002</b>	<b>(*) Acquisitions</b>	<b>Additions</b>	<b>Transfers</b>	<b>Consumptions</b>	<b>December 31 2002</b>
Programme rights	-	22,684,156	851,042	1,522,586	(2,067,067)	22,990,717
Programme stocks	-	11,913,374	823,197	(1,522,586)	(378,841)	10,835,144
	-	<b>34,597,530</b>	<b>1,674,239</b>	-	<b>(2,445,908)</b>	<b>33,825,861</b>

(\*) The opening balance for programme stocks and rights of Subsidiaries acquired during the year are treated as acquisitions.

## NOTE 16 - AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	2002		2001	
	TL millions	%	TL millions	%
İMKB Takasbank A.Ş.	2,938,720	2	1,863,429	2
Aks Televizyon Reklamcılık ve Filmcilik San. ve Tic. A.Ş.	2,253,136	9	-	-
Cam Elyaf Sanayi A.Ş.	1,515,199	1	1,587,375	1
Türkiye Sınai Kalkınma Bankası A.Ş. (*) ("TSKB")	1,326,186	3	-	-
Anadolu Hayat Sigorta A.Ş.	893,750	1	1,501,470	1
Bankalararası Kredi Kartları Merkezi	558,771	2	534,685	2
Sınai Yatırım Bankası A.Ş. ("SYB")	-	-	2,170,896	8
Other	923,686	-	896,270	-
	<b>10,409,448</b>		<b>8,554,125</b>	

(\*) During 2002, SYB merged legally with TSKB. SYB shares were exchanged at a rate of 0.68 for TSKB shares.

Available-for-sale equity investments that do not have a quoted market value and whose fair values can not be reliably measured are stated at their restated costs less any impairment.

For the listed equity investments, TSKB and Anadolu Hayat Sigorta A.Ş., fair value is determined by reference to the Istanbul Stock Exchange quoted bid price at December 31, 2002.

## NOTE 17 - PROPERTY, PLANT AND EQUIPMENT

At December 31, 2002, property, plant and equipment and related accumulated depreciation is as follows:

	January 1, 2002	Additions	Acquisition*	Disposals	Disposal of joint venture** (Note 34)	Transfers	December 31, 2002
<b>Cost:</b>							
Land and land improvements	240,880,650	15,353,208	27,351,502	(1,479,616)	(37,132,439)	21,901,920	266,875,225
Buildings	360,011,503	10,065,889	4,081,450	(4,600,945)	(4,422,918)	13,511,691	378,646,670
Machinery and equipment	1,570,254,655	22,803,400	116,135,413	(42,710,797)	(103,373,717)	61,710,418	1,624,819,372
Motor vehicles	33,270,648	43,690,061	4,317,240	(2,234,055)	(2,597,381)	1,067,699	77,514,212
Furniture and fixtures	323,349,250	54,190,614	11,398,251	(6,596,936)	(4,031,224)	3,091,164	381,401,119
Leasehold improvement	93,519,945	26,669,266	9,396,958	(5,321,540)	(672,707)	92,131	123,684,053
Construction-in-progress	88,536,129	51,340,831	3,264,768	(457,069)	(3,413,089)	(119,613,269)	19,658,301
Other fixed assets	127,238,392	1,175,118	20,271,841	(1,547,315)	(27,719,332)	18,238,246	137,656,950
	<b>2,837,061,172</b>	<b>225,288,387</b>	<b>196,217,423</b>	<b>(64,948,273)</b>	<b>(183,362,807)</b>	<b>-</b>	<b>3,010,255,902</b>

	January 1, 2002	Additions	Acquisition*	Disposals	Disposal of joint venture** (Note 34)	Transfers	December 31, 2002
<b>Accumulated depreciation:</b>							
Land and land improvements	29,677,425	1,253,207	4,012,622	-	(5,486,784)	-	29,456,470
Buildings	58,096,122	7,608,353	286,226	(1,290,772)	(321,822)	-	64,378,107
Machinery and equipment	1,293,987,114	54,586,952	99,955,894	(38,050,731)	(99,275,746)	-	1,311,203,483
Motor vehicles	20,346,834	5,909,338	3,103,143	(1,650,963)	(1,842,008)	-	25,866,344
Furniture and fixtures	247,396,013	39,544,514	9,141,399	(1,460,151)	(2,957,476)	-	291,664,299
Leasehold improvement	47,821,407	15,791,481	6,631,921	(3,587,293)	(149,192)	-	66,508,324
Other fixed assets	99,206,748	6,668,383	14,638,614	(1,039,158)	(20,015,669)	-	99,458,918
	<b>1,796,531,663</b>	<b>131,362,228</b>	<b>137,769,819</b>	<b>(47,079,068)</b>	<b>(130,048,697)</b>	<b>-</b>	<b>1,888,535,945</b>
<b>Net book value</b>	<b>1,040,529,509</b>						<b>1,121,719,957</b>

(\*) The opening balances of Subsidiaries acquired during the year and the increases in jointly controlled balances at the acquisition date of joint ventures were classified as "Acquisitions".

(\*\*) Decreases due to change in ownership interest in Joint Venture with respect to the legal merger explained in Note 34 were classified as "Disposal of joint venture".

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Machinery and equipment, furniture and fixtures and motor vehicles include finance leased assets amounting to TL 28,748,520 million, TL 66,213,081 million and TL 5,650,393 million, respectively (2001: total of TL 62,719,922 million). The accumulated depreciation related to finance leased assets amounts to TL 54,914,603 million at December 31, 2002 (2001: TL 39,544,365 million).

At December 31, 2002, mortgages amount to TL 229,825,072 million (2001: TL 238,169,894 million) on property, plant and equipment.

Since 1984, using an option granted under the Turkish tax legislation, the Group have revalued in their statutory books of account, their property, plant and equipment in use for more than one year (excluding land, which is not revaluable), and the related accumulated depreciation at each year-end, by using the rates and procedures prescribed by the legislation.

The resulting increases in the net book values of the assets are included under shareholders' equity as revaluation surplus in the statutory records. The Group may use the revaluation surplus for issuance of free capital shares to existing shareholders.

All entries related to such revaluation which were recorded in the statutory books of account of the Group have been eliminated in these consolidated financial statements as part of the restatement process referred to in Note 2.

### NOTE 18- INTANGIBLE ASSETS

Movement for intangible assets during the year is as follows:

	January 1, 2002	Additions	Acquisition*	Disposals	Disposal of joint venture** (Note 34)	December 31, 2002
Restated cost	98,934,695	4,592,529	9,766,765	(391,325)	(2,326,758)	110,575,906
Accumulated amortization	(22,654,411)	(11,937,862)	(6,074,398)	144,638	410,770	(40,111,263)
Net book value	76,280,284					70,464,643
Goodwill (Note 34)	1,118,128,732	427,862,287	150,095,385	-	(205,237,590)	1,490,848,814
Accumulated amortization	(215,485,418)	(57,825,643)	(16,096,301)	-	22,009,608	(267,397,754)
Net book value	902,643,314					1,223,451,060
Negative goodwill (Note 34)	(6,565,333)	-	(964,585)	-	628,412	(6,901,506)
Accumulated amortization	109,423	336,305	-	-	(41,894)	403,834
Net book value	(6,455,910)					(6,497,672)
<b>Total net book value</b>	<b>972,467,688</b>					<b>1,287,418,031</b>

(\*) The opening balances of Subsidiaries acquired during the year and the increases in jointly controlled balances at the acquisition date of joint ventures were classified as "Acquisitions".

(\*\*) Decreases due to change in ownership interest in Joint Venture with respect to the legal merger explained in Note 34 were classified as "Disposal of joint venture".

## NOTE 19 - BANK BORROWINGS

Bank borrowings of the finance segment at December 31 were as follows:

	2002		2001	
	Effective interest rate per annum %	TL millions	Effective interest rate per annum %	TL millions
<b>Short-term bank borrowings</b>				
TL loans	43-46	77,607,475	59-63	57,393,372
Foreign currency bank borrowings	0-10	426,226,094	6-12	404,992,852
Short-term portion of long-term foreign currency bank borrowings	-	-	6-7	31,152,003
<b>Total</b>		<b>503,833,569</b>		<b>493,538,227</b>
<b>Long-term bank borrowings</b>				
TL loans	-	-	46	9,785,333
Foreign currency bank borrowings	2-4	112,919,541	6-12	75,582,245
<b>Total</b>		<b>112,919,541</b>		<b>85,367,578</b>

The redemption schedule of long-term borrowings of finance segment at December 31 is summarized below:

Year	2002	2001
2003	-	38,448,023
2004	45,158,764	42,437,645
2005 and after	67,760,777	4,481,910
	<b>112,919,541</b>	<b>85,367,578</b>

Bank borrowings for the non-finance segments at December 31 were as follows:

	2002		2001	
	Effective interest rate per annum %	TL millions	Effective interest rate per annum %	TL millions
<b>Short-term bank borrowings</b>				
TL loans	36-63	49,728,855	55-75	63,063,441
Foreign currency bank borrowings	3-11	207,272,301	5-19	294,017,862
Short-term portion of long-term foreign currency bank borrowings	3-14	664,433,340	4-18	296,905,044
<b>Total</b>		<b>921,434,496</b>		<b>653,986,347</b>
<b>Long-term bank borrowings</b>				
TL loans	58	2,371,535	-	-
Foreign currency bank borrowings	3-14	1,029,061,968	4-20	1,201,254,118
		<b>1,031,433,503</b>		<b>1,201,254,118</b>

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The redemption schedule of long-term borrowings of non-finance segments at December 31 is summarized below:

Year	2002	2001
2003	-	788,748,470
2004	536,570,001	389,588,228
2005 and after	494,863,502	22,917,420
	<b>1,031,433,503</b>	<b>1,201,254,118</b>

### NOTE 20 - BANKING AND CUSTOMER DEPOSITS

The breakdown of banking deposits according to type and maturity at December 31 is as follows:

	2002			2001		
	Current/ Demand	Term	Total	Current/ Demand	Term	Total
<b>Foreign currency:</b>						
Domestic banks	24,900,000	13,194,285	38,094,285	3	7,311,626	7,311,629
Foreign banks	29,084,618	58,376,711	87,461,329	4,647,985	46,613,092	51,261,077
	<b>53,984,618</b>	<b>71,570,996</b>	<b>125,555,614</b>	<b>4,647,988</b>	<b>53,924,718</b>	<b>58,572,706</b>
<b>Turkish lira:</b>						
Domestic banks	53,294	34,395,700	34,448,994	23,688	96,758,306	96,781,994
Foreign banks	23,688	96,758,306	96,781,994	40,367	3,619,101	3,659,468
	<b>76,982</b>	<b>131,154,006</b>	<b>131,230,988</b>	<b>81,159</b>	<b>29,175,052</b>	<b>29,256,211</b>
<b>Total banking deposits</b>	<b>54,061,600</b>	<b>202,725,002</b>	<b>256,786,602</b>	<b>4,729,147</b>	<b>83,099,770</b>	<b>87,828,917</b>

Interest rates on foreign currency deposits from other banks were ranged between 1% and 4% for 2002 (2001: 5%-20%). Interest rates on Turkish lira bank deposits ranged between 41% and 58% in 2002 (2001: 33%-71%).

The breakdown of customer deposits according to type and maturity at December 31 is as follows:

	2002			2001		
	Current/ Demand	Term	Total	Current/ Demand	Term	Total
<b>Foreign currency:</b>						
Saving deposits	195,844,146	943,004,974	1,138,849,120	129,786,918	814,049,855	943,836,773
Commercial deposits	208,903,820	656,830,409	865,734,229	196,773,997	491,559,364	688,333,361
	<b>404,747,966</b>	<b>1,599,835,383</b>	<b>2,004,583,349</b>	<b>326,560,915</b>	<b>1,305,609,219</b>	<b>1,632,170,134</b>
<b>Turkish lira:</b>						
Saving deposits	27,198,956	344,362,400	371,561,356	25,308,160	159,454,599	184,762,759
Commercial deposits	83,445,425	305,425,772	388,871,197	64,966,391	106,171,286	171,137,677
Securities sold under repurchase agreements	-	82,597,105	82,597,105	-	195,368,854	195,368,854
	<b>110,644,381</b>	<b>732,385,277</b>	<b>843,029,658</b>	<b>90,274,551</b>	<b>460,994,739</b>	<b>551,269,290</b>
<b>Total customer deposits</b>	<b>515,392,347</b>	<b>2,332,220,660</b>	<b>2,847,613,007</b>	<b>416,835,466</b>	<b>1,766,603,958</b>	<b>2,183,439,424</b>

Interest rates on foreign currency deposits from other banks vary between 1% and 7% for 2002 (2001: 4%-17%). Interest rates for Turkish lira deposits vary between 32% and 65% (2001: 25%-60%).

## NOTE 21 - TRADE PAYABLES

	2002	2001
Trade accounts payable-net of unincurred credit finance charges	153,992,904	131,705,989
Notes payable-net of unincurred credit finance charges	11,264,224	6,455,162
Other	5,560,662	890,987
	<b>170,817,790</b>	<b>139,052,138</b>

## NOTE 22 - INSURANCE TECHNICAL RESERVES

	2002	2001
Unearned premiums reserve-net of reinsurance	26,635,424	32,095,174
Claim provisions-net of reinsurance	10,002,657	7,457,823
Deferred commission income	5,284,822	8,558,595
<b>Insurance technical reserves-current</b>	<b>41,922,903</b>	<b>48,111,592</b>
Life assurance provision	13,933,789	9,920,881
<b>Insurance technical reserves-non-current</b>	<b>13,933,789</b>	<b>9,920,881</b>

## NOTE 23 - OTHER CURRENT LIABILITIES

	2002	2001
Taxes and withholding payables	71,434,828	47,051,746
Payables to privatization administration (Note 34)	47,886,460	-
Import transfers and payment orders	41,931,277	19,955,445
Blocked merchant accounts	39,538,000	16,806,997
Fuel purchase certificates to be returned	31,863,251	-
Payables on cheques in clearance	21,187,003	22,507,035
Compensation gained	8,261,461	-
Blocked cheques and deposits	5,215,000	9,469,141
Advances received	4,983,826	6,585,088
Finance lease obligations	4,687,542	8,742,325
Other	78,184,365	66,321,541
	<b>355,173,013</b>	<b>197,439,318</b>

## NOTE 24 - OTHER NON-CURRENT LIABILITIES

	2002	2001
Payables to privatization administration (Note 34)	91,895,164	-
Payables to suppliers	50,236,536	58,898,887
Deposits and guarantees given	5,208,356	5,497,340
Finance lease obligations	1,801,721	3,715,308
Other	86,720	1,732,827
	<b>149,228,497</b>	<b>69,844,362</b>

Long-term payables to suppliers relate to the purchase of machinery and equipment.

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The redemption schedule of long-term payables to suppliers and payables to privatization administration is summarized below:

	2002	2001
Year		
2003	-	10,796,280
2004	67,772,875	11,656,329
2005	48,739,146	11,553,319
2006	10,417,368	10,543,732
2007 and after	15,202,311	14,349,227
	<b>142,131,700</b>	<b>58,898,887</b>

### NOTE 25 - TAXATION ON INCOME

	2002	2001
Corporation and income taxes currently payable	29,831,147	32,802,765
Deferred tax assets-net	(184,735,803)	(190,952,101)
	<b>(154,904,656)</b>	<b>(158,149,336)</b>

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.

Corporation tax is payable at a rate of 33% on the total income of the Doğan Holding and its Subsidiaries and Joint Ventures registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Income exempt from corporation tax (except dividend income received from Turkish companies) is subject to withholding tax at the rate of 19.8%, regardless of whether the profits are distributed.

Dividends paid by the Doğan Holding and its Subsidiaries and Joint Ventures registered in Turkey are subject to a withholding tax calculated on the gross dividend to be paid at the rate of 16.5% for private companies and 5.5% for public (listed) companies. An increase in capital using distributable profit or by issuing bonus shares is not considered as a profit distribution and thus there is no withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 25% on their corporate income. Advance tax is payable by the 15th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax calculated on their annual corporation tax liability. The balance of the advance tax paid may be refunded or used to be set off against other liabilities to the government.

Interest income on Turkish government bonds and treasury bills is subject to corporation tax.

Capital gains derived from the sale of equity investments and immovable assets held for not less than two years are tax exempt if such gains are added to paid-in capital in the year in which they are sold.

Capital expenditures and projected capital expenditures for the following year are eligible for investment allowance incentives. Such allowance is available to companies for specific capital investment and is deductible from taxable income prior to the calculation of the corporate income tax. Investment allowance incentives utilized are subject to withholding tax at the rate of 19.8% (2001: 19.8%).

Under the Turkish taxation system, tax losses can be carried forward to be 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. Companies file their tax returns within four months following the close of the accounting year to which they relate. 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.

The taxation on income for the years ended December 31 is summarized as follows:

	<b>2002</b>	<b>2001</b>
Provision for taxes per these accompanying consolidated statement of income		
- Current	(39,771,919)	(87,325,103)
- Deferred	(11,118,509)	211,411,336
<b>Taxation on income</b>	<b>(50,890,428)</b>	<b>124,086,233</b>

The total provision for taxes reflected in these consolidated financial statements is different from the amounts computed by applying the above mentioned effective/combined tax rates. The principal reasons for such differences are:

- i) Permanent differences arising from:
  - a) Dividends from equity participations that are either exempt from tax or taxable at reduced rates, and
  - b) Non-tax deductible expenses
- ii) The deferred tax effects of the restatement made pursuant to IAS 29 and the investment allowance tax credits carried forward
- iii) The separate-entity tax basis for Doğan Holding, the Subsidiaries and Joint Ventures.

#### Deferred taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for IFRS purposes and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

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

	<b>Cumulative taxable temporary differences</b>		<b>Deferred tax liabilities</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Net difference between the tax base and the carrying value of property, plant and equipment, intangible assets and inventory	313,013,945	399,599,887	102,219,462	125,469,944
Deferred acquisition cost	12,250,030	14,674,409	4,042,510	4,842,554
Difference between carrying value and tax base of leasing receivables	90,054,776	53,456,235	17,830,846	10,610,341
Other	16,836,908	20,494,628	3,328,023	6,686,145
<b>Deferred tax liabilities</b>			<b>127,420,841</b>	<b>147,608,984</b>

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	Cumulative taxable temporary differences		Deferred tax liabilities	
	2002	2001	2002	2001
Tax losses carried forward	800,710,381	837,826,523	264,234,426	276,482,753
Reserve for employment termination benefits	15,378,371	14,566,432	5,064,271	4,627,922
Provision for loan losses and factoring receivables	20,801,602	67,386,046	5,884,178	21,410,200
Insurance technical reserves	15,806,312	25,519,282	5,216,083	8,421,363
Lease obligation	6,489,263	12,457,633	2,141,457	4,111,019
Unused investment incentive allowances	15,912,534	24,959,138	2,100,455	3,294,606
Difference between carrying value and tax base of assets subject to finance lease agreements	109,837,952	54,788,312	21,747,914	11,154,204
Other	16,561,982	23,715,973	5,767,860	9,059,018
<b>Deferred tax assets</b>			<b>312,156,644</b>	<b>338,561,085</b>
<b>Deferred tax assets-net</b>			<b>184,735,803</b>	<b>190,952,101</b>

Movements in deferred taxes can be analyzed as follows:

	2002	2001
January 1	190,952,101	(30,076,035)
Effect of additional subsidiaries consolidated during the year	-	2,636,780
Charge for the year	(11,118,509)	211,411,336
Effect of adopting IAS 39 (Note 2.d)	-	4,979,137
Acquisitions*	30,435,559	2,000,883
Disposal of joint venture** (Note 34)	(25,533,348)	-
<b>December 31</b>	<b>184,735,803</b>	<b>190,952,101</b>

(\*) The opening balances of Subsidiaries acquired during the year and the increases in jointly controlled balances at the acquisition date of joint ventures were classified as "Acquisitions".

(\*\*) Decreases due to change in ownership interest in Joint Venture with respect to the legal merger explained in Note 34 were classified as "Disposal of joint venture".

### NOTE 26 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS

There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labor Law, the Holding, its Turkish Subsidiaries, its Joint Ventures and Associates are 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 retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation has changed on September 8, 1999 there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TL 1,260,150,000 (2001: TL 978,020,000-historic amount) for each year of service at December 31, 2002.

In addition, according to the Press sector regulations, companies should make payments to personnel who work for a minimum of 5 years and whose employment is terminated without due cause. The maximum payable amount is 30 days' salary for each year. Additionally, the Group should pay 40 days' salary if the employee resigns after 1 year's work and 50 days if the Group terminates the employment. The monthly salary figure is calculated by adding all cash and non-cash payments received during the year and dividing by 12.

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.

International Accounting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	<b>2002</b>	<b>2001</b>
Discount rate	6%	7%
Turnover rate to estimate the probability of retirement	92%	93%

The principal assumption is that the maximum liability of TL 1,260,150,000 for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 1,323,950,000 (2001: TL 1,076,400,000-historic amount) has been taken into consideration in calculating the reserve for employment termination benefit of the Holding, its Turkish Subsidiaries and its Joint Ventures.

Movements in the reserve for employment termination benefits during the years ended December 31 are as follows:

	<b>2002</b>	<b>2001</b>
January 1	13,893,139	45,357,260
Acquisitions*	1,934,006	3,878,768
Disposal of joint ventures** (Note 34)	(964,957)	-
Charge/(benefit) for the year	8,079,645	(16,205,670)
Disposals	(7,517,550)	(19,137,219)
<b>December 31</b>	<b>15,424,283</b>	<b>13,893,139</b>

(\*) The opening balances of Subsidiaries acquired during the year and the increases in jointly controlled balances at the acquisition date of joint ventures were classified as "Acquisitions".

(\*\*) Decreases due to change in ownership interest in Joint Venture with respect to the legal merger explained in Note 34 were classified as "Disposal of joint venture".

#### **NOTE 27 - SHARE CAPITAL**

Doğan Holding adopted the registered share capital system available to companies registered with the Capital Market Board ("CMB") and set a limit on its registered share capital representing registered type shares with a nominal value of TL 10,000. Doğan Holding's historical authorized and paid-in share capital at December 31 was as follows:

	<b>2002</b>	<b>2001</b>
	<b>TL millions</b>	<b>TL millions</b>
Limit on registered share capital (historical)	600,000,000	600,000,000
Historical authorized and paid-in share capital	452,485,051	251,380,584

At the Board of Directors meeting held on October 18, 2002, the paid-in share capital of the Holding has been increased from TL 251,380,584 million to TL 452,485,051 million. The total cash consideration was fully paid as of December 2002 and the registration was completed at January 29, 2003.

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The shareholder structure is summarized as follows:

	Share %	2002 TL millions	Share %	2001 TL millions
Adil Bey Holding A.Ş.	52.00	235,292,226	49.01	123,192,044
Aydın Doğan	11.71	52,988,517	14.70	36,963,925
Işıl Doğan	1.64	7,441,399	1.64	4,134,111
Arzuhan Yalçındağ	0.04	185,178	0.04	102,876
Vuslat Doğan Sabancı	0.04	185,178	0.04	102,876
Hanzade V. Doğan	0.04	185,178	0.04	102,876
Y. Begümhan Doğan	0.04	185,178	0.04	102,876
Total Doğan family and companies owned by Doğan Family	65.51	296,462,854	65.51	164,701,584
Istanbul Stock Exchange	34.30	155,158,035	34.30	86,198,908
Aydın Doğan Vakfı	0.19	864,162	0.19	480,092
	<b>100.00</b>	<b>452,485,051</b>	<b>100.00</b>	<b>251,380,584</b>

The analysis of shares in accordance with nature is as follows:

Shareholders	Unit of shares	TL millions	Nature of shares
Doğan family and companies owned by Doğan family members	13,460,000	134,600	Registered
Doğan family and companies owned by Doğan family members	29,719,241,622	297,192,416	Bearer
Other shareholders	12,540,000	15,503,263,498	Registered
Other shareholders	125,400	155,032,635	Bearer
	<b>45,248,505,120</b>	<b>452,485,051</b>	

### NOTE 28 - RETAINED EARNINGS AND LEGAL RESERVES

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

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of Doğan Holding's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

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

According to CMB regulations quoted companies have the following two options; they may either distribute dividends in cash or as bonus shares or they may elect not to distribute any dividends at all. However, the CMB may require the company to distribute dividends in cash. If the company makes a decision to distribute any dividends, distribution should be made in the five months following the year-end. The second legal reserve is appropriated by the company at the rate of 10% of distributable profit. Under the TCC, the legal reserves are not available for distribution unless they exceed 50% of the paid-in share capital, but may be used to offset losses in the event that the general reserve is exhausted.

Composition of prior periods' earnings (per Statutory Financial Statements of Doğan Holding, its Subsidiaries and Joint Ventures) at December 31, 2002 and 2001 (not adjusted for inflation):

	2002	2001
- Legal reserves	33,939,452	31,649,934
- Undistributed general reserve	127,553,813	7,970,995
	<b>161,493,265</b>	<b>39,620,929</b>

**Historical amounts of dividends distributed during year  
from previous periods' net income per  
Statutory Financial Statements of parent company only**

-      **30,258,775**

#### **NOTE 29 - CASH (USED IN) / GENERATED FROM OPERATIONS**

	2002	2001
<b>Adjustments for:</b>		
Depreciation and amortization (Notes 17 and 18)	200,789,428	167,350,789
Reserve for employment termination benefits	1,790,404	(31,714,954)
Net interest income	(178,239,078)	(336,265,588)
Translation reserve	(40,789,756)	54,716,768
Loss/(profit) from property, plant and equipment sales	(120,363)	8,806,161
Taxation expense	18,112	1,290,608
Remeasurement of derivative financial instruments at fair value	(3,659,127)	14,962,970
Provision for doubtful receivables (Note 12)	(11,784,131)	8,659,965
Provision for loan losses	29,319,359	19,961,012
Provision for net realizable value (Note 14)	1,347,238	(2,729,911)
Loss on disposal of joint venture (Note 31)	34,551,417	-
Inflation effect on non-operating activities and income taxes	(235,864,772)	(427,190,754)
	<b>(202,641,269)</b>	<b>(522,152,934)</b>

**Change in finance-segment working capital  
(excluding the effects of acquisitions and disposals):**

Trading and investment securities	(410,289,651)	647,119,569
Reserve deposit with the Central Bank of Turkey	(86,677,918)	(74,480,889)
Banking loans	(713,228,263)	(225,963,333)
Trade receivables	(14,117,634)	(37,745,639)
Due from related parties	2,530,000	(1,549,596)
Banking and customer deposits	817,706,414	149,490,974
Trade payables	(20,103,467)	(976,572)
Due to related parties	(565,225)	504,519
Insurance technical reserves	(6,188,689)	2,586,717
Other current assets/liabilities - net	47,896,237	127,506,427
	<b>(383,038,196)</b>	<b>586,492,177</b>

**Change in non-finance-segment working capital  
(excluding the effects of acquisitions and disposals):**

Trading and investment securities	-	(962,012)
Trade receivables	38,453,128	207,651,591
Due from related parties	9,228,254	62,987,826
Inventories	(21,307,256)	70,349,713
Trade payables	32,348,435	(180,362,271)
Due to related parties	(20,514,090)	(28,392,030)
Other current assets/liabilities - net	(29,351,893)	2,139,158
	8,856,578	133,411,975

**Cash (used in)/generated from operations** **(576,822,887)**      **197,751,218**

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**NOTE 30 - FINANCIAL EXPENSE - NET**

Financial income and expenses for the years ended December 31 were as follows:

	<b>2002</b>	<b>2001</b>
<b>Financial income:</b>		
Interest income on banks deposits	49,718,743	170,345,407
Interest income on trading and investment securities	31,374,877	51,711,397
Amortized cost valuation income	30,692,093	26,649,167
Due date difference on credit sales	9,689,075	4,619,523
Other interest and commission	6,202,068	4,086,884
	<b>127,676,856</b>	<b>257,412,378</b>
<b>Financial expenses:</b>		
Foreign exchange losses - net	115,271,583	1,116,145,881
Interest expense on borrowings	200,125,571	286,334,347
Due date difference on credit purchases	13,444,182	9,955,654
Other	19,340,378	23,886,397
	<b>348,181,714</b>	<b>1,436,322,279</b>
<b>Financial expense - net</b>	<b>(220,504,858)</b>	<b>(1,178,909,901)</b>

**NOTE 31 - OTHER OPERATING EXPENSE - NET**

Other operating income and expenses for the years ended December 31 were as follows:

	<b>2002</b>	<b>2001</b>
<b>Other operating income:</b>		
Ship operating service income	25,098,266	29,033,767
Service income	6,787,100	9,507,488
Provision released	5,072,799	2,755,274
Rent income	2,909,047	16,035
Recoveries of airport operation fees	2,592,640	-
Commission income	1,588,472	1,189,524
Promotion loss compensation income	148,086	3,043,810
Income from tax correction	-	8,471,106
Other	8,650,160	31,041,405
	<b>52,846,570</b>	<b>85,058,409</b>
<b>Other operating expenses:</b>		
Amortization of goodwill (Note 18)	57,489,338	53,134,118
Provision for loan losses (Note 9)	50,108,134	56,713,960
Loss on disposal of joint venture (Note 34)	34,551,417	-
Ship operating service cost	22,200,081	23,700,219
Provision for doubtful receivables	4,578,847	24,643,905
Provision for net realizable value	4,099,468	45,157
Commission expense	145,228	997,005
Other	16,941,959	15,879,194
	<b>190,114,472</b>	<b>175,113,558</b>
<b>Other expense - net</b>	<b>(137,267,902)</b>	<b>(90,055,149)</b>

## NOTE 32 - FOREIGN CURRENCY POSITION

Assets and liabilities denominated in foreign and local currency held by the Group at December 31 are in as follows:

	US\$	EURO	2002 Other	TL	Total
<b>Assets:</b>					
<b>Current assets</b>					
Cash and amounts due from banks and reserve deposits with the Central Bank of Turkey	810,635,351	123,428,236	10,738,023	200,611,392	1,145,413,002
Trading securities	452,447,270	7,885,767	-	178,620,066	638,953,103
Originated loans	1,216,823,726	141,452,299	2,048,936	600,149,926	1,960,474,887
Derivative financial instruments	-	-	-	4,634,432	4,634,432
Investment securities	11,028,072	12,035,915	929,750	242,590,157	266,583,894
Trade receivables	161,832,597	4,240,395	116,067	229,858,806	396,047,865
Due from related parties	19,343,971	273,521	3,165,154	12,492,303	35,274,949
Inventories	69,126	232,208	7,458	147,987,959	148,296,751
Other current assets	4,804,315	8,292,684	147,016	187,903,318	201,147,333
<b>Total current assets</b>	<b>2,676,984,428</b>	<b>297,841,025</b>	<b>17,152,404</b>	<b>1,804,848,359</b>	<b>4,796,826,216</b>
Investment securities	348,876,642	17,039,626	-	176,681,710	542,597,978
Available-for-sale equity investments	-	-	-	10,409,448	10,409,448
Property, plant and equipment - net	233,012	42,721,964	-	1,078,764,981	1,121,719,957
Intangible assets - net	-	7,671	-	1,287,410,360	1,287,418,031
Other non-current assets	2,219,687	-	-	3,419,991	5,639,678
Deferred tax assets	-	-	-	260,026,282	260,026,282
<b>Total non-current assets</b>	<b>351,329,341</b>	<b>59,769,261</b>	<b>-</b>	<b>2,816,712,772</b>	<b>3,227,811,374</b>
<b>Total assets</b>	<b>3,028,313,769</b>	<b>357,610,286</b>	<b>17,152,404</b>	<b>4,621,561,131</b>	<b>8,024,637,590</b>
<b>Liabilities:</b>					
<b>Current liabilities</b>					
Bank borrowings - finance	380,390,201	44,338,146	1,497,747	77,607,475	503,833,569
Bank borrowings - non-finance	785,127,176	84,031,398	2,547,067	49,728,855	921,434,496
Banking deposits	87,507,955	35,448,139	2,599,520	131,230,988	256,786,602
Customer deposits	1,590,652,551	379,508,395	34,422,403	843,029,658	2,847,613,007
Derivative financial instruments	-	-	-	708,777	708,777
Trade payables	66,934,445	43,750,328	12,993,487	47,139,530	170,817,790
Due to related parties	678,442	5,853,104	-	22,134,013	28,665,559
Insurance technical reserves	-	-	-	41,922,903	41,922,903
Other current liabilities	35,950,222	34,249,328	3,862,544	281,110,919	355,173,013
Taxes on income	2,822,251	53,863	-	26,955,033	29,831,147
<b>Total current liabilities</b>	<b>2,950,063,243</b>	<b>627,232,701</b>	<b>57,922,768</b>	<b>1,521,568,151</b>	<b>5,156,786,863</b>
Bank borrowings - finance	112,919,541	-	-	-	112,919,541
Bank borrowings - non-finance	862,370,976	160,824,228	5,866,764	2,371,535	1,031,433,503
Reserve for employment termination benefits	-	-	-	15,424,283	15,424,283
Insurance technical reserves	12,656,614	306,064	-	971,111	13,933,789
Other non-current liabilities	1,809,213	-	-	147,419,284	149,228,497
Deferred tax liabilities	-	171,898	-	75,118,581	75,290,479
<b>Total non-current liabilities</b>	<b>989,756,344</b>	<b>161,302,190</b>	<b>5,866,764</b>	<b>241,304,794</b>	<b>1,398,230,092</b>
<b>Total liabilities</b>	<b>3,939,819,587</b>	<b>788,534,891</b>	<b>63,789,532</b>	<b>1,762,872,945</b>	<b>6,555,016,955</b>
<b>Net foreign currency position</b>	<b>(911,505,818)</b>	<b>(430,924,605)</b>	<b>(46,637,128)</b>		
<b>Off balance-sheet derivative instruments net position</b>	<b>(105,631,342)</b>	<b>77,526,463</b>	<b>21,010,813</b>		

# DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

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	US\$	EURO	2001 Other	TL	Total
<b>Assets:</b>					
<b>Current assets</b>					
Cash and amounts due from banks and reserve deposits with the Central Bank of Turkey	839,409,164	104,732,859	60,916,018	658,728,527	1,663,786,568
Trading securities	147,659,743	72,862,843	-	194,399,690	414,922,276
Originated loans	606,287,573	122,064,662	3,088,531	531,981,887	1,263,422,653
Derivative financial instruments	-	-	-	932,576	932,576
Investment securities	3,308,643	9,165,761	-	117,946,389	130,420,793
Trade receivables	101,515,616	16,397,312	7,187,333	283,867,315	408,967,576
Due from related parties	-	-	-	35,390,179	35,390,179
Inventories	-	25,896	-	132,860,353	132,886,249
Other current assets	5,506,633	802,605	377,622	76,813,722	83,500,582
<b>Total current assets</b>	<b>1,703,687,372</b>	<b>326,051,938</b>	<b>71,569,504</b>	<b>2,032,920,638</b>	<b>4,134,229,452</b>
Investment securities	199,428,646	15,078,940	-	18,376,095	232,883,681
Available-for-sale equity investments	-	-	-	8,554,125	8,554,125
Property, plant and equipment-net	194,046	719,642	213,070	1,039,402,751	1,040,529,509
Intangible assets-net	-	-	-	972,467,688	972,467,688
Other non-current assets	88,492	-	-	22,231,269	22,319,761
Deferred tax assets	-	-	-	275,100,302	275,100,302
<b>Total non-current assets</b>	<b>199,711,184</b>	<b>15,798,582</b>	<b>213,070</b>	<b>2,336,132,230</b>	<b>2,551,855,066</b>
<b>Total assets</b>	<b>1,903,398,556</b>	<b>341,850,520</b>	<b>71,782,574</b>	<b>4,369,052,868</b>	<b>6,686,084,518</b>
<b>Liabilities:</b>					
<b>Current liabilities</b>					
Bank borrowings - finance	384,898,465	45,906,555	5,339,835	57,393,372	493,538,227
Bank borrowings - non-finance	379,958,210	186,131,190	24,833,506	63,063,441	653,986,347
Banking deposits	55,345,617	2,764,307	462,782	29,256,211	87,828,917
Customer deposits	1,240,791,822	369,017,543	22,360,769	551,269,290	2,183,439,424
Derivative financial instruments	-	-	-	666,048	666,048
Trade payables	51,732,355	53,209,976	22,760,328	11,349,479	139,052,138
Due to related parties	-	-	-	23,302,621	23,302,621
Insurance technical reserves	-	-	-	48,111,592	48,111,592
Other current liabilities	27,199,111	16,135,152	2,264,232	151,840,823	197,439,318
Taxes on income	-	322,184	4,175,795	28,304,786	32,802,765
<b>Total current liabilities</b>	<b>2,139,925,580</b>	<b>673,486,907</b>	<b>82,197,247</b>	<b>964,557,663</b>	<b>3,860,167,397</b>
Bank borrowings - finance	70,075,643	5,506,602	-	9,785,333	85,367,578
Bank borrowings - non-finance	1,135,015,133	57,773,127	8,465,858	-	1,201,254,118
Reserve for employment termination benefits	-	-	-	13,893,139	13,893,139
Insurance technical reserves	8,873,713	-	100,205	946,963	9,920,881
Other non-current liabilities	709,122	10,945,476	46,371,972	11,817,792	69,844,362
Deferred tax liabilities	-	-	38,048	84,110,153	84,148,201
<b>Total non-current liabilities</b>	<b>1,214,673,611</b>	<b>74,225,205</b>	<b>54,976,083</b>	<b>120,553,380</b>	<b>1,464,428,279</b>
<b>Total liabilities</b>	<b>3,354,599,191</b>	<b>747,712,112</b>	<b>137,173,330</b>	<b>1,085,111,043</b>	<b>5,324,595,676</b>
<b>Net foreign currency position</b>	<b>(1,451,200,635)</b>	<b>(405,861,592)</b>	<b>(65,390,756)</b>		
<b>Off balance-sheet derivative instruments net position</b>	<b>38,330,939</b>	<b>(36,717,401)</b>	<b>(731,242)</b>		

At December 31, 2002, the net foreign currency position of the Group amounted to TL 1,389,067,551 million (2001: TL 1,922,452,983 million).

At December 31, 2002, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 1,634,501 = US\$ 1 and TL 1,703,477 = EURO 1 (2001: TL 1,439,567 US\$ 1 and TL 1,268,115 = EURO 1).

### **NOTE 33 - GOVERNMENT GRANTS**

Certain Subsidiaries have obtained investment incentive certificates from the Turkish government authorities in connection with certain major capital expenditures which entitle the companies, among other things, to:

- i) A 100% exemption from customs duty on machinery and equipment to be imported,
- ii) Investment allowance of 100% on approved capital expenditures,
- iii) Incentive premiums varying between 12% and 25% on the cost of the local content of the facilities.

The investment allowance indicated in (ii) above is deductible from current or future taxable profit for the purposes of corporation tax and exempt from corporation tax, but subject to income tax. At December 31, 2002 the unused investment incentive allowances to be utilized in future periods amounted to TL 15,912,534 million (2001: TL 24,959,138 million) (Note 25).

### **NOTE 34 - ACQUISITIONS, DISPOSALS AND LEGAL MERGERS**

#### **Acquisitions:**

#### **2002**

#### **Acquisition of additional POAŞ shares and legal merger of POAŞ with İş Doğan:**

##### ***Acquisition of POAŞ shares:***

In accordance with the decision of the Privatization High Council ("PHC") numbered 2002/41 and dated July 16, 2002, and based on the agreement signed on July 31, 2002, the Joint Venture, İş Doğan, acquired 25.83% of shares of its subsidiary, POAŞ, held by the Privatization Administration ("PA") on August 8, 2002 with a cash consideration of TL 430,108,344 million resulting in goodwill of TL 226,002,293 million.

İş Doğan, based on Board of Directors' decision numbered 2002/38 and dated November 17, 2002, decided to collect publicly held POAŞ shares through call back and the purchase of 18.02% of the shares was realized between November 22, 2002 and December 9, 2002. İş Doğan transferred 14% of these shares to its venturers, namely Doğan Holding and Türkiye İş Bankası A.Ş., equally. The net purchase consideration of İş Doğan for the remaining shares of 4.02%, amounted to TL 93,005,439 million resulting in goodwill of TL 54,147,491 million.

The total purchase consideration and the resulting goodwill for the above-mentioned successive share purchases amounted to TL 261,556,892 million and TL 140,074,892 million, respectively, for these consolidated financial statements considering the proportionate consolidation method applied for the Joint Venture, İş Doğan (Note 3.c).

Doğan Holding acquired 7% shares of POAŞ held by public through İş Doğan for a cash consideration of TL 122,116,382 million resulting in goodwill of TL 47,031,730 million.

##### ***Legal merger of POAŞ with İş Doğan:***

On December 27, 2002, POAŞ legally merged with İş Doğan by taking over the assets and liabilities of İş Doğan in accordance with the Article 451 of the Turkish Commercial Code and Articles 37,38 and 39 of the Corporate Tax Law subject to CMB approval numbered 61/1705 and dated December 24, 2002.

Prior to the legal merger, each venturer of İş Doğan, had 50% interest in İş Doğan and 7% interest in POAŞ, while İş Doğan had 80.86% interest in POAŞ. At the date of the legal merger, the remaining 5.14% of POAŞ was publicly held. As a result of the legal merger, each Venturer holds 47.43% in POAŞ, 40.43% of which is obtained through the dissolution of İş Doğan. The loss recognized in these consolidated financial statements with respect to the decrease from 50% to 40.43% amounts to TL 34,551,417 million (Note 31).

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Legal mergers were not dealt with in accordance with the IAS 22 ("Business Combinations") since they were transactions among enterprises under common control. There is no recognition of any new goodwill or negative goodwill. Similarly, the effects of all transactions between the legally merged enterprises, whether occurring before or after the legal merger, are eliminated in the preparation of these consolidated financial statements.

### Other major acquisitions:

#### 2002

57.2% of the issued share capital of Simge was acquired with effect from June 2002 at a fair value of TL 1,938,505 million for a cash consideration of TL 31,390,298 million resulting in goodwill amounting to TL 29,451,793 million.

70.2% of the issued share capital of Kanal D, 98.75% of the issued share capital of Alp Görsel and 98.07% of the issued share capital of Fun TV were acquired with effect from October 2002 at a negative fair value of TL 1,282,305 million for a cash consideration of TL 173,587,831 million resulting in goodwill amounting to TL 174,870,136 million.

79.83% of the issued share capital of CNN Türk was acquired with effect from October 2002 at a negative fair value of TL 1,381,106 million for a cash consideration of TL 28,793,126 million resulting in goodwill amounting to TL 30,174,232 million.

44% of the issued share capital of Dergi Pazarlama was acquired with effect from December 2002 at a fair value of TL 1,218,553 million for a cash consideration of TL 2,861,760 million resulting in goodwill amounting to TL 1,643,207 million.

#### 2001

1.90% of the issued share capital of İş Doğan Petrol Yatırımları A.Ş. was acquired with effect from August 2001 at a fair value of TL 16,117,156 million for a cash consideration of TL 9,551,823 million.

Details of total net assets acquired during the years and resulting goodwill are as follows:

	2002	2001
Purchase consideration:		
Cash consideration	470,029,955	9,551,823
Payables related to acquisitions	156,592,289	-
Total purchase consideration	626,622,244	9,551,823
Less: net assets acquired at fair value	(198,759,957)	(16,117,156)
<b>Goodwill/(Negative goodwill) (Note 18)</b>	<b>427,862,287</b>	<b>(6,565,333)</b>

The fair value of assets and liabilities arising from the acquisition by each category are as follows:

	2002	2001
Cash and cash equivalents	162,980,891	904,392
Current assets	219,327,414	9,670,576
Non-current assets	311,066,736	43,142,558
Current liabilities	(435,707,665)	(11,028,308)
Non-current liabilities	(58,907,419)	(26,572,062)
<b>Fair value of net assets</b>	<b>198,759,957</b>	<b>16,117,156</b>
<b>Goodwill/(negative goodwill)</b>	<b>427,862,287</b>	<b>(6,565,333)</b>
Total purchase consideration	626,622,244	9,551,823
Less:		
Cash and cash equivalents in subsidiary acquired	(161,374,376)	(904,392)
Payables related to acquisitions	(156,592,289)	-
<b>Cash outflow on acquisition</b>	<b>308,655,579</b>	<b>8,647,431</b>

Payables related to the acquisitions consist of payable to the Doğan Family with respect to the acquisitions made in the media sector on October 31, 2002 amounting to TL 16,810,665 million (Note 13) and payable to PA with respect to the acquisition of POAŞ amounting to TL 139,781,624 million (Notes 23 and 24).

**Major disposals:**

**2002**

As a result of the legal merger explained above, Doğan Holding's interest in Joint Venture, POAŞ, formerly is Doğan, decreased by 9.57% and a related loss of TL 34,551,417 million was incurred. The carrying values of the assets and liabilities that correspond to such decrease are as follows:

Cash and amounts due from banks	39,175,124
Trade receivables	34,441,206
Due from related parties	12,106,499
Inventories	19,823,748
Other current assets	4,974,875
Available-for-sale equity investments	9,946
Property, plant and equipment - net (Note 17)	53,314,110
Intangible assets - net (Note 18)	185,143,970
Other non-current assets	322,933
Deferred tax assets (Note 25)	25,533,348
Short-term bank borrowings	(157,253,374)
Trade payables	(11,709,657)
Due to related parties	(60,461)
Other current liabilities	(30,766,354)
Taxes on income	(67,412)
Long-term bank borrowings	(52,514,807)
Reserve for employment termination benefits (Note 26)	(964,957)
Other non-current liabilities	(18,838,341)

**Net assets at the date of disposal** **102,670,396**

Negative goodwill disposed of (Note 18)	(586,518)
Minority interest (Note 5.g)	(67,532,461)

**Loss on disposal of joint venture (Note 31)** **34,551,417**

**2001**

There were no significant disposals in 2001.

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### NOTE 35 - COMMITMENTS AND CONTINGENT LIABILITIES

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

	2002	2001
<b>Guarantees and commitments given - non-banking:</b>		
Letters of guarantee	226,886,606	140,961,828
Subsidiary shares given as guarantee	181,709,676	82,485,407
Guarantee notes	26,760,705	15,845,556
Blocked equity stocks	-	9,482,956
Forward commitment-foreign exchange contract	-	6,592,349
	<b>435,356,987</b>	<b>255,368,096</b>

The Group has provided bails and mortgages to third parties at an amount of TL 1,607,280,887 million (2001: TL 1,662,547,818 million) and TL 229,825,072 million (2001: TL 238,169,894 million), respectively with respect to bank borrowings obtained.

### Guarantees and commitments given - banking:

In the banking segment, the normal course of banking activities requires the undertaking of various commitments and it incurs certain contingent liabilities that are not presented in the accompanying financial statements, including letters of guarantee, acceptance credits, letters of credit and off-balance sheet derivative instruments. The management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities at December 31, 2002 and 2001.

### Credit related commitments:

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the companies in the finance segment on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table shows the outstanding credit related commitments of the companies in finance segment as at December 31:

	2002	2001
Letters of guarantee		
- Foreign currency	72,681,220	677,922,316
- Turkish Lira	8 276,579,794	253,695,153
Letters of credit	346,910,249	232,186,044
Acceptance credits	60,720,424	111,699,364
Other	106,605,583	145,944,276
	<b>1,663,497,270</b>	<b>1,421,447,153</b>

Economic sector risk concentration for outstanding credit related commitments of the Companies in finance segment were as follows:

	2002	%	2001	%
Construction and cement	469,932,770	28	327,947,538	23
Metal processing	298,195,839	18	219,574,532	15
Textiles	145,003,676	9	85,796,465	6
Wholesale and retail trade	96,937,740	6	17,901,768	1
Pharmaceuticals, chemicals and dyes	95,111,485	6	112,475,289	8
Food and beverage	72,830,425	4	45,340,884	3
Automotive	60,303,163	4	30,559,580	2
Financial institutions	37,925,151	2	190,925,691	13
Agriculture	22,550,297	1	12,183,032	1
Durable goods	21,037,525	1	25,664,490	2
Media and telecommunication	20,543,882	1	28,135,688	2
Tourism	18,907,704	1	28,921,070	2
Other	304,217,613	19	296,021,126	22
	<b>1,663,497,270</b>	<b>100</b>	<b>1,421,447,153</b>	<b>100</b>

Maturities of commitments and contingencies are less than one year except for the certain amounts of letters of guarantee which are indefinite.

Commitments under derivative instruments:

The breakdown of forward and spot currency purchase/sale transactions at December 31 are as follows:

		Original amounts	2002 TL millions	Original amounts	2001 TL millions
Forward currency purchases	US\$	4,400,000	7,304,001	7,591,000	14,441,835
	EURO	11,478,982	19,944,984	800,000	1,355,279
	TL		42,365,653		-
	Other		669,080		286,117
			<b>70,283,718</b>		<b>16,083,231</b>
Forward currency sales	US\$	30,106,108	49,976,139	829,436	1,577,564
	EURO	860,000	1,494,269	8,174,000	13,847,076
	TL		13,220,900		643,732
	Other		1,425,155		-
			<b>66,116,463</b>		<b>16,068,372</b>
Currency swap purchases	US\$	9,499,495	15,769,161	58,453,000	111,202,214
	EURO	34,000,000	59,075,748	45,000,000	76,234,419
	Other		23,513,822		9,083,561
			<b>98,358,731</b>		<b>196,520,194</b>
Currency swap sales	US\$	48,479,096	80,475,299	45,067,000	85,735,546
	TL		15,645,462		-
	EURO	-	-	59,300,000	100,460,023
	Other		-		10,100,920
			<b>96,120,761</b>		<b>196,296,489</b>
Future purchases	US\$	1,052,370	1,746,934	-	-
			<b>1,746,934</b>		-
Future sales	Other		1,746,934		-
			<b>1,746,934</b>		-

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### Barter agreements:

The Group, as a common practice in the media sector, entered into Barter agreements. These agreements involve the exchange of goods or services without cash collections or payments. At December 31, 2002 and 2001, barter agreements are as follows:

Subsidiaries and Joint Ventures	2002 Advertising issued	2001 Advertising issued
Hürriyet	5,004,632	3,517,187
Milliyet	4,721,321	4,372,264
Kanal D	3,224,086	
Simge	2,233,571	2,959,467
D Prodüksiyon	534,953	369,636
DBR	76,910	68,300
Doğan Daily News	32,461	31,829
Other	76,999	-
	<b>15,904,933</b>	<b>11,318,683</b>

Subsidiaries and Joint Ventures	2002 Goods and services received	2001 Goods and services received
Milliyet	5,035,863	3,757,088
Kanal D	3,224,086	-
D Prodüksiyon	2,711,021	211,070
Simge	2,142,253	2,993,254
Hürriyet	1,173,977	4,347,739
DBR	63,692	51,984
Doğan Daily News	15,946	18,398
	<b>14,366,838</b>	<b>11,379,533</b>

At December 31, 2002, on-going barter agreements are limited to US\$ 14,873,977 (2001: US\$ 8,002,443).

### NOTE 36 - SUBSEQUENT EVENT

- On January 30, 2003, PA filed a lawsuit at Istanbul Civil Commercial Court for the annulment of the merger between POAŞ and İş Doğan (Note 34) by alleging the failure of Doğan Holding to submit the additional US\$ 95,000,000 guarantee requested in connection with the pledged shares of POAŞ.
- At the Board of Directors' meeting of Dışbank dated April 22, 2003, the terms of the sale agreement of Dışbank Nederland N.V., which will be sold to Demir-Halk Bank Nederland N.V., are determined. Accordingly, the net book value of Dışbank Nederland N.V. at the date of the approval of the share transfer by the Dutch official bodies will be the sale price and the sale amount will be collected within four weeks of the approval date.
- On April 24, 2003, amendments to Tax Law 4842 approved by the Turkish Parliament on April 9, 2003 were published in the Official Gazette and enacted. In accordance with the aforementioned amendments, the corporate tax rate changed to 30% after adjustment for certain disallowable expenses, exempt income and investment and other allowances. In addition, corporations will be required to pay advance corporation tax quarterly at the rate of 30% on their corporate income. Prior to the amendments, the rate was 25%.

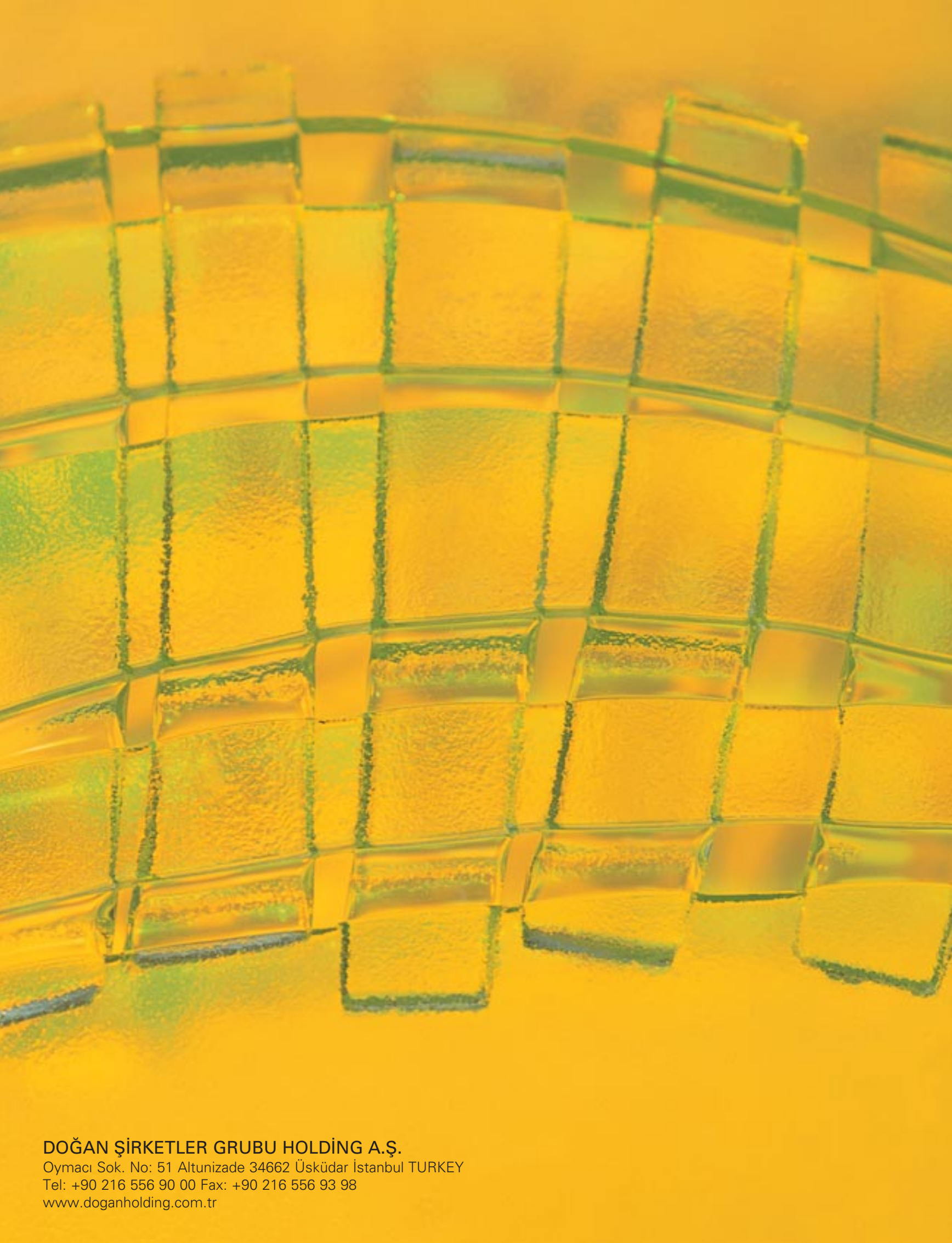
According to the amendments to the tax law, capital expenditures over TL 5 billion are eligible for investment incentive allowance of 40%, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax. Investment allowances utilized within the scope of investment incentive certificates granted to applications filed prior to April 24, 2003 are subject to withholding tax at the rate of 19.8%, irrespective of profit distribution.

In addition, profit distribution to resident corporate shareholders and non-resident shareholders with a place of business in Turkey is no longer subject to profit distribution tax.

- At the Board of Directors' meeting of Doğan Yayın Holding dated May 20, 2003, it was decided to use 10% of the statutory consolidated income before interest, depreciation, amortization and tax at March 31, 2003, in order to purchase some of the publicly traded shares of Hürriyet, Milliyet and DBR before December 31, 2003. It was also decided to keep these shares for a period of 3 years unless there is a demand from international corporate investors.
- At the Board of Directors' meeting of Doğan Holding dated June 27, 2003, it has been decided to increase the share capital of the Holding from TL 452,485,051 million to TL 588,230,566 million by cash injection of TL 135,745,515 million.

One of Turkey's most prominent glasswork artists, ERSUN ÖZKEN was born in Istanbul in 1945. Upon his graduation from the Ceramic Department of Marmara University, he worked as an assistant in the same department. He currently is among the academic staff of the Glass Arts Department in Marmara University, which he is a founder of. Throughout his long career, his works have been celebrated and exhibited both in domestic and international galleries.

We believe his elegant glasswork bear a resemblance to the notions of transparency and precision, which we emphasize in all our undertakings. We would like to thank ERSUN ÖZKEN for letting us use his works of art in this year's Annual Report.



**DOĐAN ŐRKETLER GRUBU HOLDİNG A.Ő.**

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