TEKFEN HOLDING A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEARS
ENDED 31 DECEMBER 2006 AND 2005

(Translated into English from the
Original Turkish Report)

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Tekfen Holding Anonim Sirketi

We have audited the accompanying consolidated financial statements of Tekfen Holding A.Ş. (referred to as the "Company") and its subsidiaries (referred to as "Group"as a whole) which comprise the consolidated balance sheets as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards published by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

Auditors' Responsibility

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

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

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

Deloitte.

Opinion

In our opinion, the accompanying financial statements present a true and fair view of the consolidated financial position of the Group as of December 31, 2006 and 2005, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the financial reporting standards announced by the Capital Markets Board.

Istanbul, May 18, 2007

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

Ömer Tanrıöver
Partner

TEKFEN HOLDİNG A.Ş. AND ITS SUBSIDIARIES

PREPARED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2006 AND 2005 AS PER THE CAPITAL MARKET BOARD'S COMMUNIQUE SERIAL: XI, NO: 25.

CONTENTS PAGE

TEKFEN HOLDING A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

ASSETS	Notes	31 December 2006	31 December 2005
Current Assets		**2,193,799**	**1,271,821**
Cash and Cash Equivalents	4.a	209,484	351,951
Marketable Securities (net)	5	-	10,355
Reserve Deposits at the Turkish Central Bank	4.b	-	25,897
Loans and Loaned Securities	45	-	312,367
Trade Receivables (net)	7	276,373	205,013
Finance Lease Receivables (net)	8	-	5,124
Due From Related Parties (net)	9	15,687	5,457
Other Receivables (net)	10	132,324	91,789
Biological Assets (net)	11	-	-
Inventories (net)	12	237,749	198,682
Unbilled Contract Receivable (net)	13	192,441	60,015
Deferred Tax Assets	14	-	-
Other Current Assets	15	10,800	5,171
Assets of Discontinued Operations	35	1,118,941	-
Non-Current Assets		**853,520**	**942,495**
Loans and Loaned Securities	45	-	9,648
Trade Receivables (net)	7	39,079	57,329
Finance Lease Receivables (net)	8	-	2,254
Due From Related Parties (net)	9	-	-
Other Receivables (net)	10	14,176	4,921
Financial Assets (net)			
- Available for Sale Investments	16.a	60,607	83,267
- Held to Maturity Investments	16.b	-	81,886
Positive/Negative Goodwill (net)	17	-	-
Investment Property (net)	18	119,866	133,716
Tangible Assets (net)	19	546,742	484,686
Intangible Assets (net)	20	4,203	4,431
Deferred Tax Assets	14	58,042	68,361
Other Non-Current Assets	15	10,805	11,996
TOTAL ASSETS		**3,047,319**	**2,214,316**

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

TEKFEN HOLDING A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

LIABILITIES	Notes	31 December 2006	31 December 2005
Current Liabilities		**2,214,480**	**1,446,410**
Short Term Bank Borrowings (net)	6	461,729	445,045
Short Term Portions of Long Term Borrowings (net)	6	81,937	41,527
Deposits	46	-	511,749
Derivative Financial Instruments	47	-	812
Obligations Under Finance Leases (net)	8	14,049	8,194
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	374,733	233,531
Due to Related Parties (net)	9	11,645	2,297
Advances Received	21	74,395	66,855
Billings in Excess of Contract Revenue (net)	13	89,487	62,994
Provisions	23	14,593	22,963
Other Short Term Liabilities	15	32,480	8,971
Deferred Tax Liability	14	-	-
Other Current Payables	10	56,102	41,472
Liabilities of Discontinued Operations	35	1,003,330	-
Non-Current Liabilities		**199,321**	**206,361**
Long Term Borrowings (net)	6	47,278	101,860
Obligations Under Finance Leases (net)	8	16,814	7,309
Other Financial Liabilities (net)	10	-	-
Long Term Trade Payables (net)	7	18,233	2,424
Due to Related Parties (net)	9	-	-
Advances Received	21	21,630	11,336
Provisions	23	25,974	26,605
Other Long Term Liabilities	15	-	604
Deferred Tax Liability	14	46,942	23,865
Other Long Term Payables	10	22,450	32,358
MINORITY INTEREST	24	**19,227**	**18,412**
EQUITY		**614,291**	**543,133**
Share Capital	25	**104,000**	**40,500**
Adjustment to Share Capital	25	-	-
Capital Reserves	26	**136,901**	**210,844**
Premium in Excess of Par		-	-
Gain on Cancellation of Equity Shares		-	-
Hedging Reserve		-	(812)
Fair Value Reserve of Financial Assets		39,500	53,883
Revalution Fund		3,128	-
Inflation Adjustment on Equity		94,273	157,773
Profit Reserves	27	**71,372**	**65,649**
Legal Reserves		10,615	10,254
Statutory Reserves		-	-
Extraordinary Reserves		67,926	63,227
Special Reserves		-	-
Investment and Property Sales Income to be Added to Share Capital		-	-
Currency Translation Reserve		(7,169)	(7,832)
Net Profit/Loss		**80,975**	**121,353**
Retained Earnings	28	**221,043**	**104,787**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,047,319**	**2,214,316**

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

TEKFEN HOLDING A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

	Note	2006	2005
OPERATING INCOME			
- Sales (net)	36	1,726,117	1,153,167
- Cost of sales (-)	36	(1,450,246)	(992,360)
- Service revenue (net)	36	-	-
- Income from other operations (net)	36	16,715	11,872
GROSS PROFIT		**292,586**	**172,679**
- Operating expenses (-)	37	(148,474)	(115,196)
OPERATING INCOME		**144,112**	**57,483**
- Other Income and Profit	38	22,306	115,061
- Other Expense and Losses (-)	38	(22,281)	(15,772)
- Finance income/ (expense) (Net)	39	(53,908)	(33,923)
PROFIT BEFORE TAXATION AND MINORITY INTEREST		**90,229**	**122,849**
- Net Monetary Gain / Loss (-)	40	-	-
- Minority Interest Gain / Loss (-)	24	288	(576)
PROFIT BEFORE TAX		**90,517**	**122,273**
- Taxation	41	(22,173)	(3,006)
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**68,344**	**119,267**
- Profit for the year from Discontinued Operations	35	12,631	2,086
NET PROFIT FOR THE YEAR		**80,975**	**121,353**
FROM CONTINUING AND DISCONTINUED OPERATIONS:			
Earnings per Preferred Share (TRY)	42	0.84	1.48
Earnings per Common Share (TRY)	42	0.71	1.06
FROM CONTINUING OPERATIONS:			
Earnings per Preferred Share (TRY)	42	0.71	1.46
Earnings per Common Share (TRY)	42	0.60	1.04

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

TEKFEN HOLDING A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

	Share Capital	Inflation Adjustment on Equity	Hedging Reserve	Revaluation Fund	Fair Value Reserve of Financial Assets	Currency Translation Reserve	Legal Reserves	Extraordinary Reserves	Net Profit/Loss	Retained Earnings	Total
Balance as of 1 January 2005	15,875	157,773	-	-	72,872	(13,739)	9,227	37,928	78,690	71,567	430,193
Foreign currency translation adjustment	-	-	-	-	-	5,907	-	-	-	-	5,907
Transfers to retained earnings	-	-	-	-	-	-	-	-	(78,690)	78,690	-
Cancellation of revaluation fund of sold financial asset	-	-	-	-	(19,000)	-	-	-	-	-	(19,000)
Capital increase	24,625	-	-	-	-	-	-	-	-	(19,000)	5,625
Hedging reserve	-	-	(812)	-	-	-	-	-	-	-	(812)
Fair value reserve of financial assets	-	-	-	-	11	-	-	-	-	-	11
Dividends paid	-	-	-	-	-	-	-	-	-	(144)	(144)
Transfers to reserves	-	-	-	-	-	-	1,027	25,299	-	(26,326)	-
Profit for the year	-	-	-	-	-	-	-	-	121,353	-	121,353
Balance as of 31 December 2005	40,500	157,773	(812)	-	53,883	(7,832)	10,254	63,227	121,353	104,787	543,133
Balance as of 1 January 2006	40,500	157,773	(812)	-	53,883	(7,832)	10,254	63,227	121,353	104,787	543,133
Foreign currency translation adjustment	-	-	-	-	-	663	-	-	-	-	663
Transfers to retained earnings	-	-	-	-	-	-	-	-	(121,353)	121,353	-
Hedging reserve	-	-	812	-	-	-	-	-	-	-	812
Capital increase	63,500	(63,500)	-	-	-	-	-	-	-	-	-
Fixed assets revaluation fund	-	-	-	3,128	-	-	-	-	-	-	3,128
Fair value reserve of financial assets	-	-	-	-	(14,383)	-	-	-	-	-	(14,383)
Dividends paid	-	-	-	-	-	-	-	-	-	(37)	(37)
Transfers to reserves	-	-	-	-	-	-	361	4,699	-	(5,060)	-
Profit for the year	-	-	-	-	-	-	-	-	80,975	-	80,975
Balance as of 31 December 2006	104,000	94,273	-	3,128	39,500	(7,169)	10,615	67,926	80,975	221,043	614,291

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

TEKFEN HOLDING A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

	Notes	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		80,975	121,353
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in minority interests (net)		(288)	576
Effect of merge	24	-	(17,350)
Depreciation of tangible assets	19	46,825	39,194
Amortization of intangible assets	20	2,934	1,321
Depreciation of investment property	18	3,766	4,127
Negative goodwill arising from acquisition of subsidiary	32	-	(54,427)
Profit from sales of subsidiary		-	(19,000)
Other provisions	23	65	2,737
Reversal of unnecessary provision	7	(2,028)	(2,978)
Provisions for litigation	23	11,360	11,564
Provision for employement termination benefits	23	10,808	5,958
Fixed assets transferred to expense	19	114	-
Proceeds from the sale of available for sale investments	16.a	(7,586)	-
Proceeds from the sale of tangible assets	19	(557)	(869)
Allowances for doubtful receivables	7	3,089	1,183
Allowances for diminution in value of inventories	12	143	1,863
Allowance for diminution in value of available for sale investments	16.a	993	(209)
Interest expenses (net)	39	42,541	28,684
Tax effect of discontinued operations	14	5,107	-
Dividend income from subsidiaries	36	(9,270)	(3,925)
Change in provision of loan impairment		-	2,896
Income tax net of translation gain/loss	41	22,126	3,075
Cash flow from operating activities before operating assets and liabilities		211,117	125,773
Changes in operating assets and liabilities	43	(93,555)	21,444
Cash generated from operations		117,562	147,217
Taxes paid	41	(3,898)	(3,810)
Retirement provision paid	23	(9,531)	(5,709)
Net cash provided by operating activities		104,133	137,698
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest paid (net)		(27,703)	(19,802)
Changes in available for sale investments	16.a	16,586	25,684
Changes in investment property	18	(75,088)	(5,662)
Effect of discontinued operations on tangible and intangible assets	19-20	(978)	-
Purchases of tangible assets	19	(120,954)	(58,634)
Purchases of intangible assets	20	(3,823)	(1,928)
Proceeds from sale of tangible assets	19	6,122	9,559
Proceeds from sale of intangible assets	20	-	37
Change in investment properties	18	9,057	(2,255)
Change in reserve deposits at the turkish central bank		(22,138)	319
Acquisition of subsidiaries	32	-	(40,909)
Dividend income from subsidiaries	36	9,270	8,562
Changes in other investing activities	43	79,381	(43,484)
Net cash used in investing activities		(130,268)	(128,513)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in borrowings	6	139,226	34,755
Obligations under finance lease payables	8	15,360	2,471
Translation gain/loss		(10,212)	9,408
Dividends paid		(37)	(144)
Dividends paid to minority shareholders	24	(215)	-
Proceeds from issue of share capital		-	5,625
Net cash provided by financing activities		144,122	52,115
NET CHANGES IN CASH AND CASH EQUIVALENTS		117,987	61,300
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		351,951	289,415
Accrued interest on cash and cash equivalents	4	870	1,236
Cash and cash equivalents of discontinued operations at the end of the year	35	(261,324)	-
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		209,484	351,951

The accompanying notes form an integral part of these financial statements

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Majority shares of Tekfen Holding A.Ş. ("the Company") is owned by 3 individuals. These shareholders are as follows: Necati Akçağlılar, Feyyaz Berker, and Ali Nihat Gökyiğit. The Company and its subsidiaries are referred to as the "Group" in the accompanying consolidated financial statements.

As of 31 December 2006, there are 11,791 employees (2005: 9.849) including the personnel of subcontractor firms. Registered address of the Company is: Kültür Mahallesi, Aydınlık Sokak, Tekfen Sitesi A Blok No:7 Beşiktaş, Istanbul / Turkey.

As of 31 December 2006 and 2005; registered names of the subsidiaries, joint ventures and branches, nature of their business, countries of their origin and the operational group they belong to is listed below :

Registered Name of the Subsidiary	Nature of Business	Country of Origin	Operational Group
Tekfenbank A.Ş.(formerly Tekfen Yatırım ve Finansman Bankası A.Ş.) "Tekfenbank" (2)	Banking	Turkey	Discontinued Operation
Tekfen Finansal Kiralama A.Ş."Tekfen Leasing" (2)	Finance Leasing	Turkey	Discontinued Operation
Tekfen Sigorta Aracılık Hizmetleri A.Ş. "Tekfen Sigorta"	Insurance	Turkey	Trading
Tekfen Dış Ticaret A.Ş. "Tekfen Dış Ticaret"	"Discontinued Operation"	Turkey	Trading
Belediye Tüketim Malları İthalat İhracat Ticaret ve Pazarlama A.Ş. "Belpa"	Investment	Turkey	Development of Real Estate
Tekfen Gıda ve Tüketim Maddeleri Pazarlama A.Ş. "Tekfen Pazarlama"	"Liquidated"	Turkey	Trading
Tekfen Kültür Sanat Ürünleri Yapım ve Yayın San. Tic. A.Ş. "Tekfen Kültür"	Cultural Activities	Turkey	Trading
Tekfen Turizm İşletmecilik A.Ş."Tekfen Turizm"	Service	Turkey	Development of Real Estate
Teknik Servis ve Ticaret A.Ş. "TST"	Production – Trading	Turkey	Trading
TST Investment Holding S.A. "TST Holding" (1)	Investment	Luxembourg	Trading
TST International Finance S.A. "TST Finance" (1)	Investment	Luxembourg	Trading
TST International Trading Limited "TST Trading" (1)	Trading	Ireland	Agriculture
TST International Limited "TST Ltd." (1)	Trading	United Kingdom	Agriculture
Petrofertil Shipping S.A. "Petrofertil Shipping" (1)	Service	Panama	Agriculture
Petrofertil Trading Limited "Petrofertil Trading" (1)	Trading	United Kingdom	Agriculture
Industrial Supply and Trading Company Limited "Industrial Supply"(1)	Trading	United Kingdom	Agiriculture
Toros Gayrimenkul Yatırım A.Ş. "Toros Gayrimenkul" (formerly Toros Uluslararası Nakliyat ve Denizcilik A.Ş.)	Real Estate	Turkey	Agriculture

(1) Companies were audited by auditors other than the member firms of Deloitte Touche Tohmatsu.
(2) In 2006, the Group has classified the assets of this subsidiary as "Current Assets of Discontinued Operations"; its liabilities as "Current Liabilities of Discontinued Operations" ; and its net profit as "Profit for the year from Discontinued Operations" (Note 35).

1. ORGANIZATION AND OPERATIONS OF THE GROUP (Cont'd)

Registered Name of the Subsidiary	Nature of Business	Country of Origin	Operational Group
Toros Tarım Sanayi ve Ticaret A.Ş. "Toros Tarım"	Production – Agriculture - Seedling	Turkey	Agriculture
Toros Adana Yumurtalık Serbest Bölgesi Kurucu ve İşleticisi A.Ş. "Tayseb"	Service	Turkey	Agriculture
Toros Terminal Servisleri A.Ş. "Toros Terminal"	Service	Turkey	Agriculture
Toros Enerji Elektrik Üretimi Otoprodüktör Grubu A.Ş. "Toros Enerji"	Energy – Production	Turkey	Agriculture
H-T Fidecilik Sanayi ve Ticaret A.Ş. "H-T Tohumculuk" (1)	Seedling – Agriculture	Turkey	Agriculture
Türk Arap Gübre A.Ş. "Türk Arap Gübre"	Production – Agriculture	Turkey	Agriculture
Tekfen Endüstri ve Ticaret A.Ş. "Tekfen Endüstri"	Trading	Turkey	Trading
Toros Gemi Acenteliği ve Ticaret A.Ş. " Toros Gemi"	Shipping Agent	Turkey	Trading
Karaca Giyim Sanayi ve Ticaret A.Ş. "Karaca Giyim"	"Discontinued Operation"	Turkey	Trading
Karaca Pazarlama A.Ş. "Karaca Pazarlama"	"Discontinued Operation"	Turkey	Trading
Tekfen İnşaat ve Tesisat A.Ş. "Tekfen İnşaat"	Construction	Turkey	Contracting
Tekfen Mühendislik A.Ş. "Temaş"	Engineering	Turkey	Contracting
Tekfen İmalat ve Mühendislik A.Ş. "Timaş"	Production	Turkey	Contracting
HMB Hallesche Mitteldeutsche Bau-Aktiengesellschaft, Halle "HMB"	Trading	Germany	Trading
Papfen Joint Stock Company "Papfen"	Textile	Uzbekistan	Trading
Cenub Tikinti Servis ASC. "Cenub Tikinti"	Construction	Azerbaijan	Contracting
Tekfen International Finance and Investments S.A. "Tekfen Finance" (1)	Investment	Luxembourg	Trading
Tekfen Participations S.A. "Tekfen Participations" (1)	Investment	Luxembourg	Trading
Tekfen International Limited "Tekfen International Ltd" (1)	Investment	United Kingdom	Trading
Tekfen Construction and Installation Company Limited "Tekfen Construction" (1)	Construction	Ireland	Trading
Fentex International Corporation "Fentex"	"Liquidated"	USA	Trading
Antalya Stüdyoları A.Ş. "Antalya Stüdyoları"	"Discontinued Operation"	Turkey	Trading
Kablotek Kablo Şebekeleri Tesis İşletme Mühendislik İnş. Tic. San. A.Ş. "Kablotek"	Cable TV network operator	Turkey	Trading
Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş. "Tekfen Emlak" (formerly known as Tekfen Doğalgaz Dağıtım A.Ş.) (2)	Development of Real Estate	Turkey	Development of Real Estate
Tekfen Trading S.A. Zug "Tekfen Trading"	Trading	Switzerland	Trading

(1) Companies were audited by auditors other than the member firms of Deloitte Touche Tohmatsu.
(2) Registered name of Tekfen Doğalgaz was converted to "Tekfen Emlak Geliştirme Yatırım ve Ticaret A.Ş." as of September 18, 2006 and nature of business has been changed to development of real estate.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (Cont'd)

Registered Name of the Joint Venture	Nature of Business	Country of Origin	Operational Group
Gate İnşaat Taahhüt Sanayi ve Ticaret A.Ş. "Gate J.V." (1)	Construction	Turkey	Contracting
Azfen Birge Müessesesi "Azfen J.V." (1)	Construction	Azerbaijan	Contracting
Tekfen-Tubin-Özdemir J.V. "TÖT J.V."	Construction	Turkey	Contracting
Tubin-Tekfen-Özdemir J.V. "TTÖ J.V."	Construction	Turkey	Contracting
Overseas International Constructors GmbH "OIC J.V."(1)	Construction	Switzerland	Contracting
North Caspian Constructors B.V. "NCC J.V." (1)	Construction	Netherland	Contracting
Tekfen Impresit J.V. "Impresit"	Construction	Turkey	Contracting
CP Contracting and Trading FZE "CP J.V."	Construction	United Arab Emirates	Contracting
Nurol-Tekfen-Yüksel J.V. "NTY J.V."	Construction	Turkey	Contracting
Tekfen TML J.V. " Tekfen TML J.V."	Construction	Libya	Contracting
Gama-Tekfen-Tokar J.V. "GTT J.V."	Construction	Turkey	Contracting
TGO İnşaat Taahhüt Nakliyat Ticaret San. Ltd. Şti. "TGO J.V." (1)	Construction	Turkey	Contracting

(1) Firms are classified as joint ventures with respect to the nature of business; Legally they are structured as corporations.

As of 31 December 2006 and 2005, the branches included in the Group's consolidation are as follows:

Branch Name	Nature of Business	Place of Operation and Country of Origin
Tekfen İnşaat – Baku Office	Construction	Azerbaijan
Tekfen İnşaat – Saudi Arabia Office	Construction	Saudi Arabia
Tekfen İnşaat – Morocco Office	Construction	Morocco
Tekfen İnşaat – Kuwait Office	Construction	Kuwait
Tekfen İnşaat – Qatar Office	Construction	Qatar
Tekfen İnşaat – Jordan Office (1)	Construction	Jordan
Tekfen İnşaat – Dubai Office (2)	Construction	United Arab Emirates
Tekfen İnşaat – Oman Office (2)	Construction	Oman
Tekfen Dış Ticaret – Europe Free Zone (3)	Trading	Turkey
Tekfen Dış Ticaret – Mersin Free Zone (3)	Trading	Turkey
Tekfen Endüstri- Mersin Free Zone	Trading	Turkey

(1) It was founded in 2005, however it was not consolidated as of 31 December 2005 since this entity was insignificant taken the consolidated financial statements as a whole.
(2) This branch was established in 2006.
(3) Tekfen Dış Ticaret merged with Mersin Serbest Bölgesi and Europe Free Zone as of 24 March, 2006 and 29 March, 2006, respectively.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Significant Accounting Standards:

The Group companies registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation. Books of account of subsidiaries and joint ventures established abroad are prepared in accordance with the legislation requirements of their country of origin.

The Capital Market Board "CMB" published a set of comprehensive accounting policies in the Communiqué No: 25 of Series XI, "The Capital Markets Accounting Standards ". In accordance with the Communiqué on "Amendments upon the Capital Markets Accounting Standards" Serial:XI, No:27 issued on 23 December 2004 and the additional Article 1 to the Communiqué on the "Capital Markets Accounting Standards" Serial: XI, No: 25, it is declared that, without revealing the declarations made by the CMB upon Accounting Standards including financial reporting and footnote disclosures, application of International Financial Reporting Standards (IFRS) should be subject to the preparation and presentation requirements of financial statements set out in the Communiqué Serial: XI, No: 25. Thus, as an alternative, accounting standards issued by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC) shall be counted as compliant with the CMB's Accounting Standards.

Accordingly, the Group prepares its financial statements in accordance with the alternative application permitted by the Capital Markets Board, mentioned above. Presentation of financial statements and the content of footnote disclosures are in compliance with the compulsory format announced on 20 December 2004 by the CMB.

Preparation of Financial Statements in Hyperinflationary Periods:

As per the CMB's resolution No: 11/367 on 17 March 2005, it is declared that companies operating in Turkey and preparing their financial statements in accordance with the CMB's Accounting standards effective as of 1 January 2005, shall not be subject to the application of inflation accounting. Consequently, IAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying financial statements.

As of 31 December 2004, according to the wholesale price index of the State Statistics Institute; cumulative three years inflation rate was 69.7%, annual inflation rate was 13.8%. As of 31 December 2005, cumulative three years inflation rate and annual inflation rate for the year then ended was 35.6% and 4.5% respectively. In accordance with CMB's declaration No: 7642 on 17 March, 2005, since the conditions for the application of inflation accounting were not present any more, and CMB projection raised based on the current market data indicating that the conditions to apply inflation accounting were substantially ceased in the current and following periods, inflation accounting were applied as of December 31, 2004 for the last time.

The exchange rate announced by the Turkish Central Bank as of 31 December 2006 is; 1 US Dollar=1,4056 TRY, 1 EUR=1.8515 TRY. (On 31 December 2005; 1 US Dollar=1.3418 TRY and 1 EUR=1.5875 TRY)

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Functional and Reporting Currency:

In recent years, the share of foreign currency denominated contracts in total contract volume has increased and reached more than 99% as of 31 December 2006 and 2005. US dollar has become the dominant currency in revenue and expense recognition. Also, there is an increase in the amount of new projects in foreign countries. The Group foresees that this overall position will continue in the long-term. Hence, functional currency of the Group's contracting segment is determined as US dollars.

Functional and reporting currency of the Group's construction segment is US dollars and its reporting currency is TRY. In accordance with IAS 21, balance sheet items are translated into TRY with the US dollar rates prevailing at the balance sheet date and revenue, expenses and cash flows are translated with the exchange rates at the transaction date (historical rates) or yearly average rate. Gain/loss arising from the related translation is recognized in the foreign currency translation reserve under equity.

Consolidation Principles:

Consolidated financial statements as of 31 December 2006 and 2005 comprise the accounts of Tekfen Holding's subsidiaries, branches and joint ventures.

Entities in which the Group, directly or indirectly, has above 50% shareholding or interest of voting rights or otherwise has power to exercise control over operations, have been fully consolidated. The Group has obtained shares from the operations of the equity subsidiaries since it has power to govern the financial and operational policies of the Company. All significant transactions and balances between the Group and its consolidated subsidiaries are eliminated at consolidation. Shares pertaining to third parties in the shareholders' equity and net profit / (loss) of the consolidated subsidiaries, which are not fully (100%) owned, are separately accounted for as minority interests in the consolidated financial statements.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Balance sheet and income statement shares related to the Group's joint ventures in domestic and overseas construction projects are reflected to the consolidated financial statements proportional to the share percentage in these joint ventures.

A subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent). Subsidiaries of which the Group holds 20% or 50% of sharing or the voting power, however, having no significant control on their operations are recognized based on the equity method. Under the equity method, subsidiary is carried at net asset amount in the consolidated balance sheet and the Group's share arising from the results of the operations is included in the consolidated income statement. Unless the decrease in the subsidiary's net asset value is temporary, its value is carried at the reduced value in the consolidated financial statements.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Consolidation Principles (Cont'd):

As of 31 December 2006 and 2005, effective and direct rates of the Company's ownership in the related subsidiaries and joint ventures are as follows:

	Direct ownership %		Effective ownership %	
Registered name of the Subsidiary	2006	2005	2006	2005
Tekfenbank	98	98	98	98
Tekfen Leasing	98	98	98	98
Tekfen Sigorta	100	100	100	100
Tekfen Dış Ticaret	100	100	100	100
Belpa	95	94	95	94
Tekfen Pazarlama (4)	-	80	-	80
Tekfen Kültür	100	100	100	100
Tekfen Turizm	100	100	100	100
TST (2)	-	100	-	100
TST Holding	100	100	100	100
TST Finance	100	100	100	100
TST Trading	100	100	100	100
TST Ltd.	100	100	100	100
Petrofertil Shipping	100	100	100	100
Petrofertil Trading	100	100	100	100
Industrial Supply	100	100	100	100
Toros Gayrimenkul	100	100	100	100
Toros Tarım	100	100	100	100
Tayseb	100	100	100	100
Toros Terminal	100	100	100	100
Toros Enerji	100	100	100	100
H-T Tohumculuk	50	50	50	50
Türk Arap Gübre	80	80	80	80
Tekfen Endüstri	99	99	99	99
Toros Gemi (1)	100	-	100	-
Karaca Giyim	100	99	100	99
Karaca Pazarlama	100	100	100	100
Tekfen İnşaat	100	100	100	100
Temaş	100	100	100	100
Timaş	100	100	100	100
HMB	100	100	100	100
Papfen	85	85	85	85
Cenub Tikinti	65	65	65	65
Tekfen Finance	100	100	100	100
Tekfen Participations	100	100	100	100
Tekfen International Ltd	100	100	100	100
Tekfen Construction	100	100	100	100
Fentex (4)	-	100	-	100
Antalya Stüdyoları	100	100	100	100
Kablotek	100	100	100	100
Tekfen Emlak	100	100	100	100
Tekfen Trading (3)	100	100	100	100

(1) Not consolidated in 2005, since it has no significant effect on the financial statements.
(2) In 2006, Tekfen Holding A.Ş. merged with TST as a result of the Company's total take over.
(3) Not consolidated, since it has no significant effect on the financial statement in 2005 and 2006.
(4) Liquidated in 2006.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Consolidation Principles (Cont'd):

Registered name of the Joint Venture	Rate % (*) 2006	2005
Gate J.V.	50	50
Azfen J.V.	40	40
TÖT J.V	71	71
TTÖ J.V.	25	25
OIC J.V.	25	25
NCC J.V.	25	25
Impresit	100	100
CP J.V.	50	50
NTY J.V.	33	33
GTT J.V.	35	35
Tekfen TML J.V.	67	-
GT J.V.	50	50
TGO J.V. (1)	50	-

(*) Rates are consistent with the voting power.
(1) Joint venture was established in 2005. Since it has no significant effect on the financial statements, it was not included in the consolidation in 2005.

On acquisition, the assets and liabilities of the relevant subsidiary are measured at their fair values at the date of acquisition. Minority interests are calculated by applying the minority ownership rate on the fair value of the net assets. Operational results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement effective from the date of acquisition or up to the actual date of disposal, as appropriate.

Minority interest is calculated in proportion to the fair value of the related subsidiaries' identifiable net asset at the acquisition date. If the consolidated subsidiary's total equity is loss, unless there is a strict commitment that such losses will be recovered by the minority, then these losses are not recognized as receivables from minority interest. Minority interest is not calculated until the subsequent profits attributable to these subsidiaries are offset against the accumulated losses of these minority shares.

Where necessary, adjustments are made to the financial statements of subsidiaries to be in compliance with the accounting policies used by other members of the Group.

Comparative Information and Reclassifications to the Prior Period Financial Statements:

Consolidated financial statements are prepared comparatively to the prior period. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes.

As explained in Note 35, the Group disposed 70% of its share in Tekfenbank, its subsidiary in the banking sector, to Eurobank EFG Holding S.A. (Eurobank EFG) in accordance with the decision made on 8 May 2006 and starting from 1 January 2006, operations related to this sector are classified as "Discontinued Operations". Results for the year ended as of 31 December 2006 are presented as a single item as "Period Profit from Discontinued Operations" in the consolidated income statements. To confront current year presentation, income from Tekfenbank included in the consolidated income statement was reclassified as "Profit for the year from Discontinued Operations" in 2005.

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

Offsetting:

Financial assets and liabilities are offset and the net amount is reported in the 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.

Adoption of New and Revised International Financial Reporting Standards:

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005, except for the issues that contradict with the CMB's Communiqué on the required format announced on 20 December 2004. At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 1	Presentation of Financial Statement :Additional Requirements for Disclosures of the Entity's Capital
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements

IFRS 7 requires more detailed disclosures related to the financial instruments in the financial statements. However, it does not include any requirements related to the classification and valuation of financial instruments.

The Group's management anticipates that adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the accompanying financial statements are as follows:

a. Revenue:

In terms of business activity, profit is accounted for when income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is probable. Net sales are carried at gross revenue invoiced less any sales returns and sales discounts. Revenue is recognized when all the following conditions are satisfied:

Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. Stage of completion is measured by the proportion of the contract costs incurred for work performed to date bear to the estimated total contract costs. This calculation does not apply if the stage of completion cannot be measured reliably. Changes in construction contract, additional receivable claims and incentive payments are included in the project revenue in accordance with the consent of the employer.

In contracts where third parties undertake the management, control and coordination of the construction activities are referred to as service contracts and they are only recognized as revenues when they are presented to third parties.

Construction contract costs consist of indirect costs such as; all raw materials and direct labor expenses, indirect labor costs related with contract performance, equipment, maintenance and depreciation expenses. Sale and general administration expenses are written off when they occur. Provision for cost of estimated loss of incomplete contracts are provided for immediately in the year which such loss is forecasted. Business efficiency, business conditions, provisions for contract penalties and changes in estimated profitability arising from final contract arrangements cause a revision in costs incurred and revenues obtained at the end of the project. Impact of these revisions are accounted for in the year which such revision is made.

Unbilled work indicates the revenue recognized on construction contracts in excess of billings, and progress billings indicate the billings in excess of the revenue recognized on construction contracts.

Construction Group Management does not recognize the additional receivables under compensation outside the scope of the contract that may be subject to litigation as income, unless they are legally approved.

Retention receivables

The Group's interim progress billings from its clients are subject to retention deductions which vary based on the individual agreements. These balances are collected from the clients upon successful completion of the contract at the end of the warranty period. Retention receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Retention payables

The Group's interim progress billings to its subcontractors are subject to retention deductions which vary based on the individual agreements. These payables are paid to subcontractors after they successfully complete the guarantee periods. Retention payables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

a. Revenue (Cont'd):

Trading Operations

Profits from the sale of trade activities is only recognized when the ownership of the goods is transferred to the buyer. Net revenue is carried at gross revenue invoiced less any sale returns and sale discounts.

Leasing Operations

Rent income are from lessors are recognized on a monthly basis. Prepaid rents collected from the lessors are accounted as unearned (deferred) rent income over the lease contract period.

Interest Income and Expense

Interest income and expense is accrued using the effective earning yield method. When the collection of loans granted by the Group are classified as doubtful, related interest income accrual is not reflected in the financial statements.

b. Inventories:

Inventories are stated at the lower of cost and net realizable value using the weighted average method. Costs comprise direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

The Group made a provision for diminution in value for inventories which can not be used/sold.

c. Tangible Assets:

Tangible assets acquired before 1 January 2005 are carried with their restated cost as of 31 December 2004; and intangible assets acquired after 1 January 2005 are carried with their cost less any accumulated depreciation and impairment loss. Tangible assets are depreciated principally on a straight-line basis over their useful life. Tangible assets deemed to have indefinite lives, except land, are depreciated over the following useful lives:

	Useful Life
Land improvements	5-50 Years
Buildings	10-50 Years
Machinery and equipments	3-13 Years
Vehicles	4-10 Years
Furniture and fixtures	4-25 Years
Leasehold improvements	5 Years
Other tangible assets	5 Years

Gains or losses on disposals of tangible assets are included in the loss/expenses from other operations. If the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Maintenance expenses for tangible assets are normally charged against income. In cases where they result in an enlargement or substantial improvement of the respective assets, all costs associated with maintenance, including the interest charges for the period of the relining on any loans specifically taken to finance the repair, are capitalized and subjected to depreciation in accordance with the depreciation policies explained above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d. Intangible Assets:

Intangible assets are carried at their cost less any accumulated depreciation and impairment loss. These asset are depreciated on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives and depreciation method are reviewed each year to determine whether there are any potential future effects of changes in estimations. Intangible assets are depreciated over the following useful lives:

	Useful Life
Rights	5-20 Years
Establishment Cost	10 Years
Other intangible assets	5-17 Years

e. Impairment of tangible and intangible assets except goodwill:

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets carried at cost less any accumulated depreciation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets that have indefinite useful lives and intangible assets that are not available for sale are also tested for impairment at each balance sheet date if there is any indication relating to impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in income statement as depreciation or amortization expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

f. Borrowing Costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

g. Financial Instruments:

Financial assets are recognized initially at their carrying values at the trade date using the settlement date accounting.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

g. Financial Instruments (cont'd):

For the reporting periods subsequent to the initial recognition, financial assets that an entity has the positive intention and ability to hold to maturity are measured at amortized cost considering the impairment.

Investments other than held-to-maturity investments are classified as either investment held for trading or as available-for-sale. Assets except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured, are stated at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are recognized in finance income/expense in income statement. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

Fair value is the amount for which an asset could be exchanged or a liability settled, between willing parties in an arms length transaction. Market value of a financial asset is the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists. The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented here may not necessarily be indicative of the amounts the Group could realize in a current market exchange.

Contingent liabilities such as letters of guarantee and letters of credit are important financial instruments which would have negative effects on the financial structure of the Group, if other party failed to comply with the terms and conditions of the agreement.

Fair value of certain financial assets carried at cost are considered to be representative of the carrying values due to their short-term nature.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and banks and cash equivalents assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and bank balances denominated in foreign currencies are translated at the period-end exchange rates. The carrying amount of the remaining cash and bank balances is reasonable estimate of their fair value.

Cash and cash equivalents are carried at acquisition cost and total accrued interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

g. Financial Instruments (cont'd):

Marketable Securities

After the initial recognition of securities held for sale, subsequent valuation is made on a fair value basis. Gain or loss arising from changes in fair value of securities held for sale is recognized in equity as a separate line item until the related assets are sold, liquidated or disposed of or otherwise are subject to impairment, Upon sale, disposal or liquidation or permanent value dimunitions accumulated fair value differences are recognized in the profit and loss. Interest of the securities held for sale calculated by the effective interest method are recognized as an interest income. Dividends are recognized as revenue from other operations.

As of the balance sheet date, fair value of securities held for sale quoted in an active market is determined by the current market purchase price or prices that are announced by the Istanbul Stock Exchange.

Fair value of securities whose market price does not exist or market price is not determining in an active market, is measured by means of discounted cash flow analysis, option pricing methods and frequently used other valuation methods based on the current market values of similar financial instruments or recent market prices. Financial instruments whose fair value cannot be reliably determined are carried at cost less impairment loss, if any.

Trade receivables

Trade receivables are carried at their invoiced amount and their discounted net value less any doubtful trade receivable provisions. Finance costs of trade receivables are calculated by using the effective interest rate of the related receivable maturity and the calculated amount is recognized as finance income under the sales account. The Group sets provisions for doubtful receivables, if there is an actual indication that the due collection can not be made. Uncollectible receivables are written off when they are determined.

Cheques and notes payable are carried with their net values discounted with the rates specified in the contract, if the discount rates can not be associated with a contract the official announced discount rates are used.

Trade receivables denominated in foreign currencies, are carried with their net values discounted with the rates specified in the contract, if the discount rates can not be associated with a contract, the Libor and Euribor rates are used.

Trade payables

Trade payables are carried at invoice amounts and recognized with their discounted net value in the balance sheet. Finance costs of trade payables are calculated using the effective interest rate of the related payable maturity and the calculated amount is recognized as a revenue amount under the cost of sales account. Foreign currency trade payables without written certifications are discounted using the interest rates determined in the related agreements, if these rates are not known, they are discounted by using Libor and Euribor rate. Also, trade payables in Turkish Liras are discounted by using official discount rates.

Borrowings

Borrowings have interest rates that are fixed on an entry value basis. However, borrowings at Libor plus mark up are subject to fluctuations in accordance with the prevailing interest rates in the market. Interest-bearing bank loans and bank overdrafts are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and added to the carrying amount of the instrument to the extent they are not settled in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

g. Financial Instruments (cont'd):

Explanations Related to Derivative Instruments, Forward Transactions and Option Agreements

Financial derivative transactions

The Group is exposed to financial risks of changes in foreign exchange rates because of the nature of its activities. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its foreign currency fluctuation risks relating to certain firm commitments and forecasted transactions.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at the subsequent reporting dates.

Changes in the fair value of existing derivative financial instruments designated as hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in profit or loss.

The Group's policy with respect to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognized, the associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in profit or loss in the same period in which the hedged item affects profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss as they arise.

Hedge accounting is ceased when the hedging instrument is expired or sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, net cumulative gain or loss recognized in equity is transferred to profit or loss for the period.

Objectives and Policies of Financial Risk Management

The Group's principal financial instruments are bank loans, financial leasing commitments, cash, short-term time deposits and securities. Main objective of financial instruments is to supply funds for the Group's activities. Except for those mentioned, the Group has financial instruments such as; trade receivables and payables arising from its activities.

Basic risks resulting from the Group's financial instruments are interest risk, liquidity risk, foreign currency risk, price risk and credit risk. Policies relating to the management of these risks are summarized below. The Group also considers the market value risk of its financial instruments.

Foreign Currency Risk

Since the Group operates in various countries and supplies its main raw materials from abroad, it is affected by changes in the foreign currency rates.

Collection Risk

Collection risk of the Group arises basically from its trade receivables. The Group is not exposed to significant collection risk, since it has receivable amounts from many customers rather than few customers with significant amounts. Trade receivables are measured by the Group's management considering the past experiences and existing economic situation and net value is recognized in the balance sheet after providing appropriate provisions, when needed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

g. Financial Instruments (cont'd):

Price risk

Price risk consists of exchange rate, interest and market risks. The Group manages those risks by offsetting its foreign currency receivables and payables, and interest bearing assets and liabilities. Market risk is followed up by means of current market data and adequate valuation methods by the Group's management.

Credit risk

Credit risk is the failure of a liability fulfillment of a party bearing a loss to the other party. The Group manages its credit risk by restricting its transactions with specific third parties and performing constant credit risk reviews on third parties.

Concentrations of credit risk stem from the similar economic, political changes affecting the entity and other conditions of fulfilling contractual commitments in case of operating in the same segment or geographical area or having similar economical conditions. The Group manages its credit risk by diversifying its sales activities in response to the extreme risk concentrations arising from having transactions with parties in limited areas and sectors. The Group also receives guarantees in case of need.

Liquidity risk

Liquidity risk is the inability to fulfill the Group's net funding necessity. Liquidity risk is managed by means of cash inflows and outflows offset within the credit limits determined previously by the credit institutions.

h. Business Combinations:

Business combinations are recognized under IFRS 3. If the cost is higher than the fair value of identifiable assets, liabilities, and contingent liabilities acquired , the difference is capitalized as goodwill. Goodwill arising from business combinations is not subject to amortization, instead goodwill is tested for impairment each year or when there is objective evidence to do it so.

If the cost of identifiable assets, liabilities, and contingent liabilities acquired is lower than the carrying value, the difference is recognized as other income (Note 38).

i. Foreign Currency Transactions:

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", assets and liabilities of the Group's subsidiaries in foreign countries are translated to the New Turkish Lira at the balance sheet date. Profit and loss items are translated at the annual average exchange rate. Exchange differences arising from closing and average exchange rates are recognize as the foreign currency translation reserve under equity.

In the statutory accounts of the Group companies, transactions in foreign currencies (currencies other than New Turkish Lira) are translated into New Turkish Lira at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are recognized in exchange gains/losses in the statements of income. Statutory accounts of foreign companies and joint ventures are denominated in lcgal currency of country where the company is established.

j. Earnings per Share:

Earnings per share is recognized in IAS 33. For the purpose of calculating earnings per share, net profit is divided by the weighted average number of ordinary shares outstanding during the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

k. Events after Balance Sheet Date:

Events after balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the publication date of the balance sheet. Should any evidence about the events that are prior to the balance sheet date or any related events arise subsequent to the balance sheet date is explained in the relevant footnote.

l. Provisions, Contingent Liabilities and Contingent Assets:

The Group recognizes provisions only when it has a present obligation as a result of a past event, and it is probable that the entity will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Contingent liabilities are reviewed consistently to determine whether there is a possibility of an outflow of resources embodying economic benefits from the company. For items of contingent liabilities, when a future outflow of resources embodying economic benefits from the company becomes probable, such contingent liabilities, except for the reliable estimate cannot be made, are recognized as a provision in the financial statements attributable to the period in which the change in the outflow of resources embodying economic benefits are probable.

The Group reflects its related liabilities in the notes to the extent that contingent liabilities are probable but there is no reliable assumption on the amount of resources embodying economic benefits.

m. Changes in Accounting Policies, Accounting Estimates and Errors:

Accounting policies, principles, assumptions and rules used in the preparation of financial statements are applied and determined in accordance with International Financial Reporting Standards ("IFRS") as prescribed in the Capital Markets Board Accounting Standards and the CMB's Communiqué Serial: XI, No: 25.

The Group can make changes to its accounting policies when such changes reflect the companies' financial position, performance or cash flows in a more reliable manner. When the accounting policy change affects the current and the prior period results, the change is applied retroactively as if the accounting policy was in effect. If the application of such change affects the financial results of the following periods, the accounting policy change is applied in the period in which the related change is made.

Errors might stem from miscalculations, incorrect application of accounting policies or misinterpretation of the accounting standards. When the Group realizes a probable error, the financial statements are restated retroactively. The Group discloses the nature of error, aggregate amount of adjustments applied to the prior periods and each comparative period in which represents the aggregate amount of these adjustments.

Accounting estimations are made based on the reliable information and reasonable estimation methods. When there are changes in the underlying assumptions, such as; availability of new information or occurrence of new events, these estimates are reviewed. If the change in the accounting estimate affects only one period, the change is applied in the period in which the change is made, if the change in estimate affects the future periods, the change is applied prospectively considering the determination of profit/loss for the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

n. Financial Leases:

Assets held under finance leases are recognized as the assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a payable from finance lease obligation. Finance costs representing the difference between the total leasing commitments and fair value of the assets acquired are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

o. Related Parties:

For the purpose of the accompanying consolidated financial statements, shareholders of Tekfen Holding A.Ş. and related companies, consolidated and non-consolidated group companies, and the companies related to those companies, their directors and key management personnel and any groups to which they are known to be related, are considered and referred to as related parties.

p. Segmental Information:

For the purpose of management accounting, the Group's operations are classified into six categories. These categories are; contracting, agriculture, real-estate, holding operations, trading and banking sectors. Those categories are the primary segments of the Group's financial reporting.

In 2006, the Group has reclassified banking operations as discontinued operations (Note: 35).

q. Government Grants and Incentives:

Government grants, including non-monetary grants at fair value are recognized to the extent that there is reasonable assurance on the Group's fulfillment of the granting conditions attaching to them and those grants are received by the Company.

Even if those grants are received in cash or as a liability reduction to the government, they are recognized when there is reasonable assurance that those grants are received by the Company.

r. Investment Property:

Investment property is a property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation. They are depreciated during their useful lives. The Group asseses the value of its investment properties as at the balance sheet date by using the greater of fair value or net realizable value to determine whether there is any impairment and it also provides impairment loss in case of need. If the fair value of an investment property is greater than its balance sheet value, this value increase is not recognized as an income in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

s. Taxes calculated on the basis of the company's earnings:

Tax legislation in Turkey does not permit a Company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, are calculated on a separate-entity basis.

Tax represents the sum of the tax currently payable and deferred tax.

Current corporate tax payable

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

Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences associated with for investments in joint ventures and subsidiaries other than the Group controls the reversal of those temporary differences and there is a remote possibility that those differences would be reversed in the near future. Deferred tax assets arising from taxable temporary differences associated with those types of investments and shares are, recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

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

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. In the calculation of deferred tax assets and liabilities, the Group considers the tax results of the methods used to estimate the recovery of the carrying value of its assets or fulfillment of its liabilities as of the balance sheet date.

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

Current and deferred tax for the period

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

t. Employee Benefits/ Retirement Pay Provision:

The Group provides some fringe benefits to its employees such as; bonuses, fuel, vacation, feast, incentive education, food, marriage, birth and death contributions in addition to their pensions. Also, under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Retirement pay provision is the total liability amount reached at the assumption of paying a termination amount to an employee who is entitled to such payment as at the balance sheet date.

The Group calculates the retirement pay provision presented in the accompanying consolidated financial statements using the "Projection Method" based on its past experiences relating to the entitlement of retirement pay provision and completion of employee service, and such provisions are discounted using the actual inflation rate at the balance sheet date. All gains and loss measured are recognized in the consolidated financial statements.

Foreign subsidiaries and joint ventures having operations in foreign countries make payments to social security, health insurance and unemployment funds on behalf of their employees in accordance with their pension plans. These payments are calculated as a specific percentage of the current gross wages and are recognized as an expense when they are realized. Retirement pay liabilities of foreign subsidiaries and joint ventures in foreign countries are accrued over the service term of the employee .

u. Cash Flow Statement:

The Group prepares cash flow statement as an integral part of its financial statements. Cash flows for the period are recognized based on the Group's investment and financial operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

v. Profit Distribution:

In accordance with Article 399, Section XV of the Communiqué Serial: XI, No: 25, amount arising from the preparation of inflation adjusted financial statement for the first time which is followed under the "retained earnings" is considered as a deduction item in the calculation of distributable profit amount based on the inflation adjusted financial statements within the context of the CMB's Communiqués regarding the profit distribution. However, the amount followed under the "retained earnings" can be offset against profit for the period and retained earnings, if any, and the remaining amount can be offset against the extraordinary reserves, legal reserves and share capital inflation adjustments, respectively.

The CMB's Communiqué Serial: XI, No: 25 requires profit distribution of a minimum 30 percent of distributable profits from the 2006 operations calculated based on the IFRS financial statements effective from 1 January 2004. Profit can be distributed either in cash or as bonus shares to the extent that they should be at least 30% of the distributable profit or some in cash and some in bonus shares based on the decision made by the general assembly meeting.

In accordance with the requirements of the CMB's Communiqué Serial: XI, No: 25, in calculating profit distribution, companies preparing consolidated financial statements do not recognize the profits attributable to subsidiaries, joint ventures and associates transferred to the parent company's consolidated financial statements which are not subject to profit distribution by the decision made in the general meeting of the companies.

Under the Communiqués Serial: XI, No: 21 and Serial:XI, No: 25 if the decision is made on the profit distribution in the consolidated subsidiaries, joint ventures and parent company's general meetings, profit amount to be transferred from those companies to the parent company is taken into account in the parent company's distributable profit in line with the profit distribution decided in their meetings, to the extent that maximum amount is the profit transferred to the parent company's consolidated financial statements, under the related companies financial statements prepared in accordance with the above-mentioned legislation.

In accordance with the CMB's decision No: 7/242 on 25 February 2005, if all distributable profit amount calculated based on the CMB's communiqués on the requirement of minimum profit distribution can be covered with the distributable profit in the statutory books, all of this amount should be distributed, if not, all of net distributable profit in the statutory books should be distributed. If there is loss for the period in the financial statements prepared in accordance with the CMB's communiqués or in any of the statutory books , profit shall not be distributed.

w. Assets held for sale:

Assets held for sale in other current assets are those that are not actively used and are held for sale to be sold in an active market. Those assets are not depreciated unless they are used in operations. When these assets are sold, the difference between the sales price and carrying amount is recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

x. Goodwill:

IFRS 3 requires that any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognized immediately in profit or loss. IFRS 3 prohibits the recognition of negative goodwill in the balance sheet.

In accordance with IFRS 3 "Business Combinations", if the initial combination can be determined only provisionally by the end of the period in which the combination is affected because either the fair values to be assigned to the acquirers identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally. The Group shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

Furthermore, the carrying amount of an identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date.

y. Discontinued operations:

Discontinued operations are seperate segment of the Group's operations and cash flows that are disposed of or classified as assets held for sale. Discontinued operations represent a separate operating segment or geographical segment and they are part of another disposal or sale plan or a subsidiary acquired as held for sale. The Group recognizes its discontinued operations at the lower of carrying value of the assets and liabilities related to discontinued operations and fair value less costs incurred for disposal.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

4. CASH AND CASH EQUIVALENTS

4.a. Cash and Cash Equivalents

	31 December 2006	31 December 2005
Cash on hand	1,799	8,803
Cash at the Turkish Central Bank (Note: 35)	-	28,606
Demand deposits	105,738	51,095
Time deposits	97,042	88,824
Inter-bank funds sold (Note: 35)	-	173,877
Other liquid assets	4,905	746
	209,484	351,951

Time deposits:

Currency Type	Interest Rate %	Currency Amount	31 December 2006
TRY	14.00-19.00	-	9,610
EUR	1.75 -4.76	13,978	25,880
USD	4.25 -6.00	43,172	60,682
Interest Accrual			870
			97,042

Currency Amount	Interest Rate (%)	Currency Amount	31 December 2005
TRY	10.00-17.00	-	9,449
EUR	1.00-4.76	12,312	19,546
USD	1.00-4.45	41,263	55,367
SEK	1.40	563	3,356
Interest Accrual			1,106
			88,824

As of 31 December 2006 and 2005, all time deposits are short term and their maturities are shorter than one year.

	Interest Rate %	Maturity	31 December 2005
TRY	14,00	January 2006	173,747
Interest Accrual			130
			173,877

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

4. CASH AND CASH EQUIVALENTS (Cont'd)

4.b Cash at Central Bank of Republic of Turkey (TCMB) Account

	31 December 2006	31 December 2005
Foreign currency deposit	-	17,511
TRY deposits	-	8,386
	-	25,897

In accordance with the Central Bank of Turkish Republic regulation, except for interbanks deposits, banks having operations in Turkey should make deposits as reserve requirements to the Central Bank of Turkish Republic in accordance with the deposit type (foreign currency or TRY) and customer deposits varying in between 13.12 and 1.73% (2005: 6.00% - 11.00%). These reserves can not be used for financing daily activities of the banks.

As of 31 December 2006, the Central Bank of Turkish Republic account is classified as "Current Assets From Discontinued Operations" (Note: 35). As of 31 December 2005, Interest rates applied for reserve requirements in New Turkish Liras and foreign currency at hand are 10.25% and 1.14%, respectively.

5. MARKETABLE SECURITIES

As of 31 December 2005, the details of the Group's marketable securities held for trading are as follows:

	31 December 2006	31 December 2005
Government bonds	-	10,283
Eurobond (foreign currency)	-	61
Share certificates	-	11
	-	10,355

As of 31 December 2005, The Group has no blocked marketable securities held for trading or marketable securities given as a security.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

6. BORROWINGS

	31 December 2006	31 December 2005
Short term borrowings	461,729	445,045
Short term portions of long term borrowings	81,937	41,527
Total short term borrowings	543,666	486,572
Long term borrowings	47,278	101,860
Total long term borrowings	47,278	101,860
Total borrowings	590,944	588,432

Repayment schedule of bank loans is as follows:

	31 December 2006	31 December 2005
Within 1 year	543,666	486,572
Within 1-2 years	31,528	70,993
Within 2-3 years	14,683	27,015
Within 3-4 years	1,067	3,110
Within 4-5 years	-	742
	590,944	588,432

Short term borrowings are as follows:

Original Currency	Interest Rate %	Currency Amount	31 December 2006
USD	0-8.12	265,771,912	373,569
EUR	4.23-8.00	19,277,883	35,693
MAD	5.50	148,833,538	24,813
TRY	0-22.00	-	871
QAR	6.85	38,600,429	14,865
Interest accrual			11,918
			461,729

Original Currency	Interest Rate %	Currency Amount	31 December 2005
USD	4.31-5.85	73,541,333	98,677
USD	1.00-7.00	178,883,569	240,026
EUR	3.70 – 6.00	28,209,164	44,782
MAD	6.00	61,296,283	8,893
TRY	0.00 – 18.00	-	44,147
Interest accrual			8,520
			445,045

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

6. BORROWINGS (Cont'd)

Short term portions of long term borrowings are as follows:

Original Currency	Interest Rate %	Currency Amount	31 December 2006
USD	3.34- 7.91	55,788,275	78,416
EUR	5.50 - 7.99	82,636	153
Interest accrual			3,368
			81,937

Original Currency	Interest Rate %	Currency Amount	31 December 2005
USD	Libor+0.20 - 2.50	6,594,986	8,849
USD	4.19 - 7.50	23,223,702	31,162
EUR	5.50 - 6.00	362,000	575
Interest accrual			941
			41,527

Long term borrowings are as follows:

Original Currency	Interest Rate %	Currency Amount	31 December 2006
USD	3.34 - 7.91	30,175,726	42,415
EUR	5.50 - 7.99	2,398,596	4,441
Interest Accrual			422
			47,278

Original Currency	Interest Rate %	Currency Amount	31 December 2005
USD	4,19 - 7,50	59,522,440	79,868
USD	Libor+0,20 - 2,50	12,274,616	16,470
EUR	5,50	3,064,667	4,865
Interest accrual			657
			101,860

As of 31 December 2006, the Group has given 40,503 thousand USD of letters of guarantee and 3 million EUR and 3,204 of collaterals in consideration of its bank loans. (2005: 43,018 thousand USD of letters of guarantee; 12.7 million USD, 9.6 million EUR and 3,204 of collaterals)

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

7. TRADE RECEIVABLES AND PAYABLES

Short and long term trade receivables:

Short term trade receivables:	31 December 2006	31 December 2005
Contract receivables	166,654	139,944
Legally approved claims	20,381	-
Trade receivables	21,251	27,823
Notes receivables	35,370	24,083
Discount on notes receivables	(2,391)	(918)
Retention receivables (Note:13)	16,756	3,624
Doubtful trade receivables	21,161	18,411
Allowance for doubtful trade receivables	(13,780)	(12,046)
Deposits and guarantees given	10,852	4,092
Other	119	-
	276,373	205,013

Long term trade receivables:	31 December 2006	31 December 2005
Legally approved claims	33,734	51,660
Retention receivables (Note:13)	3,986	3,779
Deposits and guarantees given	1,359	1,890
	39,079	57,329

Reserve is made for uncollateralized bad debts. As of 31 December 2006 and 2005, the rollforward of reserve for doubtful receivables are as follows:

	31 December 2006	31 December 2005
Opening	(12,046)	(14,889)
Charge for the period	(3,089)	(1,183)
Reversal of unnecessary provision	2,028	2,978
Currency translation effect	(673)	1,048
Closing balance	(13,780)	(12,046)

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

7. TRADE RECEIVABLES AND PAYABLES (Cont'd)

Short and long term trade payables:

Short term trade payables:	31 December 2006	31 December 2005
Trade payables	347,152	223,830
Notes payables	17,114	4,890
Discount on trade and notes payables	(243)	(934)
Deposits and guarantees received	1,278	3,179
Retention payables	7,306	2,539
Other payables	2,126	27
	374,733	233,531

Long term trade payables:	31 December 2006	31 December 2005
Trade payables	51	42
Retention payables	1,672	802
Notes payables	17,710	44
Discount on trade and notes payables	(1,303)	-
Deposits and guarantees received	103	1,536
	18,233	2,424

8. FINANCE LEASE RECEIVABLES AND OBLIGATIONS UNDER FINANCE LEASES

Net financial leasing investments are as follows:

	31 December 2006	31 December 2005
Short term finance lease receivables	-	5,743
Long term finance lease receivables	-	2,480
Gross finance lease receivables	-	8,223
Deferred finance income	-	(845)
Net of financial lease receivables	-	7,378

Finance lease receivables consist of rent amounts determined in the contract. Rentals according to their maturities are as follows:

	31 December 2006	31 December 2005
Short term finance receivables	-	5,124
Long term finance receivables	-	2,254
Total	-	7,378

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

8. FINANCE LEASES RECEIVABLES AND OBLIGATIONS UNDER FINANCE LEASES (Cont'd)

Details of obligations under finance lease are as follows:

	Minumum Lease Payments		Present Value of Minumum Lease Payments	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Payments amounts for obligations under finance leases:				
Within one year	16,962	9,060	14,049	8,194
Within 1-5 years	18,489	7,594	16,814	7,309
	35,451	16,654	30,863	15,503
Less: finance expenses related to the following years	(4,588)	(1,151)	-	-
Present value of obligations under finance leases :	30,863	15,503	30,863	15,503
Less: Payments within 12 Months (in short term payables)			14,049	8,194
Due beyond 12 months			16,814	7,309

It is the Group's policy to lease some of its fixtures and equipment under finance leases. The average lease term is 4 years (2005: 4 years). For the year ended 31 December 2006, the effective average borrowing rate was 1.87% – 7.15% (2005: 4.54%– 7.15%). Annual leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the Group's lease obligations approximates their carrying amount.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Group has transactions with related parties during the course of its operations. As of the year ended 31 December 2006 and 2005, details of its significant transactions with related parties are as follows:

a) Due from/to related parties:

	31 December 2006		31 December 2005	
Related Parties	Amounts owed by	Amounts owed to	Amounts owed by	Amounts owed to
Papfen Mersin Free Zone	327	-	208	-
Tekzen Paz. İth. İhr. İnş. Mlz. Yat. A.Ş. "Tekzen"	255	9	375	-
Toros Tarım	14	201	-	-
Other	462	601	458	672
	1,058	811	1,041	672
Participants in Joint Ventures				
Gate J.V.	12,137	-	-	-
OIC J.V	1,323	-	-	-
Azfen J.V.	516	-	312	-
TÖT J.V.	144	-	201	-
NCC J.V.	71	9,695	1,719	304
GTT J.V.	-	-	555	-
NTY J.V.	-	314		
CP Contracting and Trading FZE	-	-	1,333	611
Others	438	825	296	710
	14,629	10,834	4,416	1,625
	15,687	11,645	5,457	2,297

Amounts owed by and owed to related parties are unsecured and will be settled in cash. No bad debt provision is made for balances owed by related parties.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont'd)

b) Transactions within the year

Trading transactions

	2006		2005	
	Sales	Purchases	Sales	Purchases
Participants in joint ventures				
NCC J.V.	13,732	-	2,226	-
Gate J.V.	13,960	-	3,255	-
Azfen J.V.	-	3	1,202	112
TGO J.V.	494	-	-	-
Others	520	945	843	30
	28,706	948	7,526	142

Services Rendered

	2006		2005	
	Rent Income	Rent Expense	Rent Income	Rent Expense
Related parties				
Tekzen	402	-	375	-
Other	-	-	154	-
	402	-	529	-
Participants in joint ventures				
Azfen J.V.	1,344	27	65	-
NTY J.V.	301	-	-	-
TTÖ J.V.	128	-	206	106
TÖT J.V.	96	80	172	-
GTT J.V.	18	-	180	59
Gate J.V.	-	-	142	-
	1,887	107	765	165

Financing Transactions

	2006		2005	
	Finance Income	Finance Expense	Finance Income	Finance Expense
Participants in joint ventures				
Gate J.V.	-	-	24	44
NTY J.V.	243	970	-	
TTÖ J.V.	203	-	-	52
TÖT J.V.	75	-	80	-
	521	970	104	96

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

10. OTHER RECEIVABLES / PAYABLES

Details of short-term and long-term other receivables are as follows:

Other short term receivables	31 December 2006	31 December 2005
VAT receivables	71,006	52,525
Prepaid taxes and funds	32,295	28,183
Business advances given	17,915	5,132
Other receivables	8,148	5,804
VAT receivable arising from export sales	2,470	-
Advances given to personnel	300	145
Rental receivables (*)	190	-
	132,324	91,789

Other long term receivables	31 December 2006	31 December 2005
VAT carried forward	2,709	4,318
Rental receivables (*)	11,333	-
Other receivables	134	603
	14,176	4,921

(*) Rental receivables of the Group is related to receivables of a long term rent agreement related to a hospital, which was transferred to the Group against the Groups uncollected receivable from a third party.

Details of rental receivables are as follows:

	2006	2005
Gross rental receivables	12,410	-
Less (unearned interest income)	(887)	-
	11,523	-
Less than 1 year	190	-
Between one to five years	6,907	-
Beyond 5 years	4,426	-
	11,523	-

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

10. OTHER RECEIVABLES / PAYABLES (Cont'd)

Details of short-term and long term payables are as follows:

Other short term payables	31 December 2006	31 December 2005
Promissary notes given to Privatization Office(**)	13,019	11,279
Payables to personnel	9,811	4,110
Taxes and dues payable	7,774	8,164
Social security witholdings	3,216	3,492
Bank transitory account	-	6,809
Blocked cheques	-	4,300
Other sundry payables(***)	22,282	3,318
	56,102	41,472

Other long term payables	31 Aralık 2006	31 Aralık 2005
Promissary notes given to Privatization Office(**)	22,450	32,358

(**) Payables to Privatization Office is related to acqusition of Samsun Gübre Sanayi A.Ş. (Note:32)
(***) In other payables included is a letter of credit, amounting to 21,890 , and maturity date 2 January 2007 associated with purchase of construction material.

11. BIOLOGICAL ASSETS

None.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

12. INVENTORIES (NET)

	31 December 2006	31 December 2005
Raw materials	29,908	29,086
Work in process	29,529	41,544
Contract work in process (Land)(*)	17,809	-
Finished goods	27,027	37,553
Trade goods	64,120	21,623
Order advances given	54,119	55,863
Other inventories	15,380	14,876
Allowance for diminution in value	(143)	(1,863)
	237,749	198,682

(*) In 2006, Tekfen Emlak has started the "Yalıkavak Tekfen Evleri" project in Bodrum. Land used for the construction of this project is followed under the inventory account.

13. CONSTRUCTION CONTRACTS

Presented in the accompanying consolidated balance sheets as follows:

	31 December 2006	31 December 2005
Cost incurred on uncompleted contracts	1,935,958	1,249,554
Estimated earnings	285,960	184,226
Loss provisions (-)	(4,756)	(154)
	2,217,162	1,433,626
Less: Billings to date	(2,114,208)	(1,436,605)
	102,954	(2,979)

Costs and billings incurred on uncompleted contracts are as follows:

	31 December 2006	31 December 2005
Unbilled contract revenue	192,441	60,015
Billings in excess of contract revenues	(89,487)	(62,994)
	102,954	(2,979)

As of 31 December 2006, total amount of guarantees held by the customers amount to 20,742 (2005: 7,403) (Note:7).

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

13. CONSTRUCTION CONTRACTS (Cont'd)

Unbilled costs related to ongoing contracts are as follows:

Unbilled contract revenue	31 December 2006	31 December 2005
Contracts undertaken abroad	144,446	32,931
Contracts undertaken in Turkey	47,995	27,084
	192,441	60,015
Costs and billings on uncompleted contracts		
Contracts undertaken abroad	(60,535)	(57,195)
Contracts undertaken in Turkey	(28,952)	(5,799)
	(89,487)	(62,994)
	102,954	(2,979)

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

14. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax:

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

Components of deferred tax (assets) / liabilities:	31 December 2006	31 December 2005
Restatement and depreciation / amortization differences of tangible and intangible assets	4,545	2,172
Provision for employment termination benefits	(4,182)	(6,848)
Investment incentive	(892)	(4,064)
Contract costs and progress billings (net)	14,613	(11,731)
Obligations under finance leases	(648)	(1,831)
Provision for doubtful receivables	(1,094)	(2,027)
Effect of revenue cut-off adjustments	1,485	165
Effect of income accruals	1,722	1,760
Tax losses carried forward	(36,841)	(31,257)
Available for sale investments	2,074	-
Other	(2,891)	(8,830)
Deferred tax asset	(22,109)	(62,491)
Provision for deferred tax assets	11,009	17,995
	(11,100)	(44,496)
Deferred tax asset	(58,042)	(68,361)
Deferred tax liability	46,942	23,865
Net deferred tax	(11,100)	(44,496)

Deferred tax asset movement:	31 December 2006	31 December 2005
Opening balance	(44,496)	(32,312)
Effect of discontinued operations (Note: 35)	5,107	1,315
Tax effect of available for sale investments	2,066	-
Provision for deferred tax (Note:41)	25,246	(5,366)
Effect of acquisition (Note: 32)	-	(8,393)
Currency translation effect	977	260
Closing balance	(11,100)	(44,496)

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

15. OTHER CURRENT/NON-CURRENT ASSETS AND LIABILITIES

	31 December 2006	31 December 2005
Other current assets		
Prepaid expenses	7,880	4,617
Income accruals	2,920	554
	10,800	5,171
Other non-current assets		
Asset held for sale	7,964	9,096
Prepaid expenses	1,901	1,960
Other	940	940
	10,805	11,996

Other short-term liabilities	31 December 2006	31 December 2005
Expense accruals	30,429	7,215
Deferred revenues	2,051	1,756
	32,480	8,971
Other long-term liabilities		
Deferred revenues	-	604
	-	604

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

16. AVAILABLE FOR SALE INVESTMENTS

a) Details of available for sale investments are as follows:

Company	Share %	31 December 2006	Share %	31 December 2005
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. "Akmerkez" (*)	10.79	55,051	10.79	67,613
Arap Türk Bankası A.Ş. (Not: 35) (**)		-	10.91	10,075
Sinai ve Mali Yatırımlar Holding A.Ş.	0.02	2,861	0.02	2,801
Mersin Serbest Bölge İşleticisi A.Ş.	9.56	898	9.56	898
Hazera Toros Tohumculuk A.Ş.	50.00	1,597	50.00	1,671
İstanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası A.Ş. (Not: 35)		-	0.50	950
Other		2,401		2,617
		62,808		86,625
Less: Allowance for impairment				
Hazera Toros Tohumculuk A.Ş.		(1,597)		(1,671)
Arap Türk Bankası A.Ş. (Note: 35) (**)		-		(1,075)
Other		(604)		(612)
		(2,201)		(3,358)
		60,607		83,267

(*) Carried at fair value as of 31 December 2006. Other financial asstes are carried at cost less any impairment loss in the accompanying financial statements.

(**) Based on the Tekfenbank's decision made in the Board of Directors meeting on 5 January, 2006, a sale agreement on the shares of Arap Türk Bankası in consideration of 11.8 million USD was signed with Libyan Foreign Bank, the ultimate parent of Arap Türk Bankası, on 15 February 2006. The share sale was completed on 30 June 2006.

b) As of 31 December 2005, carrying amount of assets held to maturity is as follows:

	31 December 2006	31 December 2005
Domestic government bonds - New Turkish Lira	-	71,372
Eurobond- Foreign currency	-	10,514
	-	81,886

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

17. POSITIVE/NEGATIVE GOODWILL

IFRS 3 requires that any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognized immediately in profit or loss. IFRS 3 prohibits the recognition of negative goodwill in the balance sheet.

In 2005, 54,427 of negative goodwill was recognized as income.

In accordance with IFRS 3 "Business Combinations", if the initial combination can be determined only provisionally by the end of the period in which the combination is affected because either the fair values to be assigned to the acquirers identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally. The Group shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

Furthermore, the carrying amount of an identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date.

18. INVESTMENT PROPERTY

As of 31 December 2006 and 2005,details of investment properties are as follows:

31 December 2006

	Cost	Accumulated Depreciation	Net Book Value	Impairment	Carrying Value
Lands	2,583	-	2,583	-	2,583
Buildings	133,465	(16,182)	117,283	-	117,283
	136,048	(16,182)	119,866	-	119,866

31 December 2005

	Cost	Accumulated Depreciation	Net Book Value	Impairment	Carrying Value
Lands	2,339	-	2,339	-	2,339
Buildings	144,884	(13,507)	131,377	-	131,377
	147,223	(13,507)	133,716	-	133,716

Investment properties include buildings with rent income and lands held for investment.

The total rent income obtained from these investment properties amounts to 7,445 (Note 36) (2005: 7,947) and depreciation charge for the year 2006 is 3,766 (2005: 4,127).

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

19. TANGIBLE ASSETS

	Land & Land Improvements	Buildings	Machinery & Equipment	Vehicles	Furniture & Fixtures	Construction in Progress & Other Tangible Assets	Leasehold improvements	Total
Acquisition cost								
Opening balance as of 1 January 2006	186,032	233,951	901,376	39,566	81,857	44,475	131,619	1,618,876
Reclassification to discontinued operations (Note:35)	-	(20,380)	-	(2,890)	(11,449)	(7,735)	(16,860)	(59,314)
Currency translation effect	7,357	10,961	24,839	1,455	3,306	29	176	48,123
Additions	46,620	5,501	43,211	3,573	9,201	12,720	128	120,954
Disposals	(2,809)	(2,810)	(19,074)	(1,356)	(3,966)	(535)	(8)	(30,558)
Transfers(*)	-	1,204	26,409	141	316	(27,462)	-	608
Closing balance as of 31 December 2006	237,200	228,427	976,761	40,489	79,265	21,492	115,055	1,698,689
Accumulated depreciation								
Opening balance as of 1 January 2006	(26,589)	(114,801)	(824,512)	(26,368)	(73,062)	(8,536)	(60,322)	(1,134,190)
Reclassification to discontinued operations (Note:35)	-	1,214	-	2,327	9,450	7,184	15,243	35,418
Currency translation effect	(349)	(6,669)	(20,345)	(913)	(2,909)	-	(157)	(31,342)
Charge for the period	(6,709)	(5,622)	(23,454)	(4,572)	(3,549)	(146)	(2,773)	(46,825)
Disposals	170	2,360	17,608	1,271	3,575	-	8	24,992
Transfers	42	4	(46)	-	-	-	-	-
Closing balance as of 31 December 2006	(33,435)	(123,514)	(850,749)	(28,255)	(66,495)	(1,498)	(48,001)	(1,151,947)
Net book value at 31 December 2006	203,765	104,913	126,012	12,234	12,770	19,994	67,054	546,742
Net book value at 31 December 2005	159,443	119,150	76,864	13,198	8,795	35,939	71,297	484,686

(*) Group has transfered 1,027 from "Investment Property" to "Buildings" and "Machinery and Equipment"; 305 to "Rights" and remaining balance is transferred to expense accounts.

As of 31 December 2006 the Group's net book value of fixed assets acquired under finance leases is 37,397.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

19. TANGIBLE ASSETS (Cont'd)

	Land & Land Improvements	Buildings	Machinery & Equipment	Vehicles	Furniture & Fixtures	Construction in Progress & Other	Leasehold improvements	Total
Acquisition cost								
Opening balance as of 1 January 2005	130,304	276,013	910,832	29,587	79,539	40,647	131,852	1,598,774
Reclassification to opening balance	3,276	(16,641)	(25,799)	(375)	2,796	(12,985)	-	(49,728)
Effect of acquisition	51,600	6,329	22,799	142	184	-	-	81,054
Currency translation effect	(311)	(9,158)	(3,496)	221	(119)	-	-	(12,863)
Additions	7,402	4,376	8,181	13,561	4,844	19,487	783	58,634
Disposals	(6,239)	(4,039)	(12,448)	(3,570)	(5,387)	(1,367)	(1,016)	(34,066)
Transfers (*)	-	(22,929)	1,307	-	-	(1,307)	-	(22,929)
Closing balance as of 31 December 2005	186,032	233,951	901,376	39,566	81,857	44,475	131,619	1,618,876
Accumulated depreciation								
Opening balance as of 1 January 2005	(28,729)	(143,522)	(831,131)	(26,685)	(72,188)	(21,258)	(57,113)	(1,180,626)
Reclassification to opening balance	2,806	19,430	16,727	359	(2,879)	12,869	-	49,312
Currency translation effect	577	7,753	2,652	(258)	218	-	-	10,942
Charge for the period	(3,077)	(627)	(25,019)	(3,128)	(3,229)	(255)	(3,859)	(39,194)
Disposals	1,834	2,165	12,259	3,344	5,016	108	650	25,376
Closing balance as of 31 December 2005	(26,589)	(114,801)	(824,512)	(26,368)	(73,062)	(8,536)	(60,322)	(1,134,190)
Net book value at 31 December 2005	159,443	119,150	76,864	13,198	8,795	35,939	71,297	484,686
Net book value at 31 December 2004	101,575	132,491	79,701	2,902	7,351	19,389	74,739	418,148

(*) Amounting to 22.929 was transfered to "Investment Property".

As of 31 December 2005, the Group's net book value of fixed assets acquired under finance leases is 12,059.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

20. INTANGIBLE ASSETS

	Rights	Other intangible assets	Total
Cost			
Opening balance as of 1 January 2005	26.619	2.456	29.075
Currency translation effect	(10)	(109)	(119)
Additions	1.845	83	1.928
Disposals	(13.266)	(14)	(13.280)
Opening balance as of 1 January 2006	15.188	2.416	17.604
Reclassification to discontinued operations (Note:35)	(11.771)	-	(11.771)
Currency translation effect	66	124	190
Additions	3.810	13	3.823
Disposals	(117)	-	(117)
Transfers (*)	305	-	305
Closing balance as of 31 December 2006	7.481	2.553	10.034
Accumulated amortization			
Opening balance as of 1 January 2005	(23.818)	(1.357)	(25.175)
Currency translation effect	(28)	108	80
Charge for the period	(1.207)	(114)	(1.321)
Disposals	13.243	-	13.243
Opening balance as of 1 January 2006	(11.810)	(1.363)	(13.173)
Reclassification to discontinued operations (Note:35)	10.281	-	10.281
Currency translation effect	(13)	(109)	(122)
Charge for the period	(2.202)	(732)	(2.934)
Disposals	117	-	117
Closing balance as of 31 December 2006	(3.627)	(2.204)	(5.831)
Net book value at 31 December 2006	3.854	349	4.203
Net book value at 31 December 2005	3.378	1.053	4.431

(*) Transfers are from "Construction in Progress".

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

21. ADVANCES RECEIVED

The Group's advances received amounts comprise advances received related to contracts undertaken in Turkey and abroad.

Short-term advances received	31 Aralık 2006	31 Aralık 2005
Advances received from construction activities	66,346	56,272
Other advances received	8,049	10,583
	74,395	66,855

Long-term advances received		
Advances received from construction activities	21,630	11,336
	21,630	11,336

22. PENSIONS PLANS

The Group has no liabilities regarding pension plans.

23. PROVISIONS

a) Details of short term provision are as follows:

	31 December 2006	31 December 2005
Provision for litigation	11,360	11,564
Corporate tax payable (Note: 41)	290	7,308
Unused vacation provision	2,010	865
Retirement pay provision	868	489
Other provisions	65	2,737
	14,593	22,963

b) Details of long term provision are as follows:

	31 December 2006	31 December 2005
Retirement pay provision	24,669	24,455
Unused vacation provision	1,305	1,150
	25,974	25,605

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

23. PROVISIONS (Cont'd)

Retirement Pay Provision:

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such benefits. Also, employees who are entitled to receive retirement pay provisions in accordance with Law numbered 2242 and dated 6 March 1981 and numbered 4447 and dated 25 August 1999 of the existing Social Insurance Law No: 506 including the amended Article 60 of the related Law, are required to be paid their retirement pay provisions.

The amount payable consists of one month's salary limited to a maximum of 1,857.44 (31 December 2005: 1,727.15) for each period of service at 31 December 2006. As the maximum liability is revised semi annually, the maximum amount of 1,960.69 effective from 1 January 2007 is taken into consideration in the calculation of provision based on employment termination benefits.

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

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. IAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability.

The principal assumption is that maximum liability 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. Consequently, in the accompanying consolidated financial statements as of 31 December 2006 and 31 December 2005, provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. Provisions at the respective balance sheet were calculated assuming an annual inflation rate of 5% and a discount rate of 11%, the real discount rate is approximately 5.71%. (2005: real discount rate is 5.49%). The anticipated rate of forfeitures is considered.

	31 December 2006	31 December 2005
Opening balance	25,944	25,623
Reclassification to discontinued operations	(2,162)	-
Currenct translation effect	478	(100)
Service expense	9,499	4,527
Interest expense	1,309	1,431
Cost of addition layoff	-	172
Retirement pay paid	(9,531)	(5,709)
	25,537	25,944
Short-term retirement pay provision	868	489
Long-term retirement pay provision	24,669	25,455
	25,537	25,944

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

24. MINORITY INTEREST

As of 31 December 2006 and 2005, the movement of minority interest is as follows:

	31 December 2006	31 December 2005
Balance at the beginning of the year	18,412	77,147
Effect of merge (Note: 38)	-	(17,350)
Acquisition effect (Note: 32)	-	(42,298)
Currency translation effect	1,318	337
Minority share on operating results of the year	(514)	576
Minority interest from discontinued operations	226	-
Dividend paid	(215)	-
Balance at the end of the year	19,227	18,412

25. SHARE CAPITAL / ADJUSTMENT TO SHARE CAPITAL

The structure of the share capital as at 31 December 2006 and 2005 is as follows:

Shareholders	Share (%)	31 December 2006	Share (%)	31 December 2005
Necati Akçağlılar	26	26,786	26	10,432
Feyyaz Berker	26	26,786	26	10,432
Ali Nihat Gökyiğit	16	16,450	16	6,407
Ali Nihat Gökyiğit Yat. Hold. A.Ş	11	11,647	11	4,536
Cansevil Akçağlılar	4	3,865	4	1,505
Alev Berker	4	3,865	4	1,505
Erhan Öner	3	3,622	3	1,411
Ali Nihat Gökyiğit Eğitim Sağlık Kültür Sanat ve Doğal Varlıkları Koruma Vakfı	2	2,554	2	995
Günay Ünlüsoy	2	2,059	2	802
Naim Özkazanç	2	1,808	2	705
Necdet Bozdoğan	2	1,774	2	691
Öner Yatırım İç ve Dış Tic. A.Ş.	1	1,010	1	394
Other	1	1,774	1	685
Historical capital	100	104,000	100	40,500
Capital commitments		-		-
Restated share capital		104,000		40,500

In accordance with the Board of Director's decision No:435, the Company has increased its capital by 63,500 from 40,500 to 104,000. The increase is made by the transfer of shareholders' equity inflation adjustments fund to share capital. Registered capital of the Company was announced in the Trade Registery Gazette No: 6555 on 12 May 2006 .

Registered and issued capital comprises 10,400,000,000 shares at 1 YKr per value. The share capital of the Company includes 5,288,680,000 of Group A shares (preferred share) and 5,111,320,000 of Group B shares (ordinary share).

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

26. CAPITAL RESERVES

	31 December 2006	31 December 2005
Hedging Reserve	-	(812)
Financial assets valuation fund	39,500	53,883
Revalution Fund	3,128	-
Inflation Adjustment on Equity		
- Inflation adjustment on share capital	3,475	66,975
- Inflation adjustment on reserves	90,798	90,798
	136,901	210,844

Hedging reserves reflect the fair value of forward options.

Financial assets valuation fund consist of changes in fair value of a hedged item in profit or loss arising from changes in fair value of securities held for sale and effective cash flow hedges.

27. PROFIT RESERVES

	31 December 2006	31 December 2005
Legal reserves	10,615	10,254
Extraordinary reserves	67,926	63,227
Currency translation reserve	(7,169)	(7,832)
	71,372	65,649

According to the Turkish Commercial Code, legal reserves consist of first and second legal reserves. The first legal reserves, appropriated out of historical statutory profit at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid in share capital. The second legal reserve is appropriated after the first legal reserves and dividends, at the rate of 10% per annum of all cash dividend distributions. Legal reserves can be offsett against retained, however; they can not be subject to profit distribution.

28. RETAINED EARNINGS/LOSSES

As of 31 December 2006, retained earnings in the Group's balance sheet under the accumulated profit account amounts to 221,043 (As of 31 December 2005: 104,787).

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

29. FOREIGN CURRENCY POSITION

As of 31 December 2006 and 2005, foreign currency position of the Group is as follows:

	31 December 2006					
	USD	EUR	Other	Sub-total	TRY	Tot
Cash and Cash Equivalents	109,273	44,716	39,356	193,345	16,139	209,484
Trade Receivables (net)	151,358	22,412	94,177	267,947	47,505	315,452
Due From Related Parties (net)	14,828	-	201	15,029	658	15,687
Unbilled Contract Receivable (net)	109,728	17,872	59,246	186,846	5,595	192,441
Assets Classified as Discontinued Operations	227,385	175,522	1,509	404,416	643,414	1,047,830
Sub-total	612,572	260,522	194,489	1,067,583	713,311	1,780,894
Bank Borrowings (net)	508,213	41,224	40,600	590,037	907	590,944
Obligations Under Finance Leases	25,947	-	4,533	30,480	383	30,863
Trade Payables (net)	206,625	33,420	113,693	353,738	39,228	392,966
Due to Related Parties (net)	10,184	-	690	10,874	771	11,645
Advances received	29,648	12,034	46,214	87,896	8,129	96,025
Billings in excess of contract revenue	67,046	10,620	11,821	89,487	-	89,487
Liabilities Classified as Discontinued Operations	276,069	174,268	1,563	451,900	523,978	975,878
Sub-total	1,123,732	271,566	219,114	1,614,412	573,396	2,187,808
Net foreign currency position	(511,160)	(11,044)	(24,625)	(546,829)	139,915	(406,914)

Details of foreign currency position from discontinued operations are as follows:

	31 December 2006					
	USD	EUR	Other	Sub-total	TRY	Total
Cash and Cash Equivalents	74,307	69,460	1,329	145,096	116,228	261,324
Marketable Securities (net)	11,096	-	-	11,096	74,347	85,443
Reserve Deposits at the Turkish Central Bank	-	28,368	-	28,368	19,667	48,035
Loans and loaned securities	138,380	72,133	180	210,693	430,003	640,696
Finance Lease Receivables (net)	3,602	5,561	-	9,163	3,169	12,332
Assets Classified As					-	
Discontinued Operations	227,385	175,522	1,509	404,416	643,414	1,047,830
Bank Borrowings (net)	55,917	51,293	33	107,243	45,179	152,422
Deposits	220,152	122,975	1,530	344,657	478,799	823,456
Current Liabilities Classified As Discontinued Operations	276,069	174,268	1,563	451,900	523,978	975,878

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

29. FOREIGN CURRENCY POSITION (cont'd)

	31 December 2005					
	USD	EUR	Other	Sub-Total	TRY	Total
Cash and Cash Equivalents	98,068	47,023	17,298	162,389	189,562	351,951
Marketable Securities (net)	61	-	-	61	10,294	10,355
Reserve Deposits at the Turkish Central Bank	46	17,465	-	17,511	8,386	25,897
Loans and Loaned Securities	122,486	30,974	-	153,460	168,555	322,015
Trade Receivables (net)	109,119	8,154	53,671	170,944	91,398	262,342
Finance Lease Receivables (net)	3,840	1,828	-	5,668	1,710	7,378
Due From Related Parties (net)	4,098	-	91	4,189	1,268	5,457
Unbilled Contract Receivable (net)	20,481	8,393	21,035	49,909	10,106	60,015
Held to Maturity Investments	8,794	1,720	-	10,514	71,372	81,886
Sub-Total	366,993	115,557	92,095	574,645	552,651	1,127,296
Bank Borrowings (net)	483,363	51,101	9,049	543,513	44,919	588,432
Deposits	111,639	66,185	4,349	182,173	329,576	511,749
Obligations Under Finance Leases	2,432	49	6,926	9,407	6,096	15,503
Trade payables (net)	170,499	8,272	35,158	213,929	22,026	235,955
Due to Related Parties (net)	1,222	262	27	1,511	786	2,297
Advances received	28,857	3,933	43,963	76,753	1,438	78,191
Billings in excess of contract revenue	47,328	-	14,481	61,809	1,185	62,994
Sub-Total	845,340	129,802	113,953	1,089,095	406,026	1,495,121
Net foreign currency position	(478,347)	(14,245)	(21,858)	(514,450)	146,625	(367,825)

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

30. GOVERNMENT GRANTS AND INCENTIVES

The Group has two incentive certificates under the name of "Komple – Yeni Yatırım". One of the incentives with No: 52372A and 23 May 2000 dated is for Adana-Ceyhan facilities amounting to 1,200, and the other one with No: 52332A and 23 May 2000 dated is for Mersin facilities amounting to 1,864. As of 31 December 2006 total amount of unused investment incentive is 8,742 (2005: 9,111).

31. COMMITMENTS AND CONTINGENCIES

	31 December 2006	31 December 2005
Letters of guarantee given	549,602	544,705
Promissory notes given	8,779	35,495
Letters of guarantee issued by Tekfenbank	-	214,794
Credit card limit commitments	-	14,333
Letter of credits	114,668	171,673
Acceptance credits	-	10,435
Other commitments	-	48,969
Provisions, contingent assets and liabilities from discontinued operations (Note:35)	539,871	-
	1,212,920	1,040,404

Contractual Obligations:

Defects liability

Based on the agreements signed with customers, the Group ensures to maintain its contract operations until the end of guarantee period and undertake the construction, maintanence and general maintanence of related assets for two years. In case the customer determines any defects subsequent to the provisional acceptance of the contract, the Group is obliged to remedy the defect. Nevertheless, in the past years, there were no significant claims for any remedial claims by the customers. Hence, no provision for possible defects liability is provided in the accompanying consolidated financial statements.

Penalty of Default

Based on the agreements signed with the customers, if the Group fails to complete in full or partially its contract operations within the determined period, it shall pay penalty amount for such defaults to its customers. In the current period, the Group has failed to complete its project phase in the period which was determined previously in the agreement, and accordingly, 2,021 of penalty liability amount is accrued in the accompanying consolidated financial statements.

Tax inspections:

In the Saudi Branch, the Department of Zakat and Income Tax (DZIT) has issued its final tax assessment for the years 2003, 2004, and 2005. Based on this assessment, there is an additional tax liability from the Saudi Branch amounting to 5,322 thousand USD (19,963,924 Saudi Riyal). Saudi Branch has submitted an objection on this assessment to the Appeal Committee. Management believes that the DZIT's claim is without any merits and the Appeal Committee's decision will be in their favor. Accordingly, no provision is provided for the related additional tax liability in the accompanying financial statements.

Azfen J.V. is currently under tax inspection by the tax auditors. The outcome of the inspection is not final as of the date of this report.

31. COMMITMENTS AND CONTINGENCIES (Cont'd)

Litigations:

A lawsuit for covering damages was filed against Tekfenbank and other ten banks amounting to 4,727,139 USD and 51,600. Council of State's recent report issued on 18 April 2001 was against Tekfenbank, and the court accepted this decision. Also, it was possible that those losses would have been apportioned between Tekfenbank and the other banks as a joint responsibility. The court finalized the case in 2002 and decided to divide the compensation amount among those eleven related banks in equal portions. However, Tekfenbank applied to an appeal requesting a reconsideration of the decision made by the court. The outcome of the appeal and the amount to be assessed against Tekfenbank is uncertain as of the date of this report. However, Tekfenbank's management has provided provision for liabilities that may arise against the Group for the related lawsuit amounting to 3,348 (2005: 3,197). This provision is included under "Liabilities of Discontinued Operations" in the consolidated financial statements.

Based on the decision taken by the Board of Competition of Republic of Turkey, a case was filed against Toros Gübre on 4 June 2000. This court case was finalized on 13 February 2002 and a penalty was charged amounting to approximately 2,563 against the Company. The penalty is denominated in Turkish Lira and does not bear any interests. Toros Gübre objected to the decision of the Board of Competition and has filed a case for the suspension of execution on 27 April 2004 in 10th department of the Council of State. The council decided to reconsider this application, legal situation and disagreement under the legal framework after receiving the defendant Board's response to the allegation including the related information and documents attached therein as at 2 June 2004. The defendant's (Board of Competition) response to the allegation was submitted and the judicial document was sent to the Council of State prosecutor for the suspension of execution. Toros Gübre is still applying for an appeal against the Board of Competition. Because of the precautionary principle, 2,451 of provision amount is provided in the accompanying consolidated financial statements.

Turkish Treasury filed a lawsuit against Toros Tarım for violation of coastline. The related case which was subject to violation was related to the company's land plot no: 3,713 in Tekkeköy, Samsun and the reason for legal grounds of this case was based on the violation of 75,000 square meters of coastline by the Group's land having a total of 452,814 square meters. A provision amount of 2,625 was taken into consideration in the calculation of goodwill during the recognition of Samsun Gübre acquisition.

Another lawsuit was filed by Botaş A.Ş. aiming the determination of the expropriation cost and sequestration of some parts of land in Mersin belonging to the Toros Group. Expert report was completed and Toros Group appealed for the amount of the immediate expropriation cost. As of the balance sheet date, no progress has been made in the trial. Since the Group management believes that the risk of loss is remote for the Group, no provision has been provided for in financial statements as of 31 December 2006.

Besides these trials, 2,592 of provision amount was set for the restitution of employment case filed by former employees of Samsun Gübre before its privatization against the Toros Group and 881 of provision was made for the case filed against Toros Enerji in accordance with amended Article 4(c) of the Revenues Law No: 4397 on 6 July 1999.

Other than those significant lawsuits mentioned above, 5,436 of provision has been made for other legal cases.

As of 31 December 2006, total risk of lawsuits against the Group and ongoing trials amounts to 8,275, 7,990 thousand USD and 388 thousand EUR (2005: 7,338, 8,746 thousand USD and 855 thousand EUR).

31. COMMITMENTS AND CONTINGENCIES (Cont'd)

Mortgages:

In addition, as of 31 December 2006, the Group has 40,503 USD worth of letters of guarantee and 3 million EUR and 3,204 of collaterals in consideration of its bank loans. (2005: 43,018 of letters of guarantee; 12.7 million USD 9.6 million EUR and 3,204 of collaterals)

Others:

The financial, economic and political environments of the different countries in which the Group has operations may affect the Group's operations in these countries.. As of 31 December 2006 and 2005, management of the Group believes that there are no significant financial, or political matters that will affect the accompanying consolidated financial statements.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

32. BUSINESS COMBINATIONS

The Group acquired 100% shares of Samsun Gübre A.Ş. in consideration of 41,000,000 USD in the current year. The acquired subsidiary has been fully consolidated in the consolidated financial statements. Negative goodwill arising from this acquisition amounting to 42,129 is recognized in current year's financial statements.

The Group also acquired 15,01% of Toros Gübre Sanayi A.Ş. shares out of 9,006,573,476 of its total shares from its minority shareholder, Türkiye Tarım Kredi Kooperatifi in consideration of 30,000. Negative goodwill generated from this acquisition amounting to 12,298 is recognized in the current year's financial statements.

Details of net assets of Toros Gübre and Samsun Gübre as of the purchase date are as follows:

	31 December 2005	
Subsidiary Name:	Toros Gübre	Samsun Gübre
Acquired %	15.01%	100%
Cash and cash equivalents	5,063	52
Marketable securities	10	-
Trade receivables	10,721	-
Inventories	15,494	7,358
Other short term assets	969	1,662
Available for sale investments	1,657	-
Long term trade receivables	3	73
Net book value of tangible and intangible assets	37,563	82,611
Deferred tax asset	1,646	8,393
Trade payables and accrued expenses	(30,828)	(3,474)
Net Assets	42,298	96,675
Negative Goodwill	(12,298)	(42,129)
Total	30,000	54,546
Satisfied by:		
Cash	30,000	10,909
Payables (Note: 10)	-	43,637
	30,000	54,546
Net cash outflow arising on acquisition		
Cash consideration	30,000	10,909
Cash and cash equivalents	(5,063)	(52)
	24,937	10,857

In 2005, total negative goodwill is 54,427. 24,640 million USD of guarantee letters were given to the Privatization Office related to the acquisition of Samsun Gübre. (2005: 32,860 million USD)

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

33. SEGMENTAL REPORTING

a) Segmental information analysis for the year ended on 31 December 2006 is as below:

	2006							
	Contracting	Agriculture	Discontinued Operations	Real Estate	Holding Operations	Trading	Consolidation Eliminations	Total
External sales	1,066,504	596,959	-	9,356	109	53,189	-	1,726,117
Intra-segment sales	240,752	331,798	-	-	5,769	23,655	(601,974)	-
Inter-segment sales	2,378	2,054	-	216	4,920	31,245	(40,813)	-
Total Sales	1,309,634	930,811	-	9,572	10,798	108,089	(642,787)	1,726,117
External cost of sales	(888,770)	(496,496)	-	(21,006)	(3,044)	(40,930)	-	(1,450,246)
Intra-segment cost of sales	(252,286)	(330,489)	-	-	-	(24,171)	606,946	-
Inter-segment cost of sales	(7,328)	(3,200)	-	-	-	(25,121)	35,649	-
Total cost of sales	(1,148,384)	(830,185)	-	(21,006)	(3,044)	(90,222)	642,595	(1,450,246)
Other revenue from operating activities	92	1,692	-	5,769	9,162			16,715
GROSS PROFIT / LOSS (-)	161,342	102,318	-	(5,665)	16,916	17,867	(192)	292,586
Operating expenses	(59,824)	(65,279)	-	(824)	(9,029)	(13,518)	-	(148,474)
Intra-segment operating expenses	2,481	(7,593)	-	-	60	(1,448)	6,500	-
Inter-segment operating expenses	(3,616)	(2,456)	-	(5)	(2,420)	(4,969)	13,466	-
Total operating expenses	(60,959)	(75,328)	-	(829)	(11,389)	(19,935)	19,966	(148,474)
OPERATING INCOME / PROFIT	100,383	26,990	-	(6,494)	5,527	(2,068)	19,774	144,112
Income from other operations	3,799	3,702	-	10	6,702	8,093	-	22,306
Intra-segment income from other operations	6,957	13,566	-	-	-	(175)	(20,348)	-
Inter-segment income from other operations	-	5,209	-	-	302	(2,150)	(3,361)	-
Total other income/profit	10,756	22,477	-	10	7,004	5,768	(23,709)	22,306

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

33. SEGMENTAL REPORTING (Cont'd)

	2006							
	Contracting	Agriculture	Discontinued Operations	Real Estate	Holding Operations	Trading	Consolidation Eliminations	Tota
Other expenses and losses	(7,203)	(8,967)	-	-	(601)	(5,510)	-	(22,281
Intra-segment other expenses and losses	116	(6,787)	-	-	573	-	6,098	-
Inter-segment other expenses and losses	-	(25)	-	-	(36)	(2,769)	2,830	-
Total other expense/ losses	(7,087)	(15,779)	-	-	(64)	(8,279)	8,928	(22,281
Finance income/ (expense)	(30,941)	(18,402)	-	1,374	(5,246)	(693)	-	(53,908
Intra-segment finance income/ (expense)	3,458	(139)	-	-	(907)	239	(2,651)	-
Inter-segment finance income/ (expense)	(668)	(84)	-	(63)	624	14	177	-
Total finance income/expenses	(28,151)	(18,625)	-	1,311	(5,529)	(440)	(2,474)	(53,908
PROFIT BEFORE MINORITY INTEREST	75,901	15,063	-	(5,173)	6,938	(5,019)	2,519	90,229
Minority interest gain/ (loss)	-	(38)	(229)	555	-	-	-	288
PROFIT BEFORE TAX	75,901	15,025	(229)	(4,618)	6,938	(5,019)	2,519	90,517
Taxation	(16,833)	(1,129)	-	(199)	(824)	77	(3,265)	(22,173
NET PROFIT FOR THE PERIOD FROM CONTINUED OPERATIONS	59,068	13,896	(229)	(4,817)	6,114	(4,942)	(746)	68,344
Profit for the Period from Discontinued Operations	-	-	12,631	-	-	-	-	12,631
NET PROFIT FOR THE YEAR	59,068	13,896	12,402	(4,817)	6,114	(4,942)	(746)	80,975

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

33. SEGMENTAL REPORTING (Cont'd)

Segmental information analysis for the year ended on 31 December 2005 as below:

	2005							
	Contracting	Agriculture	Discontinued Operations	Real Estate	Holding Operations	Trading	Consolidation Eliminations	Total
External sales	533,978	474,878	-	26,485	418	117,408	-	1,153,167
Intra-segment sales	63,263	372,331	-	-	917	17,491	(454,002)	-
Inter-segment sales	7,665	1,715	-	-	1,882	37,913	(49,175)	-
Total Sales	604,906	848,924	-	26,485	3,217	172,812	(503,177)	1,153,167
External cost of sales	(441,636)	(405,565)	-	(33,144)	(3,119)	(108,896)	-	(992,360)
Intra-segment cost of sales	(67,856)	(373,398)	-	-	-	(15,347)	456,601	-
Inter-segment cost of sales	(7,962)	(142)	-	-	(135)	(36,936)	45,175	-
Total cost of sales	(517,454)	(779,105)	-	(33,144)	(3,254)	(161,179)	501,776	(992,360)
Other revenue from operating activities	24	1,882	-	6,065	3,901	-	-	11,872
GROSS PROFIT / LOSS (-)	87,476	71,701	-	(594)	3,864	11,633	(1,401)	172,679
Operating expenses	(30,687)	(67,416)	-	(774)	(6,875)	(9,444)	-	(115,196)
Intra-segment operating expenses	(188)	(2,837)	-	-	(343)	(841)	4,209	-
Inter-segment operating expenses	(2,522)	(2,648)	-	-	(1,901)	(681)	7,752	-
Total operating expenses	(33,397)	(72,901)	-	(774)	(9,119)	(10,966)	11,961	(115,196)
OPERATING INCOME / PROFIT	54,079	(1,200)	-	(1,368)	(5,255)	667	10,560	57,483
Income from other operations	3,141	82,197	-	42	19,231	10,450	-	115,061
Intra-segment income from other operations	3,357	10,725	-	-	-	(2,063)	(12,019)	-
Inter-segment income from other operations	42	2,330	-	-	1,122	3,087	(6,581)	-
Total other income/profit	6,540	95,252	-	42	20,353	11,474	(18,600)	115,061

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

33. SEGMENTAL REPORTING (Cont'd)

	2005							
	Contracting	Agriculture	Discontinued Operations	Real Estate	Holding Operations	Trading	Consolidation Eliminations	Tota
Other expense and losses	(3,592)	(3,926)	-	(42)	(163)	(8,049)	-	(15,772
Intra-segment other expenses and losses	(130)	(167)	-	-	-	-	297	-
Inter-segment other expenses and losses	(952)	(12,387)	-	-	(102)	(401)	13,842	-
Total other espenses and losses	(4,674)	(16,480)	-	(42)	(265)	(8,450)	14,139	(15,772
Finance income/expense	(19,295)	(2,621)	-	(19)	(4,016)	(7,972)	-	(33,923
Intra-segment finance income/expense	(357)	-	-	-	-	-	357	-
Inter-segments finance income/expense	5,179	1,543	-	-	402	9	(7,133)	-
Finance income/expense	(14,473)	(1,078)	-	(19)	(3,614)	(7,963)	(6,776)	(33,923
PROFIT BEFORE MINORITY INTEREST	41,472	76,494	-	(1,387)	11,219	(4,272)	(677)	122,849
Minority Interest Gain / Loss (-)	(2)	(185)	(49)	(573)	-	233	-	(576
PROFIT BEFORE TAX	41,470	76,309	(49)	(1,960)	11,219	(4,039)	(677)	122,273
Taxation	(6,215)	1,735	-	(30)	2,520	(758)	(258)	(3,006
NET PROFIT FOR THE PERIOD FROM CONTINUED OPERATIONS	35,255	78,044	(49)	(1,990)	13,739	(4,797)	(935)	119,267
Profit for the Period from Discontinued Operations	-	-	2,086	-	-	-	-	2,086
NET PROFIT FOR THE YEAR	35,255	78,044	2,037	(1,990)	13,739	(4,797)	(935)	121,353

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

33. SEGMENTAL REPORTING (Cont'd)

b) As of 31 December 2006 and 2005, segmental assets and liabilites are as follows:

2006	Contracting	Agriculture	Discontinued Operations	Real Estate	Holding Operations	Trading	Consolidation Eliminations	Total
Assets	1,548,869	1,112,840	1,118,941	187,241	164,877	457,460	(1,542,909)	3,047,319
Liabilities	(1,306,458)	(608,874)	(1,003,330)	(30,977)	(44,652)	(180,010)	760,500	(2,413,801)
Equity	(242,411)	(503,966)	(115,611)	(46,414)	(225,279)	(282,249)	801,639	(614,291)
Minority Interest	-	(3,251)	(1,987)	(13,989)	-	-	-	(19,227)

2005	Contracting	Agriculture	Discontinued Operations	Real Estate	Holding Operations	Trading	Consolidation Eliminations	Total
Assets	1,214,877	1,155,537	742,702	162,891	154,632	504,328	(1,720,651)	2,214,316
Liabilities	(977,948)	(652,528)	(643,231)	(12,579)	(60,491)	(183,975)	877,981	(1,652,771)
Equity	(245,758)	(489,488)	(99,471)	(42,475)	(201,978)	(320,355)	856,392	(543,133)
Minority Interest	(21)	(3,220)	(1,760)	(13,119)	-	(292)	-	(18,412)

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

33. SEGMENTAL REPORTING (Cont'd)

c) As of 2006 and 2005, segmental information related to tangible and intangible assets is as follows:

2006	Contracting	Agriculture	Discontinued Operations	Real Estate	Holding Operations	Trading	Consolidation Eliminations	Total
Additions	109,906	12,725	-	1,346	433	367	-	124,777
Depreciation and amortisation charge for the period	(24,239)	(17,930)	-	(4,031)	(348)	(7,715)	4,504	(49,759)

2005	Contracting	Agriculture	Discontinued Operations	Real Estate	Holding Operations	Trading	Consolidation Eliminations	Total
Additions	31,557	21,083	2,163	3,284	1,323	1,152	-	60,562
Depreciation and amortisation charge for the period	(13,916)	(19,605)	(2,259)	(3,700)	(318)	(6,695)	5,978	(40,515)

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

33. SEGMENTAL REPORTING (Cont'd)

d) Geographical segmental information is as follow:

	2006						
	Turkey	CIS	North Africa	Middle Eastern Countries	Other	Consolidation Eliminations	Total
Sales income	1,083,811	409,113	106,196	408,468	362,468	(643,939)	1,726,117
Total assets	3,142,776	471,922	132,723	195,354	647,453	(1,542,909)	3,047,319
Purchases	47,578	59,410	8,355	8,389	1,045	-	124,777

	2005						
	Turkey	CIS	North Africa	Middle Eastern Countries	Other	Consolidation Eliminations	Total
Sales income	904,762	273,338	40,089	57,905	386,310	(509,237)	1,153,167
Total assets	2,789,570	269,021	50,296	139,917	686,163	(1,720,651)	2,214,316
Purchases	31,827	10,094	12,590	6,031	20	-	60,562

34. SUBSEQUENT EVENTS

a) As of February 2007, the Group collected its receivable amounting to 14,500 thousand USD associated with revenue claims.

b) In accordance with the Tekfen Holding's announcement on 8 May 2006, Eurobank EFG Holding S.A. (Eurobank EFG) and the Group decided to cooperate in the financial services in Turkey. Within the framework of the agreement, Eurobank EFG shall purchase 70% of the Group's shares in Tekfenbank and Tekfen Finansal Kiralama shares all of which belong to Tekfenbank. However, the Group shall retain its remaining shares and maintain its strategic partnership in the Ultimate Parent Bank. As of 26 February 2007, the Banking Regulation and Supervision Agency (BDDK) approved the sale of Tekfenbank to Eurobank EFG and the share transfers were also approved on 16 March 2007.

c) The Company's subsidiary, Toros Tarım has increased its capital by 56,500 in cash from 87,500 to 144,000 in accordance with the Board of Directors' minute numbered No:TE-2007/4 on 19 March 2007.

d) The board of directors decided to increase the share capital of Tekfen Constrution form 2,445 to 97,555 in the Board of Directors meeting No: 502 dated 28 March 2007. Out of 97,555 85,55 will be paid in cash and the remainder of the increase will be transferred from the inflationary adjustment fund under equity.

e) The Company has decided to distribute dividends amounting to 24.513 in the General Board of Directors Meeting on 29 March 2007. Out of 24,513, 4,048 will be distributed from 2006 profits 20,465 from retained earnings classified as extraordinary reserves. These dividend payments would be paid before 31 December 2007.

f) The Group has entered into a new construction project in Saudi Arabia with a total contract value of 206.4 million USD.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

35. DISCONTINUED OPERATIONS

The Group sold 70% of its banking subsidiary, Tekfenbank to Eurobank EFG, by a decision made on 8 May 2006 and in the same year it reclassified the banking operations as "discontinued operations". All of the assets and liabilities of the discontinued operations are presented under different items such as; "Assets Classified As Discontinued Operations" and "Liabilities Classified As Discontinued Operations" in the consolidated balance sheet as of 31 December 2006. Effect of those reclassifications on the balance sheet is presented under "Reclassifications to discontinued operations" in the movement tables. Profit for the year ended as of 31 December 2006 is presented as "Net Profit for the Period from discontinued operations", as a single item in the consolidated statement of income. Effects of discontinued operations to the balance sheet, income statement, provisions, contingent assets and liabilities are as follows:

	31 December 2006
Cash and Cash equivalents	261,324
Marketable securities (net)	85,443
Reserve Deposits at the Turkish Central Bank	48,035
Loans and Loaned securities	640,696
Finance lease receivables (net)	12,332
Other Receivables (net)	4,521
Financial assets (net)	38,880
Tangible assets (net)	25,405
Intangible assets (net)	960
Deferred tax assets	1,345
Current assets from discontinued operations	1,118,941
Bank Borrowings (net)	152,422
Deposit	823,456
Other liabilities and payables	27,452
Current liabilites from discontinued operations	1,003,330

Effects of discontinued operations to Group's cash flow are as follows:

	2006	2005
Earned/(used) cash from operations	(27,626)	42,316
Earned/(used) cash from investment operations	23,324	(6,236)
Earned/(used) cash from financing operations	68,954	7,107
Earned/(used) cash from discontinued operations	64,652	43,187

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

35. DISCONTINUED OPERATIONS (Cont'd)

Profit for the year ended as of 31 December 2006 are presented as a single item under "Net Profit For The Period From Discontinued Operations". Details of the income statement are as follows:

	2006	2005
OPERATING INCOME		
- Sales (net)	138,937	87,320
- Cost of sales (-)	(75,890)	(44,818)
- Service income (net)	-	-
- Income from other operations/ interest + dividend + rent (net)	-	-
GROSS PROFIT / LOSS (-)	63,047	42,502
- Operating expenses (-)	(42,332)	(40,374)
OPERATING INCOME / PROFIT	20,715	2,128
- Profit and income from other operations	2,921	4,869
- Expenses and losses from other operations	(7,370)	(2,896)
- Finance expenses (-)	-	-
PROFIT BEFORE MINORITY INTEREST	16,266	4,101
- Net monetary gain/loss	-	-
- Minority interest profit/loss	-	-
PROFIT BEFORE TAX	16,266	4,101
- Tax charge for the period	(3,505)	(1,315)
PROFIT AFTER TAX	12,761	2,786
Consolidation eliminations	(130)	(700)
Profit for the Period from Discontinued Operations	**12,631**	**2,086**

Effects of discontinued operations liabilities, contingent assets and liabilities are as follows:

	31 December 2006
Letters of guarantee given	296,075
Credit card limit commitments	10,624
Letters of credit	94,343
Acceptance credits	8,865
Other commitments	5,390
Other guarantees	79,832
Cheques payments commitments	41,780
Tax and funds commitmets related to export commitments	2,962
Provisions, contingent assets and liabilities from discontinued operations	539,871

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

36. OPERATING INCOME

Sales	2006	2005
Domestic sales	618,302	529,546
Export sales	23,750	7,715
Contract revenue - Turkey	93,563	105,048
Contract revenue - Abroad	679,063	261,047
Contract revenue from joint ventures – Turkey	87,048	77,768
Contract revenue from joint ventures – Abroad	206,830	90,636
Textile products revenue	16,892	34,776
Other	9,634	63,236
Sales returns (-)	(3,512)	(6,961)
Sales discount (-)	(2,846)	(8,671)
Other sales discount (-)	(2,607)	(973)
	1,726,117	1,153,167

Cost of sales	2006	2005
Cost of goods sold	(329,086)	(359,185)
Cost of merchandises sold	(181,039)	(91,526)
Contract cost - Turkey	(82,301)	(77,575)
Contract cost - Abroad	(558,531)	(218,152)
Contract cost from joint ventures - Turkey	(58,636)	(65,496)
Contract cost from joint ventures - Abroad	(186,167)	(79,294)
Cost of textile products	(16,365)	(29,804)
Other	(38,121)	(71,328)
	(1,450,246)	(992,360)

Income from other operations	2006	2005
Rent income	7,445	7,947
Dividend income	9,270	3,925
	16,715	11,872

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

37. OPERATING EXPENSES

	2006	2005
Payroll expenses and fringe benefits	(48,936)	(41,036)
Transportation expenses	(44,673)	(39,273)
Advisory fees	(14,707)	(11,657)
Office administration expenses	(12,446)	(4,134)
Depreciation and amortization expenses	(9,515)	(8,237)
Other expenses	(6,279)	(5,797)
Rent expenses	(3,308)	(1,333)
Provision for doubtful receivables	(3,089)	(1,183)
Bank and notary expenses	(2,987)	(1,090)
Travelling expenses	(2,534)	(1,456)
	(148,474)	(115,196)

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

38. OTHER INCOME/EXPENSES AND PROFIT/LOSSES

Other Operating Income and Revenue	2006	2005
Negative goodwill (Note:17)	-	54,427
Gain on public sale of Akmerkez GMYO A.Ş. shares	-	19,000
Effect of merge on minority (Note:24)	-	17,350
Gain on sale of fixed assets	7,308	1,925
Other income	3,549	3,802
Rent income	3,748	1,481
Effect of liquidation	2,791	2,574
Reversal of unnecessary doubtful receivable provision	2,028	2,978
Previous periods income	975	1,360
Damage and indemnity income	967	1,298
Effect of firstly consolidated companies	647	-
Gain on sale of marketable securities	149	849
Commission income	144	1,710
Cancellation of impairment of fixed assets	-	2,868
Gain on sale of subsidiary	-	2,202
Reversal of other unnecessary provision	-	1,237
	22,306	115,061

Other operating expenses and losses	2006	2005
Other expenses/losses	(6,156)	(1,771)
Other provision losses	(4,696)	(1,055)
Effect of liquidation	(2,819)	(2,961)
Commission expense	(2,499)	(4,332)
VAT Receivable written off	(2,258)	(368)
Indemnities of litigious matter	(2,095)	(145)
Previous period's losses and expenses	(1,758)	(696)
Uncollectable receivables written off	-	(1,984)
Project preparation expenses	-	(742)
Loss on sale of subsidiary	-	(1,718)
	(22,281)	(15,772)

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

39. FINANCE EXPENSES

	2006	2005
Finance expenses of short term borrowings	(50,851)	(33,870)
Foreign exchange gain/(loss) (net)	(12,067)	(6,321)
Finance expenses of long term borrowings	(250)	(309)
Discount income/(expense) (net)	700	1,082
Interest income	8,560	5,495
	(53,908)	(33,923)

40. NET MONETARY GAIN/LOSS

Net monetary gain/loss is not calculated since the inflation accounting has been ceased as of 1 January 2005.

41. TAXATION

Corporate tax payable:	31 December 2006	31 December 2005
Corporate tax provision	3,229	8,250
Prepaid tax and funds	(2,939)	(942)
Tax provision (Note:23)	290	7,308

Tax provision (Note 14):

	2006	2005
Current corporate tax provision	3,229	8,303
Tax income of branches(*)	(6,349)	-
Deferred tax provision	25,246	(5,366)
Currency translation effect	47	69
	22,173	3,006

(*) Revenue associated with construction projects attributable to some of the Group's Branches in foreign countries is measured based on the stage of completion method and tax is levied in accordance with the tax base calculated from this measurement. In some of the branches, some of the tax provisions made in the prior period are released due to the changes in estimates at the end of the project, and accordingly, some of the provisions provided in the prior periods were reversed and recognized as taxation benefit.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

41. TAXATION (Cont'd)

	31 December 2006	31 December 2005
Reconciliation of taxation:		
Profit before tax	90,517	122,273
Profit from discontinued operations	12,631	2,086
Loss before tax and after monetary loss	103,148	124,359
Effective tax rate (*)	20%	30%
Expected taxation	20,630	37,308
Reconciliation of expected tax and actual tax		
- Undeductible expenses	1,340	794
- Dividend and other non-taxable income	(2,689)	(5,549)
- Carryforward tax losses	(289)	(19,472)
- Provision for unrealizable tax losses (**)	12,070	8,962
- Tax effects of discontinued operations	(2,552)	(836)
- Effect of change in tax rates and consolidation eliminations	(1,918)	(12,568)
- Effect of foreign subsidiaries subject to different tax rates and other	(4,419)	(5,633)
Taxation in the income statement (Note 41)	22,173	3,006

(*) There are different rates for different countries where the foreign companies and joint ventures are located.
(**) As of 31 December 2006 and 2005, total tax effect amount of one of Group's joint ventures calculated based on the loss for the current year less the Group's share amounts to 12,070 (2005:8,962).

Tax legislation in Turkey:

Corporate Tax:

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2006 is 20% (2005: 30%).

41. TAXATION (Cont'd)

Tax legislation in Turkey (Cont'd)

Corporate Tax (cont'd):

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was decreased to 20% for 2006 (2005: 30%). The excess temporary tax paid of corporate income that was calculated at the rate of 30% during the taxation of the corporate income in temporary taxation periods after 1 January 2006 over 20% will be deducted from future temporary tax returns.

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 - 25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1- 25 of the fourth month subsequent to the fiscal year end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Witholding Tax:

Since sale proceeds from subsidiary and fixed asset acquisitions, to the extent that they are at hand less than two years, are included in capital in the same period with the acquisition date, they are exempt from tax. Only 11% of income withholding tax is paid over the related proceeds.

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax was 10% starting from 24 April 2003. This rate is changed to 15% by Article 15 in the Code numbered 5520 commencing from 21 June 2006. However, until the resolution of Council of Ministers, it was used as 10%. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Income withholding tax calculated in 2002 and prior years over specific income that are exempt from withholding tax, irrespective of any distribution, is superseded in general. However, 19,8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Such allowances may be used to the extent that the Group companies' profits are subject to exemption. If companies fail to make profit or incur losses, any allowance outstanding may be carried-forward to the following years, so as to be deducted from the taxable income for future profitable years.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

41. TAXATION (Cont'd)

Taxation of Foreign Subsidiaries and Operations:

Subsidiaries and operations included in consolidation in the accompanying financial statements are subject to corporate tax and withholding tax effective in the relevant country. Effective tax rates in those countries in which the Group operates are summarized below:

Countries	Corporate Tax Rate %	Witholding Tax Rate %
Azerbaijan	22 %	10 % - 15 %
Bulgaria	15 %	0 % - 15 %
Kazakhstan	30 %	15 % - 20 %
Uzbekistan	15 %	15 % - 20 %
Germany	38 %	0 % - 21 %
Saudi Arabia	20 %	5 % - 20 %
Luxembourg	5 % – 22 %	0 % - 20 %
Ireland	5 % - 25 %	0 % - 20 %
United Kingdom	5 % - 30 %	0 % - 22 %
Morocco	17,5 % - 35 %	10 %
Kuwait	55 %	0 %
Libya	0 %	0,5 %
Oman	30 %	10 %
United Arab Emirates	0 %	0 %
Qatar	35 %	0 %

Withholding tax rates in Kazakhstan, Germany and Saudi Arabia vary according to the nature of the business. Since the Group operations in Luxembourg are only related to the investments to the subsidiaries and providing loans to these investments, these activities are not subject to corporate tax. The Group's construction project in Libya is not subject to corporate tax.

(Amounts are expressed in thousands of New Turkish Lira ("TRY") unless otherwise stated.)

42. EARNING PER SHARE

Calculation of earning per share for the current period is made in accordance with IAS 33 considering the effects of shares and bonus shares issued.

As of 31 December 2006, the Group's weighted average number of shares and computation of earnings per share (which corresponds to per share amounting to TRY 1) set out here are as follows:

	2006	2005
Number of outstanding shares as of January 1	40,500	15,875
Number of issued shares	63,500	24,625
Number of outstanding shares as of December 31	104,000	40,500
Weighted average number of outstanding shares (*)	104,000	95,134
Profit/Loss from continued operations	68,344	119,267
Profit/Loss from discontinued operations	12,631	2,086
	80,975	121,353
Net profit per common share		
Calculated from continued operations:	0.60	1.04
Calculated from discontinued operations:	0.11	0.02
	0.71	1.06
Net profit per preferred stock (**)		
Calculated from continued operations:	0.71	1.46
Calculated from discontinued operations:	0.13	0.02
	0.84	1.48

(*) The Company has bonus share increase of 63.500 in 2006. In accordance with IAS 33 "Earnings per Share", the effect of bonus shares on the earnings per share is calculated retrospectively as if bonus share increase had been made in the earliest period presented in the footnotes.
(**) Preferred shareholders receive more dividends than the ordinary shareholders. This amount corresponds to 5% of their paid-in capital.

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43. CASH FLOW STATEMENTS

Changes in working capital of company:

	1 January-31 December 2006	1 January-31 December 2005
Changes in loans and loaned securities	(328,329)	(80,615)
Changes in trade receivables	(73,094)	(12,220)
Changes in due from related parties	(10,230)	(3,472)
Changes in inventories	(39,210)	(47,023)
Changes in unbilled contract receivables	(132,426)	(15,237)
Changes in other receivables	(40,535)	(28,235)
Changes in other current assets	(10,150)	9,534
Changes in trade payables	141,202	(29,769)
Changes in due to related parties	9,348	(4,930)
Changes in finance lease receivables	(4,954)	(1,763)
Changes in other current liabilities	49,616	4,173
Changes in advances received	7,540	29,721
Change in provision	(15,163)	(14,417)
Changes in billings in excess of contract revenue	26,493	42,301
Changes in deposits	311,707	155,954
Change in other payables	14,630	9,179
Change in net assets of acquired subsidiary	-	8,263
	(93,555)	21,444

Changes in other investing activities:

	1 January-31 December 2006	1 January-31 December 2005
Financial assets held to maturity date	43,006	(11,055)
Long term advanced received	10,294	(3,774)
Long term receivables	18,250	(54,368)
Long term loans and loaned securities	9,648	3,811
Changes in available for sale investments	950	-
Other long term receivables	(9,255)	900
Other long term assets	1,191	(10,736)
Long term trade payables	15,809	(938)
Other long term liabilities	(10,512)	32,676
	79,381	(43,484)

44. OTHER SIGNIFICANT MATTERS AFFECTING THE FINANCIAL STATEMENTS OR MATTERS THAT SHOULD BE EXPLAINED TO MAKE FINANCIAL STATEMENTS MORE CLEAR, UNDERSTANDABLE AND INTERPRETABLE

The Group prepares its consolidated financial statements for the year ended 31 December 2005 in accordance with International Financial Reporting Standards and disclosed its financial statements as of the 16 April 2006 audit report. As explained in detail in Note 2, the Group prefers to adopt accounting principles issued by the CMB for its financial statements for the year 2006 and prepare its financial statements and notes in accordance with IFRS to be in compliant with the accounting communiqués issued by the CMB with the alternative application permitted by the CMB.

As explained in the 16 April 2006 dated audit report prepared for consolidated financial statements as of 31 December 2005, the Group's functional currency for its construction segment is changed to USD instead of TRY since the Group's construction projects are mainly in foreign countries. The Group's management believes that retrospective application of effect of changes in the functional currency would be more appropriate in the fair presentation of the Group's operational performance related to constructional segments rather than the prospective application as suggested in IAS 21 "The Effect of Changes in Foreign Exchange Rates", considering the complications in practice. Therefore, the Construction Group has changed retrospectively its functional currency from YTL to USD as of 1 January 2005. The Company's management also decides not to include its receivable claims from constructional segment that are subject to legal proceedings before they are legally approved, considering the current period developments. Cumulative effect of the changes in 2005 is adjusted under equity in the 16 April 2006 dated audit report prepared for consolidated financial statements as of 31 December 2005.

As of 1 January 2005, inflation accounting is not applied in the accompanying financial statements in accordance with the CMB's Communiqué Serial: XI, No: 25 and changes mentioned in the above paragraph to the Group's constructional segments are adjusted retrospectively in the accompanying financial statements. Therefore, audit report prepared as at 16 April 2006 for the financial statements as of 31 December 2005 differs from the accompanying financial statements.

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45. LOANS AND LOANED SECURITIES

	31 December 2006	31 December 2005
Loans:		
Short term loans	-	295,527
Loans in arrears	-	20,024
Less: Reserve for impairment	-	(13,155)
Loans (net)	-	302,396
Loaned securities:		
Trading securities	-	9,971
Short term loans and loaned securities	-	312,367
Long term loans	-	9,648
Long term loans and loaned securities	-	9,648

Loans

As of 31 December 2005, amount of advances and loans without any interest accruals amounted to 13.229. Except for the issues mentioned below, there were no uncollected interest accruals from loans with provisions.

As of 31 December 2005, loans and advances amounting to 99.461 have variable interest rates. Remaining of loans and advances have fixed interest rates.

Impairment loss includes portfolio based provision amounting to 1.991 and this impairment loss is based on past experiences, management's evaluations on the current economic situation and nature and risks of the Group's loan portfolio.

As of 31 December 2005, government credits amounting to 1.932 (approximately 1,4 million USD) include syndication loan received by the Treasury and maturity of this syndication loan is June 2006. Amount of total syndication loan is 95 million USD.

567 of loans in arrears for which 561 of provision amount provided was rescheduled during 2005. These loans would be reclassified as performing loans upon the future payment performance of the customers.

Loaned Securities

Trading securities are securities given as collaterals under repurchase agreements. Maturity of repurchase agreements is one month. As of 31 December 2005, all trading securities and loaned securities have fixed interest rate.

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46. DEPOSITS

Deposits comprise the followings:

	31 December 2006	31 December 2005
Demand deposit		
Commercial and saving deposit	-	38,346
Bank deposits	-	30
Commercial and saving deposit (Foreign Currency)	-	50,826
Bank deposits (Foreign Currency)	-	33
	-	89,235
Time deposit		
Commercial and saving deposit	-	254,267
Bank deposits	-	36,931
Commercial and saving deposit (Foreign Currency)	-	131,316
	-	422,514
Total deposits	-	511,749

Fixed interest rate is applied for all customer deposits. As of 31 December2005, 57.198 of deposits was held as guarantee in consideration of loans and advances given.

47. DERIVATIVE FINANCIAL INSTRUMENTS

Forward Exchange Agreements:

The Group utilizes forward exchange agreements to hedge significant future transactions and cash flows. The Group has forward exchange agreements and options due to changes in foreign currenies. The instruments purchased are primarily denominated in the currencies of the Group's primary operations.

As at 31 December 2005, the Group had EUR forward options corresonding to an amount of approximately 42,4 Million USD as to a hedge potential foreign currency risks attributable to future purchases of goods.

As of 31 December2006, the Group has no forward exchange options. The total nominal amount of outstanding forward exchange agreements as of December 31, 2005 is 35 million EUR.

These arrangements are designed to address significant exchange exposures for the first half of 2006 and renewed as of 28 February 2006.

Derivative financial instrument reserves and 812 of difference amount resulted from the difference of fair value of forward exchange agreements as at 31 December 2005 and its cost are recognized under the shareholders' equity accounts.

48. CRITICAL ACCOUNTING DECISIONS AND KEY SOURCES OF UNCERTAINTY IN ESTIMATION

Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt below)

Change in contract fee

Changes in contract fees are recognized in the financial statements to the extent that those changes are likely to be approved by the customers, based on the percentage of completion method of the construction projects Estimates on the collection of those changes are made based on the Group management's past experiences, the related contract terms and the related legislation.

Percentage of completion

The Group uses the percentage of completion method in accounting for its construction contracts. Use of the percentage of completion method requires the Group to estimate the proportion of work performed to date as a proportion of the total work to be performed and its management's judgement that the use of costs to date in proportion to total estimated costs provided the most appropriate measure of percentage of completion.

Provision of warranty liabilities

Management grants 2 years of guarantee period for commitments of constructional segment. Management estimates warranty provision amount related to potential damages in the future based on the past experiences of the management. Current developments and activities in recent periods aretaken into account for developing forecasts and estimations.

Key sources of estimation uncertainty

Departures from the estimation related to the completion costs of construction projects or estimated profit for the project-end may change the carrying amount of the assets and liabilities.

The Group uses construction experts and project directors during the estimation of future costs attributable to construction contracts. Potential escalations of unit prices and quantity are considered in the estimations related to raw material, labor and other costs.

Retention guarantees in Construction Contracts

At each year-end, retentions related to construction contracts deducted from progress payments by customers and deductions made from sub-contractors by the Group are carried at their fair value less discounting the Group's effective deposit and borrowing rates of which the management considers to be the best discount rates for those assets and liabilities.