

HACI ÖMER SABANCI HOLDİNG A.Ş.

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 31 MARCH 2006 (UNAUDITED)**

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 31 MARCH 2006

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HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated.)

	Notes	31 March 2006 USD (*)	31 March 2006	31 December 2005
ASSETS				
Current assets		32.080.787	43.074.872	40.611.921
Cash and cash equivalents	4	3.128.963	4.201.258	4.255.300
Marketable securities (net)	5	4.869.269	6.537.967	6.536.860
Financial assets (net)				
- Available for sale	16.a	6.506.736	8.736.595	7.126.968
- Held-to-maturity	16.b	31.586	42.411	536.811
Derivative financial instruments	44	11.843	15.902	12.128
Reserve deposits with the Central Bank of the Republic of Turkey		2.875.803	3.861.341	3.927.451
Loans and advances to customers	45	12.380.903	16.623.839	15.608.156
Trade receivables (net)	7	1.008.696	1.354.376	1.292.252
Lease receivables (net)	8	84.688	113.710	122.576
Due from related parties (net)	9	32.327	43.405	19.615
Other receivables (net)	10	317.228	425.942	226.301
Biological assets (net)	11	-	-	-
Inventories (net)	12	778.971	1.045.924	900.500
Receivables from construction contracts work in progress (net)	13	-	-	-
Deferred tax assets	14	-	-	-
Other current assets	15	53.774	72.202	47.003
Non-current assets		13.623.060	18.291.683	21.124.058
Loans and advances to customers	45	5.635.934	7.567.369	6.288.896
Trade receivables (net)	7	207.113	278.091	234.407
Lease receivables (net)	8	131.901	177.103	136.869
Due from related parties (net)	9	-	-	-
Other receivables (net)	10	31.868	42.789	47.564
Financial assets (net)				
- Available for sale	16.a	3.420.894	4.593.235	8.684.677
- Held-to-maturity	16.b	174.252	233.968	244.525
- Investments	16.c	79.561	106.827	114.965
Goodwill / negative goodwill (net)	17	215.798	289.752	290.968
Investment properties (net)	18	215.719	289.646	290.965
Property, plant and equipment (net)	19	3.119.926	4.189.125	4.235.350
Intangible assets (net)	20	148.306	199.131	199.265
Deferred tax assets	14	241.788	324.647	355.607
Other non-current assets	15	-	-	-
Total Assets		45.703.847	61.366.555	61.735.979

(*) USD amounts shown in this consolidated interim financial statements are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 March 2006 and therefore do not form part of these consolidated financial statements (Note 2.6).

These consolidated financial statements have been approved by Board of Directors on 26 May 2006 and signed on its behalf by Ahmet C. Dördüncü and Nedim Bozfakioğlu.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated.)

	Notes	31 March 2006 USD (*)	31 March 2006	31 December 2005
LIABILITIES				
Current liabilities		33.854.115	45.455.921	45.684.771
Short-term borrowings (net)	6	4.862.991	6.529.538	5.945.359
Current portion of long-term borrowings (net)	6	248.945	334.258	230.329
Banking customer deposits	46	26.601.733	35.718.147	36.778.571
Derivative financial instruments	44	24.840	33.352	70.280
Lease payables (net)	8	5.277	7.085	8.500
Other financial liabilities (net)	10	-	-	-
Insurance technical reserves		146.347	196.500	157.520
Trade payables (net)	7	627.011	841.888	908.348
Due to related parties (net)	9	6.811	9.145	8.399
Advances received	21	9.047	12.148	29.491
Construction contracts progress billings (net)	13	-	-	-
Provisions	23	90.855	121.991	233.862
Current liabilities	15	113.191	151.981	157.035
Deferred tax liabilities	14	-	-	-
Other current liabilities (net)	10	1.117.067	1.499.888	1.157.077
Non-current liabilities		3.242.604	4.353.844	4.395.131
Long-term borrowings (net)	6	2.531.913	3.399.599	3.519.917
Banking customer deposits	46	123.132	165.329	149.082
Lease payables (net)	8	3.357	4.507	-
Other financial liabilities (net)	10	-	-	-
Trade payables (net)	7	190.435	255.697	209.264
Due to related parties (net)	9	-	-	-
Advances received	21	-	-	-
Insurance technical reserves		59.319	79.647	81.088
Provisions	23	109.688	147.278	142.373
Deferred tax liabilities	14	183.507	246.394	271.401
Government grants	30	-	-	-
Non-current liabilities	15	-	-	-
Other payables (net)	10	41.253	55.393	22.006
MINORITY INTERESTS	24	3.617.068	4.856.637	4.856.918
- Sabancı family members		1.477.216	1.983.458	1.986.062
- Others		2.139.852	2.873.179	2.870.856
SHAREHOLDERS' EQUITY		4.990.060	6.700.153	6.799.159
Share capital	25	1.340.582	1.800.000	1.800.000
Treasury shares	25	-	-	-
Capital reserves	26	2.965.988	3.982.432	4.010.259
Share premium		16.139	21.670	21.670
Share cancellation gains		-	-	-
Revaluation reserve		9.276	12.455	12.455
Financial assets' fair value reserve		47.953	64.386	92.213
Inflation adjustment to shareholders' equity		2.892.620	3.883.921	3.883.921
Profit reserves	27	216.230	290.332	282.114
Legal reserves		56.704	76.136	76.136
Statutory reserves		-	-	-
Extraordinary reserves		422.684	567.538	567.538
Special reserves		-	-	-
Investment and property sales income to be added to the capital		-	-	-
Currency translation reserve		(263.158)	(353.342)	(361.560)
Net income for the period		141.452	189.928	689.765
Retained earnings	28	325.808	437.461	17.021
Total liabilities and shareholders' equity		45.703.847	61.366.555	61.735.979
Commitments and contingent assets and liabilities	31			

(*) USD amounts shown in this consolidated interim financial statements are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 March 2006 and therefore do not form part of these consolidated financial statements (Note 2.6).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated.)

	Notes	31 March 2006 USD (*)	31 March 2006	31 December 2005
OPERATING REVENUE		2.891.043	3.881.803	2.945.251
Sales (net)	36	1.752.476	2.353.049	1.825.629
Interest Income	36	1.138.567	1.528.754	1.119.622
Cost of Sales (-)	36	(1.268.017)	(1.702.567)	(1.338.657)
Interest Expense	36	(627.775)	(842.913)	(483.730)
Service Income (net)	36	-	-	-
Other Operating Income	36	-	-	-
GROSS PROFIT		995.251	1.336.323	1.122.864
Operating expenses (-)	37	(517.573)	(694.945)	(589.125)
OPERATING PROFIT		477.678	641.378	533.739
Other income	38	84.286	113.171	93.267
Other expenses (-)	38	(2.015)	(2.706)	(4.830)
Financial expenses (net) (-)	39	(32.605)	(43.779)	(31.722)
Income from associates	16	24.036	32.273	17.586
INCOME BEFORE MONETARY LOSS, MINORITY INTEREST AND TAX		551.380	740.337	608.040
Monetary gain/ (loss)	40	-	-	-
PROFIT OF MINORITY INTEREST(-)	24			
- Sabancı Family Members		(117.645)	(157.961)	(105.899)
- Others		(167.829)	(225.343)	(138.257)
INCOME BEFORE TAX		265.906	357.033	363.884
Taxation on income	41	(124.454)	(167.105)	(172.759)
NET INCOME FOR THE PERIOD		141.452	189.928	191.125
Earnings per share				
- usufruct shares (YTL)	42		-	30.337
- thousands of ordinary shares (YTL)	42		1,02	1,00
- Vaksa (YTL)	42		5.697.840	5.733.750

(*) USD amounts shown in this consolidated interim financial statements are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 March 2006 and therefore do not form part of these consolidated financial statements (Note 2.6).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006 AND 2005

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated.)

	Share capital	Share premium in excess of par value	Revaluation reserve	Financial assets' fair value reserve	Inflation adjustment to shareholders' equity	Legal reserves	Extraordinary reserves	Currency translation reserve	Net income for the period	Retained earnings	Total
Balances at 31 December 2004	1.200.000	21.670	-	2.583	3.601.600	54.110	255.893	(307.744)	724.132	637.473	6.189.717
Transfers	-	-	-	-	-	-	-	-	(724.132)	724.132	-
Effect of change in the scope of consolidation of subsidiaries	-	-	-	-	-	-	-	-	-	245	245
Correction of negative goodwill Available for sale financial assets'	-	-	-	-	-	-	-	-	-	14.595	14.595
net fair value losses, net of tax	-	-	-	11.198	-	-	-	-	-	-	11.198
Currency translation differences	-	-	-	-	-	-	-	(11.655)	-	-	(11.655)
Net income for the period	-	-	-	-	-	-	-	-	191.125	-	191.125
Balances at 31 March 2005	1.200.000	21.670	-	13.781	3.601.600	54.110	255.893	(319.399)	191.125	1.376.445	6.395.225
Balance at 1 January 2005	1.800.000	21.670	12.455	92.213	3.883.921	76.136	567.538	(361.560)	689.765	17.021	6.799.159
Transfers	-	-	-	-	-	-	-	-	(689.765)	689.765	-
Purchases of usufruct shares-	-	-	-	-	-	-	-	-	(269.325)	(269.325)	-
Available for sale financial assets'	-	-	-	(27.827)	-	-	-	-	-	-	(27.827)
net fair value gains, net of tax	-	-	-	-	-	-	8.218	-	-	8.218	-
Currency translation differences-	-	-	-	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	-	-	189.928	-	189.928
Balances at 31 March 2006	1.800.000	21.670	12.455	64.386	3.883.921	76.136	567.538	(353.342)	189.928	437.461	6.700.153

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Hacı Ömer Sabancı Holding A.Ş. (“Sabancı Holding”) was established in 1967 to coordinate and liaise the activities of companies operating in different fields including mainly finance, manufacturing and trade. The Holding is registered in Turkey and owned by the members of the Sabancı family (Note 25). The address of the registered office is as follows:

Sabancı Center, 4. Levent, Istanbul, Turkey.

Sabancı Holding has been registered to Capital Markets Boards of Turkey (“CMB”) on 26 June 1997 and the shares of Sabancı Holding are publicly traded on the Istanbul Stock Exchange.

Consolidated Subsidiary undertakings

The nature of the business of the Subsidiaries consolidated in these consolidated financial statements at 31 March 2006 and, for the purposes of these consolidated financial statements, their respective business segments are as follows:

Subsidiaries	Nature of business	Business segment
Akbank T.A.Ş. (“Akbank”)	Banking	Finance
Sabancı Bank Plc. (“Sabank”)	Banking	Finance
Ak Uluslararası Bankası A.Ş. (“Ak Uluslararası”)	Banking	Finance
Ak Emeklilik A.Ş. (“Ak Emeklilik”)	Pension	Finance
Aksigorta A.Ş. (“Aksigorta”)	Insurance	Finance
Advansa B.V. (“Advansa”)	Chemicals	Chemicals
Pilsa Plastik Sanayi ve Ticaret A.Ş. (“Pilsa”)	Plastics	Chemicals
Bossa Ticaret ve Sanayi İşletmeleri A.Ş. (“Bossa”)	Textile	Textile
Yünsa Yünlü Sanayi ve Ticaret A.Ş. (“Yünsa”)	Textile	Textile
Kordsa International, LLC (“Kordsa LLC”)	Tire and tire reinforcement	Tire and tire reinforcement
Sabancı Industrial Nylon Yarn and Tire Cord Fabric B.V. (“Sabancı Industrial Nylon Yarn”)	Tire and tire reinforcement	Tire and tire reinforcement
Temsa Termo Mekanik Sanayi ve Ticaret A.Ş. (“Temsa”)	Automotive	Automotive
Toyotasa Toyota-Sabancı Pazarlama ve Satış A.Ş. (“Toyotasa Pazarlama”)	Automotive	Automotive
Çimsa Çimento Sanayi ve Ticaret A.Ş. (“Çimsa”)	Cement and clinker	Cement
Gıdasa Sabancı Gıda Sanayi ve Ticaret A.Ş. (“Gıdasa”)	Food and beverage	Food
Marsa Kraft Foods Sabancı Gıda Sanayi ve Ticaret A.Ş. (“Marsa”)	Food and beverage	Food
Teknosa İç ve Dış Ticaret A.Ş. (“Teknosa”)	Trade	Retailing
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş. (“Exsa”)	Trade	Other
Exsa UK Ltd. (“Exsa UK”)	Trade	Other
Universal Trading (Jersey) Ltd. (“Universal”)	Trade	Other
Ankara Enternasyonal Otelcilik A.Ş. (“AEO”)	Tourism	Other
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (“Tursa”)	Tourism	Other
Enerjisa Enerji Üretim A.Ş. (“Enerjisa”)	Energy	Other
Sapeksa Mensucat ve Toprak Mahsulleri Sanayi ve Ticaret A.Ş. (“Sapeksa”)	Agriculture	Other
Sabancı Telekomünikasyon Hizmetleri A.Ş. (“Sabancı Telekom”)	Telecommunication	Other
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. (“Bimsa”)	Trade of data processing systems	Other

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

For the purposes of segment information in these consolidated financial statements, Sabancı Holding’s stand-alone financial statements have been included within the “Other” segment (Note 33).

All the Subsidiaries are registered in Turkey except for Sabank, Exsa UK, Universal, Advansa, Kordsa LLC and Sabancı Industrial Nylon Yarn (collectively referred to as the “Foreign Subsidiaries”). Sabank and Exsa UK are registered in the United Kingdom; Universal, Advansa and Sabancı Industrial Nylon Yarn in the Netherlands; Kordsa LLC in the United States of America.

Joint Ventures

The nature of the business of the Joint Ventures proportionally consolidated in these consolidated financial statements at 31 March 2006 and, for the purposes of these consolidated financial statements, their respective business segments are as follows:

Joint Ventures	Nature of business	Segment	Investor
Beksa Çelik Kord Sanayi ve Ticaret A.Ş. (“Beksa”)	Tire and tire reinforcement	Tire and tire reinforcement	Bekaert
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. (“Brisa”)	Tire and tire reinforcement	Tire and tire reinforcement	Bridgestone
Akçansa Çimento Sanayi ve Ticaret A.Ş. (“Akçansa”)	Cement and clinker	Cement	Heidelberg
Oysa Çimento Sanayi ve Ticaret A.Ş. (“Oysa Çimento”)	Cement and clinker	Cement	Oyak
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. (“Carrefoursa”)	Trade of consumer goods	Retailing	Carrefour
Diasa Dia Sabancı Süpermarketleri Ticaret A.Ş. (“Diasa”)	Trade of consumer goods	Retailing	Dia S.A.
Olmuksa International Paper Sabancı Ambalaj Sanayi ve Ticaret A.Ş. (“Olmuksa”)	Corrugated containers	Other	International Paper
Dönkasan Dönüşen Kağıt Hammaddeleri Sanayi ve Ticaret A.Ş. (“Dönkasan”)	Paper	Other	Olmuksa and Kartonsan

All the Joint Ventures are registered in Turkey.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting standards

Preparation of consolidated financial statements

The consolidated financial statements of the Company have been prepared in accordance with the accounting and reporting principles issued by the Capital Markets Board (“CMB”), (“CMB Accounting Standards”). The CMB issued a comprehensive set of accounting principles in Communiqué No: XI-25 “The Accounting Standards in the Capital Markets” (the “Communiqué”). In the aforementioned communiqué, it has been stated that applying the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) is accepted as an alternative to conform to the CMB Accounting Standards. However, the Communiqué is effective for financial statements covering the first interim period after 10 January 2005. The CMB also issued the Communiqué No: XI-27 “Changes in the Accounting Standards in the Capital Markets” stating that applying International Financial Reporting Standards is in line with the requirements stated in the Communiqué.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards the application of inflation accounting is no longer required. Accordingly, the Holding did not apply IAS 29 “Financial Reporting in Hyperinflationary Economies” issued by IASB in its financial statements for the accounting periods starting 1 January 2005. The financial statements for comparison purposes are expressed in the purchasing power of YTL at 31 December 2004. These financial statements and the related notes have been presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

Sabancı Holding and its Subsidiaries and Joint Ventures registered in Turkey maintain their books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in YTL in accordance with the Turkish Commercial Code (“TCC”), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance, applicable Turkish insurance laws for insurance companies and banking law, accounting principles promulgated by the Banking Regulation and Supervising Agency for banks and for listed companies and accounting principles issued by the CMB. The foreign Subsidiaries and Joint Ventures maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Accounting Standards.

2.2 Restatement for the effects of hyperinflation

The financial statements at 31 December 2004 are expressed in terms of the purchasing power of New Turkish lira at 31 December 2004. With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for the companies, operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index (“WPI”) published by the Turkish Statistical Institute (“TURKSTAT”), previously named as State Institute of Statistics (“SIS”). Indices and conversion factors used to restate the comparative amounts until 31 December 2004 are given below:

<u>Date</u>	<u>Index</u>	<u>Conversion factor</u>	<u>Cumulative three-year inflation rate</u>
31 December 2004	8.403,800	1,000	69,7 %
31 December 2003	7.382,100	1,138	181,1 %
31 December 2002	6.478,800	1,297	227,3 %

2.3 Basis of consolidation

- a) The consolidated financial statements include the accounts of the parent company, Hacı Ömer Sabancı Holding A.Ş., its Subsidiaries and Joint Ventures (collectively referred to as the “Group”) on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements, and are prepared in accordance with CMB Accounting Standards as explained in Note 2.1. The result of operations of Subsidiaries, Joint Ventures and Associated companies are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale, respectively.
- b) Subsidiaries are companies in which Sabancı Holding has the power to control the financial and operating policies for the benefit of Sabancı Holding, either (a) through the power to exercise more than 50% voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or certain Sabancı family members and companies whereby Sabancı Holding exercises control over the voting rights of (but does not have economic benefit of) the shares held by them, or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and effective interest of the Holding in these subsidiaries at 31 March 2006.

Subsidiaries	Direct and indirect ownership interest by Sabancı Holding and its Subsidiaries %	Ownership interest shares held by Sabancı family members %	Proportion of ownership interest %	Proportion of effective interest %
Advansa	100,00	-	100,00	99,93
AEO	70,29	-	70,29	70,29
Akbank	43,61	23,50	67,11	39,46
Ak Emeklilik	99,41	-	99,41	45,08
Aksigorta	61,98	-	61,98	61,98
Bossa	50,12	25,70	75,82	50,12
Bimsa	99,98	-	99,98	93,11
Çimsa	50,80	2,06	52,86	49,82
Enerjisa	86,65	-	86,65	83,99
Exsa	45,71	54,30	100,00	27,71
Exsa UK	100,00	-	100,00	99,06
Gıdasa	100,00	-	100,00	99,99
Marsa	99,20	-	99,20	99,19
Pilsa	51,23	48,77	100,00	51,23
Kordsa LLC	100,00	-	100,00	100,00
Sabancı Industrial Nylon Yarn	100,00	-	100,00	100,00
Sabancı	100,00	-	100,00	58,12
Sapeksa	52,84	44,87	97,71	34,84
Sabancı Telekom	100,00	-	100,00	100,00
Teknosa	51,92	48,08	100,00	51,91
Temsa	48,70	51,29	99,99	47,65
Toyotasa Pazarlama	65,00	-	65,00	64,99
Tursa	99,52	-	99,52	98,46
Universal	100,00	-	100,00	92,77
Yünsa	59,37	14,74	74,11	54,13

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

Financial statements of subsidiaries, whose financial position at 31 March 2006 and result of operations for the period ended 31 March 2006 are insignificant to the overall consolidated financial statements, are not consolidated on the grounds of immateriality. Such subsidiaries are classified as available for sale equity securities in these consolidated financial statements (Note 16.a).

- c) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Sabancı Holding and one or more other parties. The Group's interest in Joint Ventures is accounted for by way of proportionate consolidation. By this method, the Group includes its share of the assets, liabilities, income and expenses of each Joint Venture in the relevant components of the financial statements.

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(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 31 March 2006:

Joint Ventures	Direct and indirect ownership interest by Sabancı Holding and its Subsidiaries %	Proportion of ownership interest %	Proportion of effective interest %
Akçansa	39,72	39,72	36,88
Beksa	49,99	49,99	49,99
Brisa	43,26	43,26	43,25
Carrefoursa	40,00	40,00	40,00
Diasa	40,00	40,00	40,00
Dönkasan	33,13	33,13	33,12
Olmuksa	43,73	43,73	43,73
Oysa Çimento	41,09	41,09	20,47

Sabancı family members do not have any interest in the share capital of Joint Ventures.

- d) Investments in Associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group generally has between 20% and 50% of voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains that result from intercompany transactions between the Group and its Associated undertakings are eliminated on consolidation, whereas unrealised losses are eliminated unless they do not address any impairment. Equity accounting is discontinued when the carrying amount of the investment in an Associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the Associated undertakings (Note 16.c). Associates whose financial position at 31 December 2005 and result of operations for the period ended 31 December 2005 are insignificant to the overall consolidated financial statements are not accounted for by the equity method of accounting. Such Associates are classified as available for sale equity securities (Note 16.a).

The table below sets out all Associates and shows the total interest of Sabancı Holding in these associates at 31 March 2006:

Associated undertakings	Direct and indirect ownership interest by Sabancı Holding %
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (“Philsa”)	25,00
Philip Morris Sabancı Pazarlama Satış A.Ş. (“Philip Morrissa”)	24,75

Sabancı family members do not have any interest in the share capital of Associated undertakings.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- e) Other investments in which Sabancı Holding and its Subsidiaries, together with Sabancı family members, have interest below 20%, or over which Sabancı Holding does not exercise a significant influence, or which are immaterial, are classified as available for sale. Available for sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value. Available for sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value (Note 16.a and c).
- f) The results of Subsidiaries are included or excluded from their effective dates of acquisition and disposal, respectively.

The minority shareholders’ share of the net assets and results for the period for the Subsidiaries are separately classified in the consolidated balance sheets and statements of income as minority interests.

Certain Sabancı family members, Vaksa Hacı Ömer Sabancı Vakfı (the “Vaksa”), a charitable foundation established by Sabancı family members, and Akbank Tekaüt Sandığı, a retirement foundation for Akbank employees, have interests in the share capital of certain Subsidiaries and Associates. In these consolidated financial statements their interests are treated as outside interests and are not included in Sabancı Holding’s net assets and profits attributable to shareholders of Sabancı Holding.

2.4 Offsetting

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

2.5 Convenience translation into English of consolidated financial statements originally issued in Turkish

As of 31 December 2005, the accounting principles described in Note 2.1 (defined as CMB Accounting Standards) differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.6 US Dollar translation

USD amounts shown in the consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements, and are translated from YTL, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT on 31 March 2006 of YTL 1,3427 = USD1, respectively and do not form part of these consolidated financial statements. Such translation should not be construed as a representation that the YTL amounts have been or could be converted USD at these or any other rates.

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(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Amendment of segment disclosures

The segment disclosures in Note 33.c to the consolidated financial statements has been amended to provide additional information relating to the allocation of operating expenses among segments in identifying segment result, none of which is required or contemplated by IAS 14 “Segment Reporting”, however is useful in making economic decisions.

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES

Where necessary, accounting policies for Subsidiaries and Joint Ventures have been changed to ensure consistency with the policies adopted by the Group. The significant accounting policies other than Group accounting which is described in Note 2, followed in the preparation of the accompanying consolidated financial statements are summarised below:

Revenue recognition

Banking

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis until, in management’s estimates and judgment, collection becomes doubtful. Interest income includes coupons earned on fixed income securities and accrued discount on treasury bills.

Commission income and fees for various banking services are recorded as income at the time they affect the transactions to which they relate.

Insurance

Life:

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

Non-Life:

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

Other segments

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

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventory are materials, labour and an appropriate amount of factory overheads. Unit cost of inventories is determined on the weighted average basis (Note 12). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation in the consolidated financial statements (Note 19). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	<u>Years</u>
Land improvements	20-50
Buildings	20-50
Machinery and equipment	4-20
Motor vehicles	4-10
Furniture and fixtures	4-10

Gains and losses on disposal of property and equipment are determined by reference to their carrying values and the proceeds and are taken into account in determining operating profit.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset.

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

Borrowing costs are expensed when they occur.

Investment property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method less impairment charges, if any (Note 18). The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Group applies IAS 16 “Property, Plant and Equipment”. At that date, the property becomes investment property and thus it is transferred to investment property.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets consist of rights, computer software, development costs, purchased technology, mining rights and other identifiable rights. Intangible assets are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over a period not exceeding 10 years (Note 20).

Borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Investment securities

In accordance with IAS 39, in the banking segment, the Group classifies its investments in debt and equity securities in the three following categories; held-to-maturity, available-for-sale assets and assets at fair value through profit or loss. Debt securities with fixed maturities, where management has both the intent and the ability to hold to the maturity are classified as “held-to-maturity financial assets”. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in the interest rates, exchange rates or equity prices, or client’s servicing activity are classified as “available-for-sale financial assets”. The appropriate classification of investments is determined at the time of the purchase and re-evaluated by management on a regular basis.

All investment securities are initially recognised at cost. Transaction costs are included in the initial measurement of debt securities. Available-for-sale debt and equity investment securities are subsequently re-measured at fair value provided that their fair value can be reliably measured.

Other investments in which Sabancı Holding has interest below 20% that do not have a quoted market price in active markets and for which other methods of making a reasonable estimate of fair value are clearly inappropriate or unworkable, and investments whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are deferred to in the equity under financial assets fair value reserve until the financial asset is sold, collected or otherwise disposed. Unrealised gains and losses arising from changes in the fair value of available for sale debt securities are the differences between the fair value of such securities and their amortised costs at the balance sheet date. When available-for-sale securities are sold, collected or otherwise disposed , related deferred gains and losses in equity are released to the statement of income.

Held to maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

The Group has reclassified its trading securities as financial assets at fair value through profit or loss in accordance with the revised IAS 39 which is effective from 1 January 2005 (Note 16.a).

**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006**

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Financial assets at fair value through profit or loss are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or included in a portfolio in which a pattern of short-term profit making exists. Financial assets at fair value through profit or loss are initially recognised at cost, including transaction costs and subsequently re-measured at fair value. All related realised and unrealised gains and losses are included in the income statement.

Interest obtained from financial assets at fair value through profit or loss is classified within interest income and the profit shares earned are classified as dividend income. All purchases and sales of financial assets at fair value through profit or loss are recognised at trade date, which is the date that the banks commit to purchase or sell the assets.

Financial instruments and financial risk management

The Group’s activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by individual Subsidiaries and Joint Ventures under policies, which are approved by their own Board of Directors.

Foreign exchange risk

The Group is exposed to foreign currency risk through the impact of rate changes on the translation of foreign currency assets and liabilities to local currency. These risks are monitored by management and limited by analysis of the foreign currency position through obtaining positions within the approved limits.

In the banking segment, the difference between the assets and liabilities denominated in foreign currency of Akbank (the “Bank”), is defined as the “Net Foreign Currency (“FC”) position” and is the exposure to foreign currency risk. Another dimension of the foreign exchange risk is the change in the value of the foreign currencies themselves within the net FC position (cross rate risk). The Bank keeps the amount exposed to foreign exchange risk within the limits determined by the Risk Management Committee. The Risk Management Committee monitors the general economic conditions and developments in the markets and sets new limits when necessary. These limits are set and monitored separately for the net FC position and for the cross rate risk. When necessary swap and forward contracts are used as a tool to hedge the foreign exchange risk.

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NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Interest rate risk

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

A major objective of the Bank’s asset and liability management is to ensure that sufficient liquidity is available to meet the Bank’s commitments to customers and to satisfy the Bank’s own liquidity needs. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities.

In spite of a substantial portion of deposits from individuals being short-term, diversification of these deposits by number and type of depositors together with the past experience of the Bank indicate that these deposits will provide a long-term and stable source of funding for the Bank.

Funding risk

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

Credit risk

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

Fair value of financial instruments

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

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NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

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

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

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value.

The fair values of certain financial assets carried at cost including cash and due from banks, deposits with banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

The fair value of investment securities has been estimated based on market prices at balance sheet dates.

The carrying value of loans and advances to customers, along with the related allowances for uncollectibility, is considered to approximate their fair value.

The trade receivables are carried at amortised cost using the effective yield method, and hence are considered to approximate their fair values.

Financial liabilities

The fair value of customer deposits, short-term funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

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

The trade payables are carried at amortised cost using the effective yield method, and hence are considered to approximate their fair values.

Derivative financial instruments

The fair values of forward foreign exchange contracts and currency/interest rate swaps are estimated based on quoted market rates prevailing at the balance sheet date.

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NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions

The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities to local currency. These risks are monitored by management and limited by analysis of the foreign currency position through obtaining positions within the approved limits.

Earnings per share

Earnings per share for each class of shares disclosed in these consolidated statements of income is determined by dividing the net income after translation adjustment attributable to that class of shares by the weighted average number of shares of that class that have been outstanding during the period concerned. As disclosed in Note 42 earnings per share are calculated in accordance with IAS 33.

Provisions, contingent assets and liabilities

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and treated as contingent assets or liabilities.

Leasing Transactions

1) The Group as a lessee

Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in leasing payables.

The interest element of the finance cost is charged to the income statement over the lease period.

Operating leases

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

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NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2) *The Group as a lessor*

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

Related parties

For the purpose of the consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them, Associates and Joint Ventures are considered and referred to as related parties. On consolidation, significant related party transactions are eliminated. The remaining related party transactions which were not eliminated are disclosed in Note 9 to consolidated financial statements.

Segment reporting of results of operations

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

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NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

The Group has selected business segments as the Group’s primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise’s risks and returns. Geographical segments have not been disclosed in these consolidated financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Group in geographical areas other than Turkey are not reportable geographical segments individually when compared with the overall consolidated financial statements.

Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised (Note 14 and Note 41).

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority and are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Employee benefits/Provision for employment termination benefits

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependant on one or more factors such as age, years of service and compensation.

Akbank T.A.Ş. Tekaüt Sandığı Vakfı (the “Fund”) is a separate legal entity and a foundation recognised by an official decree, founded on the basis of Social Insurance Law, Temporary Article numbered 20, providing all qualified bank employees with pension and post retirement benefits. According to the temporary article numbered 38 of the Turkish insurance law, and the “Decree on Actuaries”, the Fund is subject to the inspection of a listed actuary. There is no technical or actual deficit in the audited financial statements of the Fund necessitating the accounting of a provision.

Temporary article 23 of the Banking Law No.5387 (new law) promulgated in the Turkish Grand National Assembly on 2 July 2005 includes the provision that requires bank pension funds to be transferred to the Social Security Institution within 3 years following the publication of the new law. In accordance with the new law, liability calculations should be made taking into account the pensions income and expenses of the fund by a commission including representatives from various institutions based on the transfer for each fund. The specified liability will be paid in annual equal installments for a period not exceeding 15 years. On the other hand, some articles of the new law including the temporary 23rd article have been vetoed by the president and have been sent back to the parliament for review.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

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NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

The relevant article lays down the calculation method of the technical interest rate to be used in the actuarial calculation and the general framework related to the transfer operations; other procedures and parameters which will form the basis of the liability calculation will be created following the commencement of the commission.

The Bank management, as of 31 December 2005, envision that the liability amount to be calculated according to the specifications in the relevant article of the new law and the current actuarial balance sheet results of the pension fund will be commensurate with the assets of the pension fund and will not bring any further burden for the Bank.

The liability to be recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The Bank does not have the legal rights to access to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan, and therefore, no assets are recognised in the balance sheet in respect of defined benefit pension plans.

The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using expected real interest rates for New Turkish lira.

Employment termination benefits

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees, completion of one year of service of the employees, employees’ being calling up for military service or death of the employees calculated in accordance with the Turkish Labour Law (Note 23.b).

Sale and repurchase agreements

In the banking segment, securities sold subject to linked repurchase agreements (“repos”) are retained in the financial statements as fair value through profit or loss, available-for-sale or held to maturity financial assets and measured in accordance with the policies used in the measuring the relevant class. Securities purchased under agreements to resell (“reverse repurchase agreements”) are recorded as loans to banks in the consolidated financial statements. The counter party liability is included in customer deposits and the difference between sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective yield method.

Securities purchased under agreements to resell (“reverse repos”) are recorded as loan to banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the reverse repo agreement using the effective yield method.

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NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Loans and advances to customers and provisions for loan impairment

Loans originated by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated and are carried at amortised cost using the effective yield method. Costs incurring due to obtaining guarantees for originated loans are not considered as transaction costs and charged to the income statement. Loans originated by providing money directly to banks such as time or demand deposits are classified as due from banks.

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

The provision made during the period is charged against the profit for the period. Loans that can not be recovered are written off and charged against the allowance for loan losses. Such loans are written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the period.

Deferred financing costs

Deferred financing costs (primarily comprising legal and other costs incurred in relation to obtaining long-term bank borrowings from financial institutions) are amortised, using the effective interest method, over the remaining life of the long-term bank borrowings.

Business combinations

In accordance with IFRS 3 “Business Combinations” all business combinations are accounted for by applying the purchase method. If the acquisition cost is higher than the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is accounted for as goodwill. Prior to the acquisition, the fair value differences of the net assets are accounted as fair value reserve in equity. Goodwill recognised in a business combination is not amortised, instead it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

If the acquisition cost is lower than the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is accounted for as income in the related period (Note 32).

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Insurance technical reserves

Unearned premiums reserve

Unearned premiums are those proportions of the premiums written in a year that relate to the period of risk subsequent to the balance sheet date for all policies with more than one year of maturity.

Claim provisions

Claims are recorded in the period in which they occur, based on reported claims or on the basis of estimates when not reported. The provision for claims outstanding is the total estimated ultimate cost of settling all claims arising from events, which have occurred up to the end of the accounting period. The provision for claims outstanding is determined according to the insurance expert’s report, or according to the initial estimations of the insured and the expert.

Life assurance provision

The life assurance provision is calculated on the basis of actuarial mortality assumptions, as approved by the Insurance Supervisory Office. The revenues obtained upon the investment activities in relation to the provisions held, are set aside as life assurance provision.

Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and currency and interest rate swap instruments are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently re-measured at their fair value. All derivative financial instruments are classified as financial assets at fair value through profit or loss. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2005. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Changes in the fair value of derivatives at fair value through profit or loss are included in the income statement.

Certain derivative transactions, while providing effective economic hedges under the risk management position, do not qualify for hedge accounting under the specific rules under IAS 39 and are therefore treated as derivatives at fair value through profit or loss and fair value gains and losses reported in the income statement.

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NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Gains and losses on forward foreign exchange contracts were calculated by valuing the contract with the spot exchange rate prevailing on the balance sheet date and comparing the amount arrived at with the original amount calculated on a straight line basis by using the spot rate prevailing at the beginning of the contracts. Gains and losses on interest rate swaps used for hedging purposes are recognised as income or expense on the same basis as the corresponding expense or income on the hedged position. Gains and losses on interest rate swaps were included in the interest income and expense as appropriate.

Foreign currency transactions

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in New Turkish lira, which is the measurement currency of Sabancı Holding.

Foreign currency transactions and balances

Income and expenses arising in foreign currencies have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into New Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the consolidated income statement.

Foreign Group companies

The results of Group undertakings using a functional currency other than New Turkish lira are translated into New Turkish lira by using the average exchange rate for the period. The assets and liabilities of such Group undertakings are translated into New Turkish lira by using the closing rate at the balance sheet date. Differences arising on retranslation of the opening net assets of such Group undertakings and differences between the average and period-end rates are included in currency translation reserve as a separate item in the shareholders' equity.

Research costs

Research costs are recognised as expense in the period in which they are incurred.

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(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Shareholders’ equity

In the restatement of shareholders’ equity items, the addition of funds formed due to hyperinflation such as revaluation value increase fund to share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders.

In the restatement of shareholders’ equity items added to share capital the capital increase registry dates or the payment dates is considered. In the restatement of share premium payment dates are considered (Note 25).

Use of estimates

The preparation of consolidated financial statements in conformity with CMB Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current event and actions, actual results ultimately may differ from those estimates. The estimates are evaluated periodically, if necessary revised and reflected in the related period’s income statement.

Reserve deposits with the Central Bank of the Republic of Turkey

Reserve deposits represent the minimum deposits maintained with the Central Bank of the Republic of Turkey (the “Central Bank”), as required by the Turkish Banking Law (“Banking Law”), calculated on the basis of customer deposits taken at the rates determined by the Central Bank. In accordance with the current legislation, the mandatory reserve deposit rates for New Turkish lira and foreign currency deposits are 6% (31 December 2005: 6%) and 11% (31 December 2005: 11%), respectively. Interest income is recognised quarterly by using the interest rates determined by the Central Bank. In addition to that, in accordance with Banking Law amounts computed on deposits by using the rates determined by the Central Bank should also be maintained in the Group’s accounts as government bonds and treasury bills. In accordance with the legal requirements, liquidity requirement rates for New Turkish lira and foreign currency denominated deposits are 4 % (31 December 2005: 4%) and 1% (31 December 2005: 1%), respectively.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

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NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents at 31 March 2006 and 31 December 2005 were as follows:

	31 March 2006	31 December 2005
Cash in hand		
- banking	901.980	859.554
- other companies	10.231	10.202
Banks - time deposits	2.327.407	2.598.640
Banks - demand deposits	270.747	292.691
Interbank money market placements	600.225	400.300
Due from reverse repo transactions	90.563	91.888
Other cash and cash equivalents	105	2.025
	4.201.258	4.255.300

Time deposits are all short-term, maturing within one year at 31 March 2006 and 31 December 2005.

Analysis of maturities at 31 March 2006 and 31 December 2005 was as follows:

	31 March 2006	31 December 2005
Repayable on demand	1.784.096	1.666.228
Up to 3 month	2.359.528	2.481.571
3 to 12 months	57.634	107.501
	4.201.258	4.255.300

The details of demand deposits unavailable for use at the balance sheet date were as follows:

	31 March 2006	31 December 2005
Regarding long term securitised borrowings	69.072	67.064
Regarding debt securities in issue	11.155	2.618
	80.227	69.682

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 5 - MARKETABLE SECURITIES

The analysis of securities at fair value through profit and loss is as follows:

	31 March 2006	31 December 2005
Government bonds denominated in foreign currency	6.023.746	5.958.594
Eurobonds	384.183	482.553
Government bonds	109.180	30.583
Treasury bills	13.987	46.133
Share certificates	6.871	18.997
	6.537.967	6.536.860

Analysis of maturities at 31 March 2006 and 31 December 2005 was as follows:

Period remaining to contractual maturity dates:

	31 March 2006			31 December 2005		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	44.772	37.781	82.553	46.056	209	46.265
3 to 12 months	56.921	5.076	61.997	87.937	38.647	126.584
1 to 5 years	6.176.412	-	6.176.412	6.142.559	-	6.142.559
Over 5 years	210.115	-	210.115	200.986	-	200.986
No maturity	-	6.890	6.890	18.997	1.469	20.466
	6.488.220	49.747	6.537.967	6.496.535	40.325	6.536.860

Period remaining to contractual repricing dates:

	31 March 2006			31 December 2005		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	3.211.014	37.781	3.248.795	2.032.380	209	2.032.589
3 to 12 months	2.068.848	-	2.068.848	3.183.960	38.647	3.222.607
1 to 5 years	991.372	-	991.372	1.060.212	-	1.060.212
Over 5 years	210.115	-	210.115	200.986	-	200.986
No maturity	6.871	11.966	18.837	18.997	1.469	20.466
	6.488.220	49.747	6.537.967	6.496.535	40.325	6.536.860

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 6 - FUNDS BORROWED, BORROWINGS AND DEBT SECURITIES IN ISSUE

Short-term funds borrowed, bank borrowings and debt securities in issue:

	31 March 2006	31 December 2005
Short-term	6.529.538	5.945.359
Short-term portion of long term	334.258	230.329
	6.863.796	6.175.688

Long-term funds borrowed, bank borrowings and debt securities in issue:

Long-term	3.399.599	3.519.917
	10.263.395	9.695.605

The maturity schedule at 31 March 2006 and 31 December 2005 are summarised below:

	31 March 2006	31 December 2005
Up to 3 months	3.247.659	2.246.285
3 to 12 months	3.616.137	3.929.402
1 to 5 year	2.392.023	2.426.379
Over 5 year	1.007.576	1.093.539
	10.263.395	9.695.605

The maturity schedule of long term borrowing at 31 March 2006 and 31 December 2005 are summarised below:

Year	31 March 2006	31 December 2005
2007	351.914	365.625
2008	895.179	868.047
2009	626.029	675.897
2010	518.901	516.808
2011 and after	1.007.576	1.093.540
	3.399.599	3.519.917

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 6 - FUNDS BORROWED, BORROWINGS AND DEBT SECURITIES IN ISSUE (Continued)

The repricing schedule of borrowings at 31 March 2006 and 31 December 2005 are summarised below:

	31 March 2006	31 December 2005
Up to 3 months	7.330.587	6.949.673
3 to 12 months	2.444.939	2.093.234
1 to 5 years	482.400	647.370
Over 5 years	5.469	5.328
	10.263.395	9.695.605

NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

Short-term and long-term trade receivables:

	31 March 2006	31 December 2005
Trade receivables	1.542.713	1.408.001
Notes and cheques receivable	116.071	134.285
	1.658.784	1.542.286
Less: allowance for doubtful accounts	(26.317)	(15.627)
	1.632.467	1.526.659

Short-term and long-term trade payables:

	31 March 2006	31 December 2005
Trade payables	1.097.314	1.117.344
Notes payable	271	268
	1.097.585	1.117.612

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NOTE 8 - LEASE RECEIVABLES AND LEASE PAYABLES

Lease receivables at 31 March 2006 (*) are summarized below.

	31 March 2006	31 December 2005
Gross investment in finance leases	341.022	305.055
Less: unearned finance income	(50.209)	(45.610)
Net investment in finance leases	290.813	259.445

Lease receivables are originated rent amounts in agreement terms. The maturity schedule of receivables is summarized below.

	31 March 2006	31 December 2005
2006	113.710	122.576
2007	99.120	80.866
2008	56.025	41.265
2009	18.599	12.276
2010	3.359	2.462
	290.813	259.445

(*) Finance lease receivables at 31 March 2006 and 31 December 2005 are related to Ak Finansal Kiralama A.Ş., a subsidiary of Ak Uluslararası.

Lease payables at 31 March 2006 and 31 December 2005 are summarized below.

	31 March 2006	31 December 2005
Lease payables		
- Current	7.085	8.500
- Non-current	4.507	-
	11.592	8.500

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NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES

Due from related parties:

	31 March 2006	31 December 2005
Brisa	15.245	2.387
Oysa	11.017	1.118
Akçansa	3.922	3.284
Carrefoursa	3.071	2.593
Olmuksa	1.661	427
Diasa	786	849
Beksa	727	716
Dönkasan	9	36
Other	6.967	8.205
	43.405	19.615

Due to related parties:

	31 March 2006	31 December 2005
Brisa	5.424	5.522
Olmuksa	1.397	1.455
Akçansa	301	127
Beksa	52	75
Carrefoursa	5	754
Other	1.966	466
	9.145	8.399

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other current/non-current receivables:

	31 March 2006	31 December 2005
Deductible Value Added Tax (“VAT”)	66.408	49.061
Receivables from credit cards payments	7.579	11.364
Job advances given	4.394	2.431
Other	390.350	211.009
	468.731	273.865

Other current/non-current payables:

	31 March 2006	31 December 2005
Payables related to credit card transactions	534.030	536.835
Other taxes and funds	206.315	113.899
Unearned commission income	82.236	42.792
Bonus liability to credit card customers	72.877	75.857
Import deposits and transfer orders	62.796	20.176
Due to personnel	25.575	28.203
Payment orders to correspondent banks	15.533	27.848
Saving deposits insurance	7.007	6.900
Other	548.912	326.573
	1.555.281	1.179.083

NOTE 11 - BIOLOGICAL ASSETS

None (31 December 2005: None).

NOTE 12 - INVENTORIES

	31 March 2006	31 December 2005
Raw materials and supplies	430.192	380.324
Semi-finished goods	109.106	87.417
Finished goods and merchandise	506.626	432.759
	1.045.924	900.500

NOTE 13 - RECEIVABLES FROM CONSTRUCTION CONTRACTS WORK IN PROGRESS AND CONSTRUCTION CONTRACTS PROGRESS BILLINGS

None (31 December 2005: None).

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

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NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Accounting Standards and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Accounting Standards and tax purposes, and from investment incentives and carry forward tax losses.

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20% (31 December 2005: 30%).

The analysis of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 31 March 2006 and 31 December 2005 using the enacted tax rates were as follows:

	<u>31 March 2006</u>		<u>31 December 2005</u>	
	Cumulative temporary difference	Deferred tax assets / (liabilities)	Cumulative temporary difference	Deferred tax assets / (liabilities)
Deferred tax assets:				
Difference between tax base and carrying value of:				
- Property, plant and equipment	(50.741)	10.732	(62.872)	18.861
- Inventories	(22.354)	4.980	(32.727)	8.280
Investment allowances	(954.756)	108.377	(1.029.166)	120.250
Tax losses carried forward	(325.854)	91.440	(252.470)	75.805
Provision for loan losses	(189.910)	38.474	(177.095)	53.128
Provision for employment termination benefits	(123.586)	27.896	(120.650)	35.689
Unearned interest income	(3.830)	766	(5.136)	1.556
Other temporary differences	(167.464)	41.982	(139.175)	42.038
Deferred tax assets		324.647		355.607
Deferred tax liabilities:				
Difference between tax base and carrying value of:				
- Property, plant and equipment	730.734	(165.538)	726.134	(204.436)
- Inventories	2.995	(599)	1.751	(525)
Valuation difference on investment securities	38.051	(7.610)	56.478	(16.937)
Reversal of country risk provision	78.553	(31.421)	76.826	(30.731)
Deferred finance charges	16.360	(4.706)	16.484	(4.945)
Other temporary differences	142.571	(36.520)	44.118	(13.827)
Deferred tax liabilities		(246.394)		(271.401)
Deferred tax assets - net		78.253		84.206

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NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets	31 March 2006	31 December 2005
Deferred tax assets to be recovered after more than 12 months	257.019	280.462
Deferred tax assets to be recovered within 12 months	67.628	75.145
	324.647	355.607

Deferred tax liabilities	31 March 2006	31 December 2005
Deferred tax liabilities to be recovered after more than 12 months	198.474	214.029
Deferred tax liabilities to be recovered within 12 months	47.920	57.372
	246.394	271.401

The movements in deferred tax assets for the years ended at 31 March 2006 were as follows:

	31 March 2006
Balances at 1 January	84.206
Tax charge to equity relating to available for sale financial assets	27.621
Change in the scope of consolidation	-
Currency translation differences	4.872
Credited to income statement	(38.446)
Balance at 31 March	78.253

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

	31 March 2006	31 December 2005
Other Current/Non-Current Assets		
Prepaid expenses	72.202	47.003
	72.202	47.003
Other Current/Non-Current Liabilities		
Expense accruals	151.981	157.035
	151.981	157.035

NOTE 16 - FINANCIAL ASSETS

a) Securities available-for-sale:

	31 March 2006	31 December 2005
Debt securities		
- Government bonds	8.669.403	11.373.387
- Government bonds denominated in foreign currency	3.232.569	3.410.951
- Eurobonds	685.993	658.108
- Treasury bills	645.941	202.356
- Mutual Funds	44.794	53.914
	13.278.700	15.698.716
Equity securities		
- Listed	21.447	82.550
- Unlisted	29.683	30.379
	51.130	112.929
Total securities available-for-sale	13.329.830	15.811.645

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

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NOTE 16 - FINANCIAL ASSETS (Continued)

Analysis of maturities at 31 March 2006 and 31 December 2005 were as follows:

Period remaining to contractual repricing dates for available-for-sale securities:

	31 March 2006			31 December 2005		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	3.236.858	5.928	3.242.786	3.044.761	15.807	3.060.568
3 to 12 months	8.019.738	124.422	8.144.160	7.805.444	110.340	7.915.784
1 to 5 years	1.670.888	54.928	1.725.816	4.410.631	77.420	4.488.051
Over 5 years	120.748	-	120.748	193.149	-	193.149
No maturity	27.312	69.008	96.320	88.371	65.722	154.093
	13.075.544	254.286	13.329.830	15.542.356	269.289	15.811.645

Period remaining to contractual maturity dates for available-for-sale securities:

	31 March 2006			31 December 2005		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	1.765.396	5.929	1.771.325	305.904	3.056	308.960
3 to 12 months	6.840.849	124.421	6.965.270	6.707.667	110.341	6.818.008
Current	8.606.245	130.350	8.736.595	7.013.571	113.397	7.126.968
1 to 5 years	4.321.239	54.926	4.376.167	8.247.265	77.420	8.324.685
Over 5 years	120.750	-	120.750	193.149	-	193.149
No maturity	27.310	69.008	96.318	88.371	78.472	166.843
Non-current	4.469.299	123.936	4.593.235	8.528.785	155.892	8.684.677
	13.075.544	254.286	13.329.830	15.542.356	269.289	15.811.645

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated.)

NOTE 16 - FINANCIAL ASSETS (Continued)

The breakdown of available-for-sale equity securities at 31 March 2006 was as follows:

Listed	Share (%)	Carrying amount	Business
Ak Yatırım Ortaklığı A.Ş. (*)	45,62	18.188	Investment management
Others		3.259	
		21.447	

Unlisted	Share (%)	Carrying amount	Business
Liman İşletmeleri Nakliyat ve Tic. A.Ş.	15,00	8.358	Vessel transportation
Ak Portföy Yönetimi A.Ş. (**)	99,00	3.591	Portfolio management
Others		17.734	
		29.683	

(*) The Group owns 45,62% of the shares of Ak Yatırım Ortaklığı A.Ş. Due to the insignificance of the financial impact on the net worth, financial position and results of Sabancı Holding, Ak Yatırım Ortaklığı A.Ş. was not accounted by equity method of accounting and carried at cost less provision for diminution in value at 31 March 2006 and 31 December 2005.

(**) The Group owns 99,99% of the shares of Ak Portföy Yönetimi A.Ş. Due to the insignificance of the financial impact on the net worth, financial position and results of Sabancı Holding, Ak Portföy Yönetimi A.Ş. was not accounted by equity method of accounting and carried at cost less provision for diminution in value at 31 March 2006 and 31 December 2005.

The breakdown of available-for-sale equity securities at 31 December 2005 is as follows:

Listed	Share (%)	Carrying amount	Business
Türkiye Sınai Kalkınma Bankası A.Ş.	6,45	59.312	Investment banking
Ak Yatırım Ortaklığı A.Ş. (*)	45,62	19.976	Investment management
Others		3.262	
		82.550	

Unlisted	Share (%)	Carrying amount	Business
Liman İşletmeleri Nakliyat ve Tic. A.Ş.	15,00	8.358	Vessel transportation
Ak Portföy Yönetimi A.Ş. (**)	99,99	3.591	Portfolio management
Others		18.430	
		30.379	

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

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NOTE 16 - FINANCIAL ASSETS (Continued)

b) Securities held-to-maturity:

	31 March 2006	31 December 2005
Debt securities		
- Treasury bills denominated in foreign currency	132.515	152.724
- Government bonds denominated in foreign currency	115.888	120.421
- Government bonds	16.653	6.414
- Treasury bills	11.074	21.256
- Bonds denominated in foreign currency	249	480.521
	276.379	781.336

Period remaining to contractual maturity dates for held-to-maturity securities:

	31 March 2006			31 December 2005		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	14.137	-	14.137	31.071	-	31.071
3 to 12 months	20.595	7.679	28.274	498.295	7.445	505.740
Current	34.732	7.679	42.411	529.366	7.445	536.811
1 to 5 years	152.498	-	152.498	163.025	-	163.025
Over 5 years	81.470	-	81.470	81.500	-	81.500
Non-current	233.968	-	233.968	244.525	-	244.525
	268.700	7.679	276.379	773.891	7.445	781.336

Period remaining to contractual repricing dates for held-to maturity securities:

	31 March 2006			31 December 2005		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	17.174	-	17.174	34.130	-	34.130
3 to 12 months	17.559	7.679	25.238	495.236	7.445	502.681
1 to 5 years	152.497	-	152.497	163.025	-	163.025
Over 5 years	81.470	-	81.470	81.500	-	81.500
	268.700	7.679	276.379	773.891	7.445	781.336

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NOTE 16 - FINANCIAL ASSETS (Continued)

c) Investment in associates

	31 March 2006	Share(%)	31 December 2005	Share(%)
Philsa	92.433	25,00	96.216	25,00
Philip Morrissa	14.394	24,75	18.749	24,75
	106.827		114.965	

Income from associates was as follows:

	31 March 2006	31 March 2005
Philsa	24.233	11.282
Philip Morrissa	8.040	6.304
	32.273	17.586

The summary of the financial statements of the associates' financials at are as follows:

	31 March 2006		31 December 2005	
	Total assets	Total liabilities	Total assets	Total liabilities
Philsa	882.283	512.552	892.089	507.226
Philip Morrissa	220.739	162.582	342.072	266.317
	1.103.022	675.134	1.234.161	773.543

Sales revenue:

	31 March 2006	31 March 2005
Philsa	1.245.896	1.054.553
Philip Morrissa	1.427.541	1.123.788
	2.673.437	2.178.341

Net income:

	31 March 2006	31 March 2005
Philsa	89.224	37.707
Philip Morrissa	31.710	24.124
	120.934	61.831

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NOTE 17 - GOODWILL / NEGATIVE GOODWILL (NET)

The movements in goodwill for the year ended 31 March 2006 is as follows:

	Goodwill	Negative Goodwill
1 January 2006	290.968	-
Currency translation difference	(1.216)	-
31 March 2006	289.752	-

The movement in goodwill and negative goodwill for the year ended 31 March 2005 is as follows:

	Goodwill	Negative goodwill
1 January 2005	176.162	(14.595)
Application of IFRS 3	-	14.595
Currency translation difference	(4.204)	-
31 March 2005	176.162	-

NOTE 18 - INVESTMENT PROPERTY (NET)

Cost	1 January 2006	Additions	Disposals	Transfers	31 March 2006
Land	88.266	-	-	-	88.266
Buildings	229.628	-	-	-	229.628
	317.894	-	-	-	317.894
Accumulated depreciation					
Buildings	26.929	1.319	-	-	28.248
Net book value	290.965				289.646

Cost	1 January 2005	Additions	Disposals	Transfers	31 March 2005
Land	119.548	367	(61)	-	119.85
Buildings	253.497	714	-	(937)	253.27
	373.045	1.081	(61)	(937)	373.12
Accumulated depreciation					
Buildings	36.317	1.560	-	-	37.87
Net book value	336.728				335.25

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (NET)

Cost	1 January 2006	Exchange rate difference	Additions	Disposals	31 March 2006
Land and land improvements	317.292	193	1.306	(148)	318.643
Buildings	2.012.984	540	7.005	(7.949)	2.012.580
Machinery and equipment	4.789.845	713	33.387	(22.768)	4.801.177
Motor vehicles	136.140	14	970	(4.261)	132.863
Furniture and fixtures	1.357.827	249	4.272	(12.938)	1.349.410
	8.614.088	1.709	46.940	(48.064)	8.614.673
Construction in progress	181.395	389	14.049	-	195.833
	8.795.483	2.098	60.989	(48.064)	8.810.506
Accumulated depreciation					
Land and land improvements	64.485	9	1.722	-	66.216
Buildings	669.397	(62)	14.500	(6.681)	677.154
Machinery and equipment	2.717.262	(3.159)	58.604	(20.729)	2.751.978
Motor vehicles	103.938	(5)	2.603	(3.763)	102.773
Furniture and fixtures	1.005.051	172	28.435	(10.398)	1.023.260
	4.560.133	(3.045)	105.864	(41.571)	4.621.381
Net book value	4.235.350				4.189.125

At 31 March 2006 there are mortgages amounting to YTL 31.343 (31 December 2005: YTL 31.338) on buildings as security for bank borrowings and due to regulatory requirements.

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (NET) (Continued)

Cost	1 January 2005	Exchange rate difference	Additions	Disposals	Change in the scope of consolidation	Transfer	31 March 2005
Land and land improvements	345.225	(183)	3.126	(772)	-	-	347.396
Buildings	1.948.840	(908)	30.137	(10.088)	10.341	(81.023)	1.897.299
Machinery and equipment	4.352.557	8.758	53.172	(106.623)	-	-	4.487.864
Motor vehicles	127.828	(17)	1.887	(2.476)	-	-	127.222
Furniture and fixtures	1.194.714	(189)	6.887	(6.353)	11.709	81.960	1.288.728
	8.149.164	7.461	95.209	(126.312)	22.050	937	8.148.509
Construction in progress	193.899	(133)	71.033	(70.771)	1.278	-	195.306
	8.343.063	7.328	166.242	(197.083)	23.328	937	8.343.815
Accumulated depreciation							
Land and land improvements	59.147	(38)	1.677	(35)	-	-	60.751
Buildings	670.025	(423)	14.293	(3.569)	2.086	(36.598)	645.814
Machinery and equipment	2.703.931	8.470	54.554	(99.839)	-	-	2.667.116
Motor vehicles	102.456	(5)	2.057	(1.670)	-	-	102.838
Furniture and fixtures	897.858	(188)	34.255	(4.202)	6.469	36.598	970.790
	4.433.417	(7.816)	106.836	(109.315)	8.555	-	4.447.309
Net book value	3.909.646						3.896.596

At 31 March 2005 there are mortgages amounting to YTL 67.079 (31 December 2004: YTL 134.243) on buildings as security for bank borrowings and due to regulatory requirements.

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (NET) (Continued)

As disclosed in the summary of significant accounting policies, where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

NOTE 20 - INTANGIBLE ASSETS

	31 March 2006	31 December 2005
Cost	311.421	299.047
Accumulated depreciation	(112.290)	(99.782)
	199.131	199.265

NOTE 21 - ADVANCES RECEIVED

	31 March 2006	31 December 2005
Advances received from customers	12.148	29.491

NOTE 22 - RETIREMENT PLANS

As disclosed in Note 3 to the consolidated financial statements, Akbank T.A.Ş. Tekait Sandığı Vakfi (the “Fund”) is a separate legal entity and a foundation recognised by an official decree, founded on the basis of Social Insurance Law, Temporary Article numbered 20, providing all qualified bank employees with pension and post retirement benefits. According to the temporary article numbered 38 of the Turkish insurance law, and the “Decree on Actuaries”, the Fund is subject to the inspection of a listed actuary. There is no technical or actual deficit in the audited financial statements of the Fund necessitating the accounting of a provision.

NOTE 23 - PROVISIONS

a) Income taxes payable

	31 March 2006	31 December 2005
Corporation and income taxes currently payable	128.705	792.376
Less: prepaid taxes	(6.714)	(558.514)
Total taxes payable	121.991	233.862

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

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NOTE 23 – PROVISIONS (Continued)

Draft Corporate Tax Code reducing the corporate tax rate from 30% to 20% is being negotiated in the Turkish Parliament Planning and Budget Commission. In case of the Draft Tax Code to pass into law, corporate tax rate for the assessment periods beginning from 1 January 2006 will be 20%. Thus, provision for corporate tax for the period ended as at 31 March 2006 has been calculated and reflected to the financial statements at the rate of 20% (2005: 30%).

Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8 % on the investment incentive allowance utilised within the scope of the Income Tax Law Transitional Article 61.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 30% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (TURKSTAT WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled in the year 2005.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

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NOTE 23 – PROVISIONS (Continued)

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those related to Sabancı Holding are as follows:

Exemption for Participation in Subsidiaries

Dividend income from participation in shares of capital of another full fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

Exemption for Participation into Foreign Subsidiaries

The participation income of corporations participating in 25% or more of the capital of a limited liability or joint stock company which does not have its legal or business centre in Turkey (except for corporations whose principal activity is financial leasing or investment of marketable securities) for at least two continuous years until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries are subject to corporate income tax, or alike, in their country of legal or business centre at the rate of at least 20% (at corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance) and 75% of the income generated consists of commercial, agricultural or independent professional service income.

Exemption for Income Generated from Foreign Offices and Permanent Representatives

The income of corporations arising from their offices or permanent representatives abroad are exempt from corporate income tax provided that the foreign office or permanent representative must be subject to corporate income tax, or alike, in the country it is located at the rate of at least 20% (this rate is applied as the corporate income tax rate applicable in Turkey at the minimum for those companies whose core business is financial assurance or insurance), and 75% of the income generated must consist of commercial, agricultural or independent professional service income, and the income must be transferred to Turkey until the end of the third month following the date of filing of the corporate income tax return of the fiscal year in which the income is generated.

Participation Exemption and Reduced Dividend Withholding Tax Rate for Holding Companies

The participation income of full tax resident Joint Stock Companies (“JSC”) in Turkey are exempt from corporate income tax assuring that the JSC must held the shares of the subsidiary, for at least 2 continuous years as at the date the income is generated, and 75 % or more of the total assets of the JSC comprise of participation in 25% or more of the capital of the limited or joint stock companies (except from those whose core business is financial leasing or security investment), whose legal or business centre is located abroad, and the participation income constitute 75 % or more of the corporate income of the JSC and, the subsidiary must be subject to corporate income tax, or alike, in its country of legal or business centre at the rate of at least 20% (this rate is applied as the corporate income tax rate applicable in Turkey at the minimum for those companies whose core business is financial assurance or insurance), and 75% of the income generated must consist of commercial, agricultural or independent professional service income, and the participation income is transferred to Turkey until the date of filing of the corporate income tax return of the fiscal year in which the income is generated.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

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NOTE 23 - PROVISIONS (Continued)

Exemption for sale of participation shares and property

Profit of corporations’ from sale of participation shares and property which have been in their assets at least for two years is exempt from corporate tax provided that they are added to corporations’ share capital until the end of second calendar year following the year in which sale was realised.

On the other hand, the condition of adding this profit to share capital is not required for corporations other than full fledged taxpayer corporations and non-resident taxpayer corporations and these profits are accounted under special reserves. In the event that these profits added to share capital or accounted under special reserves are withdrawn from the entity in any means, transferred to abroad by non-resident taxpayer corporations or the entity liquidates (except by take over, merger and demerger) within five years, those profits are considered as profits regarding that year and are subject to corporate tax.

Exemption for investment allowance

Effective from January 1, 2006, investment allowance opportunity is repealed by the Turkish Tax Law No:5479.

However, it has been allowed for the income and corporate taxpayers to deduct the investment incentive allowance amounts for the investment expenditures incurred as of 31 December 2005, not yet deductible due to insufficient earnings and for the investment expenditures incurred after 31 December 2005 for the investments commenced before this date, but not completed yet, in a three-year transition period until 31 December 2008 under certain conditions.

- Investment incentive allowance amounts present as of 31.12.2005 but non-deductible from 2005 earnings (allowances subject to the deductions or to %40 rate)

- Investment incentive allowance amounts, calculated at the rate of %19.8 according to the provisions of the legislation in effect at the date of 31 December 2005, for the investments commenced before 1 January 2006 under the scope of the investment incentive certificates issued upon the applications made before 24 April 2003.

- Investment incentive allowance amounts, calculated at the rate %40 according to the provisions of the legislation in effect at the date of 31 December 2005 for the investment expenditures incurred after 1 January 2006 constituting an integrity economically and technically with the investments initiated before 1 January 2006 within the scope of Article 19 of the Income Tax Code before it was annulled with this Law

Accordingly, these investment incentive allowance amounts are deductible from the earnings pertaining to only 2006, 2007 and 2008 under the scope of the provisions of the legislation in effect at the date of 31 December 2005 (Including %30 corporate tax rate)

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NOTE 23 - PROVISIONS (Continued)

b) Provision for employment termination benefits

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement. At 31 March 2006 the amount payable consists of one month’s salary limited to a maximum of YTL 1.770,63 (31 December 2005: YTL 1.727,15) for each year of service.

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

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

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

IAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company’s defined benefit plan and legal framework in which those companies operate.

The movements in the reserve for employment termination benefits for the periods ended 31 March 2006 and 2005 were as follows:

	31 March 2006	31 March 2005
Balances at 1 January	142.373	124.925
Business combinations	-	2.652
Payments during the period	(6.800)	(8.258)
Charge for the year	11.705	10.861
Balances at 31 March	147.278	130.180

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NOTE 24 - MINORITY INTEREST

	31 March 2006	31 March 2005
Balances at 1 January	4.856.918	4.693.824
Effect of change in the effective rate of subsidiaries	727	(6.278)
Effect of change in the scope of consolidation of subsidiaries	-	380
Dividends paid	(345.709)	(316.214)
Currency translation difference	4.166	(2.422)
Available for sale investments, net fair value change, net of tax	(42.769)	18.190
Net income for the period	383.304	244.156
Balances at 31 March	4.856.637	4.631.636

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

Sabancı Holding’s authorised and issued capital consists of 180.000.000.000 (31 December 2005: 180.000.000.000) shares of YKr 1 each. Sabancı Holding’s authorised and paid-in share capital and shareholding structure at 31 March 2006 and 31 December 2005 were as follows:

Shareholders:	Share (%)	31 March 2006	Share (%)	31 December 2005
Sabancı family members	58,37	1.050.594	58,37	1.050.594
Public quotation	25,20	453.686	25,20	453.686
Sakıp Sabancı Holding A.Ş.	14,81	266.578	14,81	266.578
Sabancı University	1,62	29.142	1,62	29.142
Share capital		1.800.000	100,00	1.800.000
Share premium		21.670		21.670

On 14 March 2006 upon the approval of the Board of Directors, Sabancı Holding purchased all of 189 usufruct shares from Sabancı Family members.

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NOTE 26 - CAPITAL RESERVES

The inflation adjusted amounts and the inflation adjustment differences of the items in shareholders’ equity which are presented in the accompanying financial statements at their statutory amounts are as follows:

31 March 2006	Historical amount	Restated amount	Restatement difference
Share capital	1.800.000	5.226.761	3.426.761
Share premium	21.670	300.122	278.452
Legal reserves	76.136	159.239	83.103
Extraordinary reserves	567.538	663.143	95.605
	2.465.344	6.349.265	3.883.921

31 December 2005	Historical amount	Restated amount	Restatement difference
Share capital	1.800.000	5.226.761	3.426.761
Share premium	21.670	300.122	278.452
Legal reserves	76.136	159.239	83.103
Extraordinary reserves	567.538	663.143	95.605
	2.465.344	6.349.265	3.883.921

NOTE 27 - PROFIT RESERVES

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

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

Dividend distribution is made by the Holding in Turkish lira in accordance with its Articles after deducting taxes and setting aside the legal reserves as discussed above. In accordance with the Articles, dividends may also be paid to the Board of Directors of the Holding in amounts of up to 4% and to Vaksa in the amount of 3%, in each case, of the distributable profits remaining after deducting taxes, legal reserves and the first dividend. On 14 March 2006 upon the approval of the Board of Directors, Sabancı Holding purchased all of 189 usufruct shares from Sabancı Family members.

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NOTE 27 - PROFIT RESERVES (Continued)

Public companies distribute dividends according to CMB regulations as follows:

In accordance with Communiqué XI/25, effective from 1 January 2004, companies are obliged to distribute at least 30% of their distributable profit, which is calculated based on the financial statements prepared in accordance with IFRS. Based on the decision of the General Assembly, the distribution of a minimum of 30% of the distributable profit can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. The income of the Subsidiaries, Joint Ventures and Associated companies of the Holding will not be taken into consideration in the calculation of dividends of the parent company, if they have not declared dividends in their general assemblies.

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders’ equity such as share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical amounts. The difference between the inflated and historical amounts of these items is presented in shareholders’ equity in total as restatement difference.

Restatement difference of shareholders’ equity can only be netted off against prior years’ losses and used as an internal source in capital increase where extraordinary reserves can be netted off against prior years’ losses, used in distribution of bonus shares and distribution of dividends to shareholders.

In accordance with the above explanation, the composition of the Holding’s shareholders’ equity, which is considered as the basis for profit distribution is as follows:

	31 March 2006	31 December 2005
Capital	1.800.000	1.800.000
Share premium	21.670	21.670
Legal reserves	76.136	76.136
Extraordinary reserves	567.538	567.538
Shareholders’ equity restatement difference	3.883.921	3.883.921
Net income	189.928	689.765
Retained earnings	437.461	17.021
Total shareholders’ equity subject to dividend distribution	6.976.654	7.056.051
Translation reserve	(353.342)	(361.560)
Revaluation reserve	12.455	12.455
Fair value reserve	64.386	92.213
Shareholders’ equity per consolidated financial statements	6.700.153	6.799.159

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NOTE 28 - RETAINED EARNINGS

	31 March 2006
Balance at 1 January 2006	17.021
Transfer of net income of 2005 to retained earnings	689.765
Purchase of usufruct shares	(269.325)
Balance at 31 March 2006	437.461

NOTE 29 - FOREIGN CURRENCY POSITION

Foreign currency denominated financial assets and liabilities held by the Group before consolidation eliminations at 31 March 2006 and 31 December 2005 were as follows:

	31 March 2006	31 December 2005
Assets	25.621.127	25.304.424
Liabilities	(26.480.910)	(26.118.652)
Net foreign currency position	(859.783)	(814.228)

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NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

	31 March 2006				
	USD	EUR	GBP	Other	Total
Cash and due from banks	2.079.285	1.169.720	151.654	24.340	3.424.999
Trading securities	5.694.342	713.588	-	-	6.407.930
Derivative financial instruments	7.357	2.235	6.087	223	15.902
Reserve deposits at Central Bank-	1.324.777	-	-	1.324.777	
Loans and advances to customers - net	5.673.626	3.562.110	42.516	65.766	9.344.018
Investment securities	3.508.584	591.321	77.061	-	4.176.966
Trade receivables	196.699	498.425	86.590	33.110	814.824
Other receivables	73.475	17.661	16.762	3.813	111.711
Total foreign currency denominated assets	17.233.368	7.879.837	380.670	127.252	25.621.127
Funds borrowed, bank borrowings and debt securities in issue	9.022.234	1.862.641	40.958	11.520	10.937.353
Customer deposits	8.254.909	5.696.622	661.656	150.048	14.763.235
Derivative financial instruments	20.968	1.096	10.966	321	33.351
Trade payables	94.794	234.523	74.628	62.013	465.958
Other payables	160.132	69.079	45.309	6.493	281.013
Total foreign currency denominated liabilities	17.553.037	7.863.961	833.517	230.395	26.480.910
Net balance sheet position	(319.669)	15.876	(452.847)	(103.143)	(859.783)
	31 December 2005				
	USD	EUR	GBP	Other	Total
Cash and due from banks	1.770.368	1.372.953	217.502	33.872	3.394.695
Trading securities	5.638.279	802.868	-	-	6.441.147
Derivative financial instruments	4.863	1.020	5.991	254	12.128
Reserve deposits at Central Bank	-	1.190.957	-	-	1.190.957
Loans and advances to customers	5.160.374	3.353.073	57.515	2.013	8.572.975
Investment securities	4.155.071	572.988	76.675	20.536	4.825.270
Trade receivables	192.583	465.722	77.651	29.975	765.931
Other receivables	64.877	13.810	16.263	6.371	101.321
Total foreign currency denominated assets	16.986.415	7.773.391	451.597	93.021	25.304.424
Funds borrowed, bank borrowings and debt securities in issue	8.388.164	1.826.117	126.724	10.852	10.351.857
Customer deposits	8.193.099	5.955.814	630.961	161.174	14.941.048
Derivative financial instruments	39.823	19.373	10.862	222	70.280
Trade payables	131.187	305.037	73.016	30.737	539.977
Other payables	122.507	59.636	30.111	3.236	215.490
Total foreign currency denominated liabilities	16.874.780	8.165.977	871.674	206.221	26.118.652
Net balance sheet position	111.635	(392.586)	(420.077)	(113.200)	(814.228)

NOTE 30 - GOVERNMENT GRANTS

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

None (31 December 2005: None).

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

	31 March 2006	31 December 2005
Letters of guarantee issued	2.361.650	2.227.769
Foreign currency acceptance credits	775.329	838.159
Letter of credits	53.590	49.179
	3.190.569	3.115.107

Commitments for resale and repurchase of debt securities:

Commitments for resale and repurchase of debt securities (government bonds, treasury bills and Eurobonds) at 31 March 2006 and 31 December 2005 were as follows:

	31 March 2006	31 December 2005
Repurchase commitments	3.615.683	5.489.288
Resale commitments	111.690	91.885

Commitments to forward currency purchase / sale and swap transactions:

	31 March 2006	31 December 2005
Forward currency purchases		
YTL	7.516	410
USD	93.923	204.377
EUR	381.119	718.182
JPY	22.752	43.380
GBP	398.189	339.685
	903.499	1.306.034
Forward currency sales		
YTL	65.625	27.862
USD	627.594	983.941
EUR	139.016	214.420
JPY	22.866	95.137
GBP	53.523	48.755
	908.624	1.370.115

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 March 2006	31 December 2005
Currency swap purchases		
USD	1.181.894	857.195
EUR	1.167.829	816.540
GBP	250.971	265.462
CHF	12.126	17.777
Other	87.081	83.721
	2.699.901	2.040.695
Currency swap sales		
USD	1.174.661	832.273
GBP	10.995	8.296
EUR	1.536.454	1.216.265
	2.722.110	2.056.834
Interest rate swap purchases		
USD	305.560	326.729
EUR	461.077	315.649
GBP	373.472	323.694
JPY	-	13.680
	1.140.109	979.752
Interest rate swap sales		
USD	305.560	320.154
EUR	461.077	315.649
GBP	373.472	323.694
JPY	-	20.520
	1.140.109	980.017
Spot purchases	199.817	78.170
Spot sales	199.992	78.319
Commitments - Other companies		
Letters of guarantee given	490.981	729.677
Other guarantees given	97.973	43.810
	588.954	773.487

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 32 - BUSINESS COMBINATIONS

Summary of business combination in 2006 was as follows:

Diasa Dia Sabancı Supermarketleri Ticaret A.Ş. purchased 65.05% of shares of Endi Tüketim Malları Ticaret ve Sanayi A.Ş. with nominal value of YTL 26.021.257,44, from Gima in consideration of USD 13.010.629 on 24 January 2006.

Summary of business combinations in 2005 were as follows:

Akbank, a subsidiary of Sabancı Holding, acquired 60% of shares of its prior associate Ak Uluslararası Bankası A.Ş. (formerly named BNP Ak Dresdner Bank A.Ş.) from the foreign shareholders in consideration of YTL 64.337 on 9 March 2005. The excess of the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost of acquisition amounted to YTL 24.968 and was credited to other operating income. The net income of Ak Uluslararası Bankası A.Ş. for the period between 9 March 2005 and 31 December 2005 is YTL 24.076. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Loans and advances to customers	239.223
Financial assets	201.087
Property plant and equipment, net	12.983
Other assets	8.533
Customer deposits	(8.288)
Other borrowed funds and debt securities issued	(290.942)
Other liabilities	(10.426)
<hr/>	
Total net assets	152.170
Net assets owned by Holding before acquisition	(82.305)
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Total net assets acquired	69.865
Less: cost of acquisition	(44.897)
<hr/>	
Excess recognised in the statement of income	(24.968)

Sabancı Industrial Nylon Yarn, a subsidiary of Sabancı Holding, acquired 50% of shares of Kordsa LLC from E.I. du Pont de Nemours and Company (“Dupont”), a joint venturer of Kordsa LLC, in consideration of YTL 133.349 on 30 April 2005. The excess of Sabancı Industrial Nylon Yarn’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost of acquisition amounted to YTL 52.269 and was credited to other operating income. The net income of Kordsa LLC for the period between 30 April 2005 and 31 December 2005 is YTL 9.650. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 32 - BUSINESS COMBINATIONS (Continued)

Trade receivable	67.516
Inventories	63.684
Property plant and equipment, net	223.180
Intangible assets,-net	10.176
Other assets	44.558
Financial liabilities	(97.255)
Trade payables	(53.868)
Other liabilities	(72.374)
Total net assets	185.617
Less: cost of acquisition	(133.349)
Excess recognised in statement of income	(52.268)

Sabancı Industrial Nylon Yarn, a subsidiary of Sabancı Holding, acquired 90,32% of shares of Cobafi from Acordis/Diolen in consideration of YTL 21.320 on 13 May 2005. The excess of Sabancı Industrial Nylon Yarn’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost amounted to YTL 10.449 and was credited to other operating income. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Trade receivables	7.796
Inventory	23.758
Property plant and equipment, net	19.982
Other assets	15.223
Financial liabilities	(18.780)
Trade payables	(3.431)
Other liabilities	(12.779)
Total net assets	31.769
Less: cost of acquisition	(21.320)
Excess recognised in statement of income	(10.449)

Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş., a joint venture of Sabancı Holding, acquired 65,33% of shares of Gima Gıda ve İhtiyaç Maddeleri T.A.Ş. and 34,95% of Endi Tüketim Malları Ticaret ve Sanayi A.Ş. (“Endi”) from Fiba Holding A.Ş.in consideration of YTL 72.192 on 13 July 2005. The amount of goodwill arising as a result of this transaction amounted to YTL 94.884. The total net income of the acquirees amounted to YTL 11.090 for the period between 13 July 2005 and 31 December 2005. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 32 - BUSINESS COMBINATIONS (Continued)

Inventory	9.029
Property plant and equipment, net	18.613
Intangible assets, net	269
Other assets	16.611
Financial liabilities	(13.070)
Trade payables	(34.373)
Other liabilities	(19.771)
Losses applicable to minority interests exceeding the minority interest in the equity at the acquisition date	(10.571)
Total net assets	(33.263)
Less: cost of acquisition	(72.192)

Goodwill **105.455**

Çimsa Çimento Sanayi ve Ticaret A.Ş., a subsidiary of Sabancı Holding, acquired the Eskişehir and Lalapaşa plants of Standart Çimento Sanayi A.Ş. (“Standart Çimento”) from Savings Deposits Insurance Fund in consideration of YTL 235.784 (USD 175.000.000) on 26 December 2005. The fair values of identifiable assets, liabilities, contingent liabilities and cost of acquisition are as follows:

Inventory	2.310
Property plant and equipment, net	74.903
Intangible assets, net (*)	22.759
Employee termination benefits	(199)
Deferred tax liabilities	(5.399)
Total net assets	94.374
Less: cost of acquisition	(235.784)

Goodwill **141.410**

(*) The acquired intangible assets represent the mining rights.

Application of the purchase accounting in relation to the business combinations of Carrefoursa-Gima and Çimsa-Standart Çimento were determined provisionally as the valuation of the fair values of the identifiable assets, liabilities and the contingent liabilities of the acquirees (Gima and Standart Çimento) were not finalized as of 31 December 2005. As stated in IFRS 3 “Business Combinations”, provisional application of the purchase method will be completed within the 12 months following the acquisition dates.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated.)

NOTE 33 - SEGMENT REPORTING

a) External revenues	31 March 2006	31 December 2005
Tire and tire reinforcements	295.138	184.813
Automotive	353.688	245.909
Textile	87.784	86.570
Chemicals	354.272	398.275
Cement	114.285	81.599
Retail	420.896	249.644
Food and beverage	105.554	93.278
Finance	2.051.835	1.504.243
Other	98.351	100.920
	3.881.803	2.945.251
b) Segment assets	31 March 2006	31 December 2005
Tire and tire reinforcements	1.098.549	880.361
Automotive	589.434	511.642
Textile	474.006	456.838
Chemicals	1.508.206	1.413.551
Cement	779.045	645.534
Retail	748.454	818.030
Food and beverage	280.229	261.401
Finance	54.805.232	55.446.516
Banking	54.142.661	54.684.653
Insurance	662.571	761.863
Other	1.360.390	1.433.677
Segment assets (*)	61.643.545	61.867.550
Investment in associated companies	106.827	114.965
Other	106.827	114.965
Unallocated assets	886.533	937.046
Less: intercompany eliminations and reclassifications	(1.270.350)	(1.183.582)
Total assets per consolidated financial statements	61.366.555	61.735.979

(*) Segment assets comprise operating assets.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 33 - SEGMENT REPORTING (Continued)

c) Segment liabilities	31 March 2006	31 December 2005
Tire and tire reinforcements	226.367	195.382
Automotive	290.872	231.851
Textile	74.302	48.267
Chemicals	247.581	271.055
Cement	71.981	58.426
Retail	341.261	329.300
Food and beverage	87.722	81.324
Finance	48.140.897	48.515.453
Banking	47.525.641	47.975.444
Insurance	615.256	540.009
Other	247.007	220.092
Segment liabilities (*)	49.727.990	49.951.150
Unallocated liabilities	1.067.460	1.201.455
Less: intercompany eliminations and reclassifications	(985.685)	(1.072.703)
Total liabilities per consolidated financial statements	49.809.765	50.079.902

(*) Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 33 - SEGMENT REPORTING (Continued)

d) Segment analysis for the period between 1 January - 31 March 2006

	Tire and tire reinforcements	Automotive	Textile	Chemicals	Cement	Retail	Food and beverage	Finance		Total finance	Inter segment Other eliminations		Total
								Banking	Insurance				
External revenues	295.138	353.688	87.784	354.272	114.285	420.896	105.554	1.844.292	207.543	2.051.835	98.351	-	3.881.803
Inter segment revenues	1.299	55	38	5.180	-	768	2.572	8.621	2.600	11.221	44.073	(65.206)	-
Intra segment revenues	9.216	-	34	-	808	4.717	903	1.371	-	1.371	625.674	(642.723)	-
Combined revenues	305.653	353.743	87.856	359.452	115.093	426.381	109.029	1.854.284	210.143	2.064.427	768.098	(707.929)	3.881.803
External revenues	295.138	353.688	87.784	354.272	114.285	420.896	105.554	1.844.292	207.543	2.051.835	98.351	-	3.881.803
Inter segment revenues	1.299	55	38	5.180	-	768	2.572	8.621	2.600	11.221	44.073	(65.206)	-
Revenues	296.437	353.743	87.822	359.452	114.285	421.664	108.126	1.852.913	210.143	2.063.056	142.424	(65.206)	3.881.803
Cost of sales (*)	(245.577)	(287.537)	(71.274)	(330.498)	(74.638)	(338.803)	(85.349)	(965.190)	(204.244)	(1.169.434)	(125.395)	76.428	(2.652.077)
General and administrative expenses	(18.701)	(4.838)	(7.298)	(9.807)	(6.070)	(46.769)	(4.491)	(325.932)	(14.613)	(340.545)	(12.020)	-	(450.539)
Marketing and selling expenses	(6.264)	(22.177)	(6.171)	(27.011)	(1.485)	(26.065)	(18.737)	-	-	-	(8.536)	-	(116.446)
Research and development expenses	(1.328)	(998)	(2.392)	(1.892)	-	-	(93)	-	-	-	-	-	(6.703)
Adjustment to segment result	-	(184)	23	-	(25)	(80)	4	(10)	(1)	(11)	685	(3.755)	(3.343)
Segment result	24.567	38.009	710	(9.756)	32.067	9.947	(540)	561.781	(8.715)	553.066	(2.842)	7.467	652.695
<u>Other unallocated operating expenses</u>													<u>(11.317)</u>
Total segment operating result													641.378

(*) In the banking segment cost of sales includes interest expense, fee and commission expense, provision for loan losses and foreign exchange trading gains-net.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated.)

NOTE 33 - SEGMENT REPORTING (Continued)

Segment analysis for the period between 1 January - 31 March 2005

	Tire and tire reinforcements	Automotive	Textile	Chemicals	Cement	Retail	Food and beverage	Finance		Total finance	Inter segment eliminations		Total
								Banking	Insurance		Other		
External revenues	184.813	245.909	86.570	398.275	81.599	249.644	93.278	1.349.880	154.363	1.504.243	100.920	-	2.945.251
Inter segment revenues	1.174	10	8	10.553	4	613	1.375	7.200	742	7.942	47.122	(68.801)	-
Intra segment revenues	10.706	-	27	3	333	-	296	653	-	653	574.431	(586.449)	-
Combined revenues	196.693	245.919	86.605	408.831	81.936	250.257	94.949	1.357.733	155.105	1.512.838	722.473	(655.250)	2.945.251
External revenues	184.813	245.909	86.570	398.275	81.599	249.644	93.278	1.349.880	154.363	1.504.243	100.920	-	2.945.251
Inter segment revenues	1.174	10	8	10.553	4	613	1.375	7.200	742	7.942	47.122	(68.801)	-
Revenues	185.987	245.919	86.578	408.828	81.603	250.257	94.653	1.357.080	155.105	1.512.185	148.042	(68.801)	2.945.251
Cost of sales (*)	(141.527)	(209.504)	(65.128)	(364.061)	(61.378)	(199.484)	(77.600)	(615.125)	(144.196)	(759.321)	(141.398)	76.745	(1.942.656)
General and administrative expenses	(10.829)	(4.722)	(6.899)	(10.706)	(5.896)	(29.502)	(4.743)	(245.543)	(11.356)	(256.899)	(12.210)	-	(342.406)
Marketing and selling expenses	(6.334)	(18.075)	(6.977)	(29.190)	(1.478)	(17.194)	(17.763)	-	-	-	(9.380)	-	(106.391)
Research and development expenses	(893)	(457)	(1.899)	(1.883)	-	-	(69)	-	-	-	-	-	(5.201)
Adjustment to segment result	-	(184)	23	-	208	-	-	(10)	(1)	(11)	685	(3.622)	(2.901)
Segment result	26.404	12.977	5.698	2.988	13.059	4.077	(5.522)	496.402	(448)	495.954	(14.261)	4.322	545.696
Other unallocated operating expenses													(11.957)
Total segment operating result													533.739

(*) In the banking segment cost of sales includes interest expense, fee and commission expense, provision for loan losses and foreign exchange trading gains-net.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 33 - SEGMENT REPORTING (Continued)

e) Operating results

i) Banking

	31 March 2006	31 March 2005
Interest on loans	841.259	829.678
Interest on investment and trading securities	617.720	252.463
Fee and commission income	247.195	199.950
Interest on deposits from banks	49.826	30.536
Net trading gains on securities	68.343	30.309
Other interest income	19.949	6.944
Total operating revenues	1.844.292	1.349.880
Less: fee and commission income and net trading gains on securities	(315.538)	(230.258)
Total interest income	1.528.754	1.119.622
Interest expense	(842.913)	(483.730)
Interest income - net	685.841	635.892
Operating expenses		
Interest expense	(842.913)	(483.730)
Foreign exchange trading gains – net	(1.856)	(23.840)
Operating expense	(325.932)	(245.543)
Fee and commission expense	(51.332)	(54.553)
Provision for loan losses	(60.478)	(45.812)
Total operating expenses	(1.282.511)	(853.478)
Add: interest expense	842.913	483.730
Add: fee and commission income and net trading gains on securities	315.538	230.258
Operating result	561.781	496.402

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 33 - SEGMENT REPORTING (Continued)

ii) Insurance

	31 March 2006	31 March 2005
Gross premiums written	207.543	154.363
Outward reinsurance premiums	(104.268)	(86.530)
Change in the provision for unearned premiums, net of reinsurance	(27.330)	(6.678)
Earned premiums, net of reinsurance	75.945	61.155
Claims paid - gross	(99.446)	(79.593)
Claims paid – reinsurers’ share	43.010	39.506
Change in the provision for claims	(9.568)	(1.483)
Claims incurred, net of reinsurance	(66.004)	(41.570)
Change in life assurance provision	932	(4.331)
Commission expense - net	(4.948)	(4.346)
Technical Income	5.925	10.908
General administrative expenses	(14.640)	(11.356)
Operating result	(8.715)	(448)

iii) Non-financial products

Net sales	1.829.968	1.441.008
Cost of sales	(1.507.673)	(1.201.318)
Gross margin	322.295	239.690
General administrative expenses	(233.983)	(201.905)
Operating result	88.312	37.785

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 33 - SEGMENT REPORTING (Continued)

f) Interests in joint ventures

The aggregate amounts of current assets, long-term assets, current liabilities, long-term liabilities and income and expense items related to Joint Ventures which are proportionally consolidated as discussed in Note 3 to consolidated financial statements are as follows:

Balance sheet	31 March 2006	31 December 2005
Current assets	401.290	442.916
Non-current assets	964.169	973.894
Total assets	1.365.459	1.416.810
Current liabilities	417.350	404.918
Non-current liabilities	57.694	76.638
Total liabilities	475.044	481.556
Outside interests	3.819	4.143
Shareholders' equity	886.596	931.111
Total liabilities, outside interests and shareholders' equity	1.365.459	1.416.810
Statements of income	31 March 2006	31 March 2005
Operating result	15.923	24.709
Financial income- net	2.878	1.217
Income before taxation on income and outside interests	18.801	25.926
Taxation on income	5.346	(4.181)
Income before outside interests	24.147	21.745
Minority interests	324	(752)
Net income for the period	24.471	20.993

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated.)

NOTE 33 - SEGMENTAL REPORTING (Continued)

g) Amortisation charge, negative goodwill income and capital expenditures

1 January - 31 March 2006

	Tire and tire reinforcements	Automotive	Textile	Chemicals	Cement	Food and beverage	Retail	Finance		Other	Total
								Banking	Insurance		
Depreciation and amortisation	15.080	3.847	9.381	19.421	13.143	3.347	8.337	27.595	1.113	16.239	117.503
	15.080	3.847	9.381	19.421	13.143	3.347	8.337	27.595	1.113	16.239	117.503
Capital expenditures	9.493	7.699	4.733	16.477	7.275	4.862	4.232	11.728	779	3.915	71.193

1 January - 31 March 2005

	Tire and tire reinforcements	Automotive	Textile	Chemicals	Cement	Food and beverage	Retail	Finance		Other	Total
								Banking	Insurance		
Depreciation and amortisation	10.225	1.753	8.650	17.552	11.335	2.914	9.502	27.472	1.201	21.693	112.297
Impairment of goodwill	-	-	-	-	-	-	-	(25.094)	-	-	(25.094)
	10.225	1.753	8.650	17.552	11.335	2.914	9.502	2378	1.201	21.693	87.203
Capital expenditures	17.788	10.004	14.336	16.237	8.890	4.611	8.254	6.074	1.356	9.037	96.587

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NOTE 34 - SUBSEQUENT EVENTS

Sabancı Holding has signed share transfer and assignment agreement as of 25 April 2006 with Koçnet Haberleşme Teknolojileri ve İletişim Hizmetleri A.Ş., Beko Ticaret A.Ş. ve Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ile Zer Madencilik ve Dayanıklı Mallar Yatırım ve Pazarlama A.Ş., Nazar Dayanıklı ve Dayanaksız Sınai Mallar Pazarlama A.Ş. for the sale 99.99% of its share at Sabancı Telekomünikasyon Hizmetleri A.Ş. According to the agreement value of the Sabancı Telekomünikasyon Hizmetleri A.Ş. determined as New Turkish Lira 11. The share transfer will be completed after obtaining legal permissions and realization of preconditions.

NOTE 35 - DISCONTINUED OPERATIONS

None (31 December 2005: None).

NOTE 36 - OPERATING INCOME

	31 March 2006	31 March 2005
Finance	2.051.835	1.504.243
Non-finance	1.829.968	1.441.008
	3.881.803	2.945.251

NOTE 37 - OPERATING EXPENSE

	31 March 2006	31 March 2005
General and administrative expenses	576.547	479.747
Marketing, selling and distribution expenses	111.715	104.252
Research and development expenses	6.683	5.126
	694.945	589.125

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NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

	31 March 2006	31 March 2005
Foreign exchange gains	20.965	21.704
Profit on sale of investment	15.576	-
Interest income	13.842	26.132
Negative goodwill income	-	25.094
Other	62.788	20.337
	113.171	93.267

	31 March 2006	31 March 2005
Idle time expenses	2.173	3.163
Loss on sale of property, plant and equipment	533	1.667
	2.706	4.830

NOTE 39 - FINANCIAL EXPENSES

	31 March 2006	31 March 2005
Foreign exchange losses	18.009	10.386
Interest expense	9.574	13.931
Other financial expenses	16.196	7.405
	43.779	31.722

The financial expenses relate only to segments other than banking.

NOTE 40 – GAIN/(LOSS) ON NET MONETARY POSITION

The gain/(loss) on net monetary position is calculated as the difference between the assets and liabilities as a result of restatement of the non-monetary assets and liabilities and income statement for the changes in the general purchasing power. However, since inflation adjustment is not made for the period beginning on or after 1 January 2005, there is no gain/loss on net monetary position for the period 1 January – 31 March 2006 (1 January – 31 March 2005: None).

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NOTE 41 - TAXES ON INCOME

Total taxes payable for the period ended 31 December 2006 and 2005 are reconciled to current period tax charge as follows:

	31 March 2006	31 March 2005
Corporation and income taxes currently payable	128.705	191.819
Translation gain	(46)	-
Current period tax charge	128.659	191.819
Deferred taxation	38.446	(19.060)
Taxation on income	167.105	172.759

NOTE 42 - EARNINGS PER SHARE

Earnings per share for each class of shares disclosed in these consolidated statements of income is determined by dividing the net income after translation adjustment attributable to that class of shares by the weighted average number of shares of that class that have been outstanding during the year.

	31 March 2006	31 March 2005
Earnings per share in (full YTL)		
- ordinary share (‘000)	1,02	1,00
- usufruct shares	-	30.337
- vaksa	5.697.840	5.733.750
Weighted average number of shares with YKr 1 face value each		
- ordinary shares	180.000.000.000	180.000.000.000
- usufruct shares	-	189

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and revaluation surplus calculated before 1 January 2004. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier year. When the number of ordinary shares outstanding increases as a result of bonus shares after the balance sheet date but before the issue of financial statements, the earnings per share calculation is based on the new number of shares.

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(Amounts expressed in thousands of New Turkish lira ("YTL") unless otherwise indicated.)

NOTE 42 - EARNINGS PER SHARE(Continued)

Bonus shares issued during the years ended 31 March 2006 and 31 December 2005 were as follows:

	Number of shares issued attributable to transfers to share capital from		Total
	Extraordinary reserves Restatement difference	Investment sales income	
31 March 2006	-	-	-

	Number of shares issued attributable to transfers to share capital from		Total
	Retained earnings	Revaluation surplus	
31 December 2005	41.852.610	18.147.390	60.000.000

The earnings attributable to each class of shares for each period were as follows:

	Usufruct shares	Ordinary shares	Total
31 March 2006	-	189.928	189.928
31 March 2005	11.467	179.658	191.125

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

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NOTE 43 - STATEMENTS OF CASH FLOW

	Notes	2005	2004
Net income before taxation and minority interests		740.337	608.040
Adjustments to reconcile net income before taxation and outside interest to net cash provided by operating activities:			
Depreciation and amortisation expense	33	117.503	112.297
Provision for loan losses	45	60.310	49.082
Re-measurement of derivatives at fair value		(40.702)	190.831
Change in employment termination benefits reserve	23	11.705	9.270
Negative goodwill income	38	-	(25.094)
Insurance technical reserves		(35.966)	12.491
Income from associates	16.c	(32.273)	(38.916)
Currency translation adjustment		4365	(8.479)
Unaccrued commission income		(82.236)	(10.228)
Other		(283)	8.502
Net cash provided by operating activities before changes in operating assets and liabilities		742.760	907.796
Changes in operating assets and liabilities			
Increase in trade receivable		(105.808)	(71.461)
Increase in due from related parties		(23.790)	(11.707)
Increase on inventory		(145.424)	(15.675)
(Increase) /decrease in other receivables and other current assets		(220.065)	11.269
Increase in lease receivables		(31.368)	(163.113)
(Decrease)/increase on trade payables		(20.027)	59.631
Increase in due to related parties		746	3.631
Increase/(decrease) on insurance technical reserve		73.505	(3.839)
Increase on other liabilities and advances received		436.037	52.638
Changes in assets and liabilities in banking sector			
Decrease in marketable securities		8.315	814.782
Increase in loans and advances		(2.354.466)	(680.154)
(Decrease) / increase on customer deposits		(1.044.177)	2.986.091
Increase/(decrease) on reserve with the Central Bank of the Republic of Turkey		66.110	(1.517.981)
		(3.360.412)	1.464.112
Income taxes paid		(240.576)	(167.195)
Employment termination benefits paid	23	(6.800)	(8.258)
Net cash provided by operating activities		(2.865.028)	2.196.455
Cash flows from investing activities:			
Capital expenditures	33	(71.193)	(96.587)
Investment in marketable securities (non-banking segments)		(9.422)	43.124
Investment in available-for-sale and held-to-maturity securities		2.888.555	(1.926.899)
Proceeds on business combinations		-	(88.391)
Proceeds from sale of property, plant and equipment		6.787	12.879
Dividends received		40.411	21.330
Net cash used in investing activities		2.855.138	(2.034.544)
Cash flows from financing activities:			
Increase/(decrease) in short term funds borrowed, bank borrowings and debt securities in issue		567.790	(298.581)
Increase/(decrease) on finance lease payables		3.092	(633)
Dividends paid to outside interests	24	(345.709)	(316.214)
Purchase of usufruct shares		(269.325)	-
Net cash provided by financing activities		(44.152)	(615.428)
Net decrease in cash and cash equivalents		(54.042)	(453.517)
Cash and cash equivalents at the beginning of the period	4	4.255.300	3.232.154
Cash and cash equivalents at the end of the period	4	4.201.258	2.778.637

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

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NOTE 44 - DERIVATIVE FINANCIAL INSTRUMENTS

	Fair values	
	Assets	Liabilities
31 March 2006		
Derivatives held for trading		
Foreign exchange derivatives		
Currency forwards	3.116	926
Currency swaps	6.522	21.459
Total over-the-counter derivatives	9.638	22.385
Interest derivatives		
Interest swaps	6.264	10.967
Total derivatives held for trading	15.902	33.352
	Fair values	
	Assets	Liabilities
31 December 2005		
Derivatives held for trading		
Foreign exchange derivatives		
Currency forwards	1.373	16.307
Currency swaps	4.554	43.086
Total over-the-counter derivatives	5.927	59.393
Interest derivatives		
Interest swaps	6.201	10.887
Total derivatives held for trading	12.128	70.280

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NOTE 45 - LOANS AND ADVANCES TO CUSTOMERS

a) Loans and advances to customers

	31 March 2006	31 December 2005
Consumer loans and credit cards receivables	7.898.417	6.994.921
Small-scale enterprises	2.145.669	1.956.879
Financial institutions	1.853.391	1.868.413
Project finance loans	1.408.749	1.433.489
Mining	1.054.448	942.802
Automotive	569.468	797.058
Chemicals	561.079	785.744
Food and beverage, wholesale and retail	730.562	759.436
Textile	719.772	618.697
Construction	573.814	499.435
Agriculture and forestry	301.094	242.734
Health care and social services	231.683	207.778
Tourism	289.524	190.235
Electronics	157.592	136.011
Telecommunication	260.777	103.454
Other manufacturing industries	1.095.285	885.017
Others	4.218.183	3.398.359
Total	24.069.507	21.820.462
Non-performing loans	404.631	359.050
Total loans and advances to customers	24.474.138	22.179.512
Accrued interest receivable	314.449	254.609
Allowance for loan losses	(597.379)	(537.069)
Net loans and advances to customers	24.191.208	21.897.052

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NOTE 45 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

The maturity schedule of loans and advances to customers at 31 March 2006 and 31 December 2005 are summarised below:

	31 March 2006	31 December 2005
Up to 3 months	10.529.554	7.296.166
3 to 12 months	6.094.285	8.311.990
Current	16.623.839	15.608.156
1 to 5 year	6.102.533	5.435.713
Over 5 year	1.464.836	853.183
Non-current	7.567.369	6.288.896
	24.191.208	21.897.052

The repricing schedule of loans and advances to customers at 31 March 2006 and 31 December 2005 are summarised below:

	31 March 2006	31 Aralık 2005
Up to 3 months	12.795.797	12.746.841
3 to 12 months	7.429.864	5.803.853
1 to 5 year	3.464.288	2.980.224
Over 5 year	501.259	366.134
	24.191.208	21.897.052

Movements in the allowance for loan losses were as follows:

	31 March 2006	31 March 2005
Balance at 1 January	537.069	336.628
Gross provisions	94.581	65.695
Recoveries	(33.066)	(22.670)
Written-off	(14.037)	(1.515)
Net specific provision	47.478	41.510
Net additional provision	12.832	7.572
Balances at 31 March	597.379	385.710

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NOTE 46- BANKING CUSTOMER DEPOSITS

	31 March 2006			31 December 2005		
	Demand	Time	Total	Demand	Time	Total
Savings deposits	2.609.107	19.412.192	22.021.299	2.668.137	18.097.911	20.766.048
Commercial deposits	1.800.518	4.286.568	6.087.086	1.953.702	4.448.533	6.402.235
Bank deposits	96.627	2.382.843	2.479.470	99.761	2.560.729	2.660.490
Funds deposited under repo transactions	-	3.570.651	3.570.651	-	5.478.089	5.478.089
Other	743.014	981.956	1.724.970	602.341	1.018.450	1.620.791
	5.249.266	30.634.210	35.883.476	5.323.941	31.603.712	36.927.653

NOTE 47 - MUTUAL FUNDS

At 31 March 2006, the Group manages 13 (31 December 2005: 13) mutual funds and 10 pension funds ("Funds") which were established under Capital Markets Board Regulations. At 31 March 2006, the Funds' investment portfolio includes government bonds, treasury bills and share certificates of YTL 4.002.391 (31 December 2005: YTL 3.978.847). In accordance with the Funds' statute, the Group purchases and sells marketable securities for the Funds, markets their participation certificates and provides other services and charges management fees ranging from 0,010% to 0,012%. At 31 March 2006, management fees and commissions earned by the Group amounted to YTL 29.051 (31 December 2005: YTL 118.920).

NOTE 48 - DISCLOSURE OF OTHER MATTERS

None (31 December 2005: None).

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