

HACI ÖMER SABANCI HOLDİNG A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2006
TOGETHER WITH AUDITOR'S REVIEW REPORT**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
AUDITOR'S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH**

HACI ÖMER SABANCI HOLDİNG A.Ş.

**AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006**

To the Board of Directors of
Hacı Ömer Sabancı Holding A.Ş.

1. We have reviewed the accompanying consolidated interim balance sheet of Hacı Ömer Sabancı Holding A.Ş. (the "Holding") at 30 June 2006 and the related consolidated interim statement of income for the period then ended in accordance with the limited review standards issued by the Capital Market Board ("CMB"). Our work on the interim balance sheet and the statement of income was limited compared to the work performed in accordance with generally accepted auditing standards for the year-end financial statements. Our work covered mainly analytical review, gathering information and various audit techniques in accordance with the limited review standards, on the basis of our understanding of the interim financial statements preparation system. Accordingly, our report should not be considered comparable to an independent full scope audit report.
2. Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with accounting principles issued by Capital Market Board (Note 2).

We draw your attention to the following matters:

3. The consolidated interim financial statements include the accounts of the Holding, the parent company, its Subsidiaries and Joint Ventures. In these consolidated financial statements, subsidiaries are companies in which the Holding exercises a dominant influence and power to govern the financial and operating policies through the exercise of voting power relating to shares held by the Holding and its Subsidiaries together with voting power which the Holding effectively exercises relating to shares held by Sabancı family members. Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Holding and one or more other parties. In effect the Sabancı family members allow the Holding to exercise voting power in respect of their shares held in these companies. In these consolidated financial statements the shares held by Sabancı family members in the consolidated subsidiaries are treated as outside interests.

4. As of 30 June 2006, the accounting principals described in Note 2 (defined as CMB Accounting Standards) to the accompanying consolidated interim financial statements 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 consolidated financial statements and the notes to them. Accordingly, the accompanying consolidated interim financial statements are not intended to present the financial position and the results of operations in accordance with IFRS.

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

Burak Özpoyraz, SMMM
Partner

Istanbul, 8 September 2006

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2006

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HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2006 AND 31 DECEMBER 2005

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

	Notes	(Reviewed) 30 June 2006	(Restated) 31 December 2005
ASSETS			
Current assets		42.031.793	40.707.898
Cash and cash equivalents	4	4.544.205	4.255.300
Marketable securities (net)	5	7.337.963	6.536.860
Financial assets (net)			
- Available for sale	16.a	6.265.528	7.126.968
- Held-to-maturity	16.b	77.027	536.811
Derivative financial instruments	44	46.980	12.128
Reserve deposits with the Central Bank of the Republic of Turkey		1.904.223	3.927.451
Loans and advances to customers	45	18.198.378	15.608.156
Trade receivables (net)	7	1.650.093	1.292.252
Lease receivables (net)	8	103.641	122.576
Due from related parties (net)	9	19.523	19.615
Other receivables (net)	10	668.204	322.274
Biological assets (net)	11	-	-
Inventories (net)	12	1.154.223	900.504
Receivables from construction contracts work in progress (net)	13	-	-
Deferred income tax assets	14	-	-
Other current assets	15	61.805	47.003
Non-current assets		24.060.894	21.134.502
Loans and advances to customers	45	9.330.992	6.288.896
Trade receivables (net)	7	315.018	234.407
Lease receivables (net)	8	316.100	136.869
Due from related parties (net)	9	-	-
Other receivables (net)	10	53.119	47.564
Financial assets (net)			
- Available for sale	16.a	8.214.399	8.684.677
- Held-to-maturity	16.b	228.275	244.525
- Investments	16.c	142.893	114.965
Goodwill / negative goodwill (net)	17	293.187	297.118
Investment properties (net)	18	288.301	290.965
Property, plant and equipment (net)	19	4.341.055	4.229.444
Intangible assets (net)	20	333.170	199.265
Deferred income tax assets	14	204.385	365.807
Other non-current assets	15	-	-
Total Assets		66.092.687	61.842.400

These consolidated interim financial statements have been approved by Board of Directors on 8 September 2006 and signed on its behalf by Ahmet C. Dördüncü and Nedim Bozfakioğlu.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2006 AND 31 DECEMBER 2005

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

	Notes	(Reviewed) 30 June 2006	(Restated) 31 December 2005
LIABILITIES			
Current liabilities		48.758.711	45.791.192
Short-term borrowings (net)	6	6.876.256	5.945.359
Current portion of long-term borrowings (net)	6	409.159	230.329
Banking customer deposits	46	38.330.994	36.778.571
Derivative financial instruments	44	28.419	70.280
Lease payables (net)	8	6.655	8.500
Other financial liabilities (net)	10	-	-
Insurance technical reserves		213.134	157.520
Trade payables (net)	7	932.311	908.348
Due to related parties (net)	9	11.411	8.399
Advances received	21	27.866	29.491
Construction contracts progress billings (net)	13	-	-
Provisions	23	-	233.862
Current liabilities	15	198.189	157.035
Deferred income tax liabilities	14	-	-
Other current liabilities (net)	10	1.724.317	1.263.498
Non-current liabilities		6.048.905	4.395.131
Long-term borrowings (net)	6	5.107.989	3.519.917
Banking customer deposits	46	144.487	149.082
Lease payables (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	290.518	209.264
Due to related parties (net)	9	-	-
Advances received	21	-	-
Insurance technical reserves		74.093	81.088
Provisions	23	153.780	142.373
Deferred income tax liabilities	14	212.400	271.401
Government grants	30	-	-
Other payables (net)	10	65.638	22.006
MINORITY INTERESTS	24	4.651.152	4.856.918
- Sabancı family members		1.905.154	1.986.062
- Others		2.745.998	2.870.856
SHAREHOLDERS' EQUITY		6.633.919	6.799.159
Share capital	25	1.800.000	1.800.000
Treasury shares	25	-	-
Capital reserves	26	3.740.413	4.010.259
Share premium		21.670	21.670
Share cancellation gains		-	-
Revaluation fund		13.161	12.455
Fair value reserve of financial assets		(178.339)	92.213
Inflation adjustment to shareholders' equity		3.883.921	3.883.921
Profit reserves	27	657.395	282.114
Legal reserves		92.463	76.136
Statutory reserves		-	-
Extraordinary reserves		747.332	567.538
Special reserves		-	-
Investment and property sales income to be added to the share capital		-	-
Translation reserve		(182.400)	(361.560)
Net income for the period		319.200	689.765
Retained earnings	28	116.911	17.021
Total liabilities and shareholders' equity		66.092.687	61.842.400

Commitments and contingent assets and liabilities

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

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

	Notes	(Reviewed) 1 January- 30 June 2006	(Not reviewed) 1 April- 30 June 2006	(Reviewed) 1 January- 30 June 2005	(Not reviewed) 1 April- 30 June 2005
OPERATING REVENUE		8.125.471	4.243.668	6.352.066	3.406.815
Sales (net)	36	5.071.747	2.718.698	3.944.408	2.118.779
Interest Income	36	3.053.724	1.524.970	2.407.658	1.288.036
Cost of Sales (-)		(4.013.569)	(2.311.002)	(3.044.618)	(1.705.961)
Interest Expense		(1.741.730)	(898.817)	(1.054.035)	(570.305)
Service Income (net)	36	-	-	-	-
Other Operating Income	36	-	-	-	-
GROSS PROFIT		2.370.172	1.033.849	2.253.413	1.130.549
Operating expenses (-)	37	(1.291.714)	(596.769)	(1.000.145)	(411.020)
OPERATING PROFIT		1.078.458	437.080	1.253.268	719.529
Other income	38	341.623	228.452	158.805	65.298
Other expenses (-)	38	(12.966)	(10.260)	(12.158)	(7.088)
Financial expenses (-)	39	(289.467)	(245.688)	(111.695)	(79.973)
Income from associates		86.246	53.973	18.265	679
INCOME BEFORE MONETARY LOSS, MINORITY INTEREST AND TAX		1.203.894	463.557	1.306.485	698.445
Monetary gain/ (loss)	40	-	-	-	-
PROFIT/LOSS OF MINORITY INTEREST	24	(537.594)	(154.289)	(532.023)	(287.867)
- Sabancı Family Members		(228.240)	(70.278)	(221.296)	(115.397)
- Others		(309.354)	(84.011)	(310.727)	(172.470)
INCOME BEFORE TAX		666.300	309.268	774.462	410.578
Taxation on income	41	(347.100)	(179.995)	(373.160)	(200.401)
NET INCOME FOR THE PERIOD		319.200	129.273	401.302	210.177
Earnings per share					
- usufruct shares (YTL)	42	-	-	127.397	66.723
- thousands of ordinary shares (YTL)	42	1,72	0,70	2,03	1,06

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006 AND 2005

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

	Share Capital	Share premium in excess of par value	Revaluation reserve	Fair value reserve of financial assets	Inflation adjustment to shareholders' equity	Legal reserves	Extraordinary reserves	Translation reserve	Net income for the period	Retained earnings	Total
Balances at 31 December 2004 - as previously reported	1.200.000	21.670	-	2.583	4.065.395	54.110	255.893	(307.744)	724.132	173.678	6.189.717
Accounting policy change (Note 2.3)	-	-	-	21.584	-	-	-	-	-	-	21.584
Balances at 1 January 2005 - as restated	1.200.000	21.670	-	24.167	4.065.395	54.110	255.893	(307.744)	724.132	173.678	6.211.301
Effect of application of IFRS 3 (Note 2.3)	-	-	-	-	-	-	-	-	-	14.595	14.595
Transfers	-	-	-	-	-	-	-	-	(724.132)	724.132	-
Effect of change in the effective rate of subsidiaries	-	-	-	-	-	-	-	-	-	(14.501)	(14.501)
Dividends paid	-	-	-	-	-	-	-	-	-	(128.686)	(128.686)
Available for sale investments net fair value gains, net of tax	-	-	-	35.594	-	-	-	-	-	-	35.594
Currency translation differences	-	-	-	-	-	-	-	(19.835)	-	-	(19.835)
Net income for the period	-	-	-	-	-	-	-	-	401.302	-	401.302
Balances at 30 June 2005	1.200.000	21.670	-	59.761	4.065.395	54.110	255.893	(327.579)	401.302	769.218	6.499.770
Balances at 1 January 2006	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	-	-	-	-	-	16.327	179.794	-	(689.765)	493.644	-
Effect of change in the effective rate of subsidiaries	-	-	-	-	-	-	-	-	-	8.291	8.291
Purchase of usufruct shares (Note 42)	-	-	-	-	-	-	-	-	-	(269.325)	(269.325)
Dividends paid	-	-	-	-	-	-	-	-	-	(134.760)	(134.760)
Transfer from revaluation reserve	-	-	(2.040)	-	-	-	-	-	-	2.040	-
Available for sale investments net fair value losses, net of tax	-	-	-	(270.552)	-	-	-	-	-	-	(270.552)
Currency translation differences	-	-	2.746	-	-	-	-	179.160	-	-	181.906
Net income for the period	-	-	-	-	-	-	-	-	319.200	-	319.200
Balances at 30 June 2006	1.800.000	21.670	13.161	(178.339)	3.883.921	92.463	747.332	(182.400)	319.200	116.911	6.633.919

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Hacı Ömer Sabancı Holding A.Ş. (the “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.

Subsidiaries

The nature of the business of the Subsidiaries consolidated in these consolidated interim financial statements and, for the purposes of these consolidated interim 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”) (1)	Banking	Finance
Ak Emeklilik A.Ş. (“Ak Emeklilik”)	Pension	Finance
Aksigorta A.Ş. (“Aksigorta”)	Insurance	Finance
Advansa B.V. (“Advansa”)	Chemical	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
Companhia Bahiana de Fibras (“Cobafi”) (2)	Tire and tire reinforcement	Tire and tire reinforcement
Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş. (“Kordsa Global”) (3)	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”) (4)	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 Enternasyonel 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

- (1) Effective from 9 March 2005, Akbank, a Subsidiary of the Holding, controls the operating and financial activities of Ak Uluslararası (formerly named BNP-AK Dresdner Bank A.Ş.) Accordingly, the results of operations of Ak Uluslararası has been consolidated since 9 March 2005. In prior periods Ak Uluslararası was included as an Associate in the consolidated financial statements and was accounted for by the equity method of accounting (Note 32).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS (Continued)

- (2) Sabancı Industrial Nylon Yarn, a Subsidiary of the Holding, acquired the 90,32% of shares of Cobafi on 13 May 2005 (Note 32).
- (3) Kordsa Global was incorporated as a subsidiary of Sabancı Holding on 9 February 2006, as a result of restructuring in the business segment of tire and tire reinforcement.
- (4) The Subsidiary of Sabancı Holding, Marsa Kraft Foods Sabancı Gıda Sanayi ve Ticaret A.Ş.(“Marsa”) was merged on 15 March 2006 with another Subsidiary of the Holding, Gıdasa, through the transfer of Marsa’s total assets and liabilities as of 31 December 2005.

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

All the Subsidiaries are registered in Turkey except for Sabank, Exsa UK, Universal, Advansa, Cobafi and Sabancı Industrial Nylon Yarn (collectively referred to as the “Foreign Subsidiaries”). Sabank ve Exsa UK are registered in the United Kingdom, Universal, Advansa and Sabancı Industrial Nylon Yarn in the Netherlands and Cobafi in Brazil.

Joint Ventures

The nature of the business of the Joint Ventures proportionally consolidated in these consolidated interim financial statements at 30 June 2006 and, for the purposes of these consolidated interim financial statements, their respective business segments are as follows:

Joint Ventures	Nature of business	Segment	Venturer
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 SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting standards

Preparation of consolidated interim financial statements

The consolidated interim 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. These financial statements and the related notes have been presented in accordance with the formats required by the CMB.

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 accounting principles issued by the CMB for listed companies. 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

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

2.2 Basis of consolidation

- a) The consolidated interim 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 interim 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 interim financial statements subsequent to the date of acquisition or date of sale respectively.
- b) Subsidiaries are companies in which the Holding has the power to control the financial and operating policies for the benefit of the 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 the Holding exercises control over the voting rights of the shares held by them, or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and effective interest of the Holding in these subsidiaries at 30 June 2006.

Subsidiaries	Direct and indirect ownership interest by the 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	23,51	67,11	39,46
Ak Emeklilik	99,41	-	99,41	61,61
Aksigorta	61,98	-	61,98	61,98
Bossa	50,12	23,14	73,26	50,12
Bimsa	100,00	-	100,00	91,01
Çimsa	50,80	2,06	52,86	49,82
Enerjisa	94,88	-	94,88	90,56
Exsa	45,70	54,30	100,00	27,71
Exsa UK	100,00	-	100,00	99,06
Gıdasa	98,97	-	98,97	98,95
Pilsa	51,23	48,77	100,00	51,23
Kordsa Global	100,00	-	100,00	100,00
Sabank	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	65,00
Tursa	99,51	-	99,51	98,46
Universal	100,00	-	100,00	92,77
Yünsa	59,37	14,74	74,11	54,13

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

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

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 the Holding and its Subsidiaries is eliminated against the related shareholders’ equity. Intercompany transactions and balances between the Holding and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by the Holding in its Subsidiaries are eliminated from shareholders’ equity and income for the period, respectively.

Financial statements of subsidiaries, whose financial position at 30 June 2006 and result of operations for the period ended 30 June 2006 are insignificant to the overall consolidated interim financial statements, are not consolidated on the grounds of materiality. Such subsidiaries are classified as available for sale equity securities in these consolidated interim 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 the 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.

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 30 June 2006:

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

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

- d) Investments in associates are accounted for by the equity method of accounting. These are entities over which the Holding generally has between 20% and 50% of voting rights, or over which the Holding has significant influence, but which it does not control. Unrealised gains that result from intercompany transactions between the Holding and its associates 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 associate reaches zero, unless the Holding has incurred obligations or guaranteed obligations in respect of the associates. Such associates are accounted at fair value if the fair value can be determined objectively; otherwise, they are accounted at cost (Note 16.c and Note 2.e).

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

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

Associates whose financial position at 30 June 2006 and result of operations for the period ended 30 June 2006 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 the Holding in these associates at 30 June 2006:

Associates	Direct and indirect ownership interest by the 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 associates.

- e) Other investments in which the Holding and its Subsidiaries, have interest below 20%, or over which the 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 16.c).
- f) The results of Subsidiaries are included or excluded from consolidation regarding to their effective dates of acquisition and disposal, respectively.

The portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parents, is presented as minority interest.

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 interim financial statements their interests are treated as outside interests and are not included in the Holding’s net assets and profits attributable to shareholders of the Holding.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

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

2.3 Comparatives and restatement of prior years’ financial statements

Adjustments after initial accounting provisionally determined in accordance with IFRS 3

The goodwill arising from the acquisition of Gima Gıda ve İhtiyaç Maddeleri T.A.Ş. (“Gima”) by Carrefoursa, a Joint Venture of the Holding, has been adjusted as a result of the completion of the provisional accounting in accordance with IFRS 3 “Business Combinations” and the amounts and the explanations of the adjustments to the provisional values recognised during the current period is disclosed in the notes to consolidated interim financial statements (Not 17).

Çimsa, a Subsidiary of the Holding, had initially accounted the acquisition of Standart Çimento - Eskişehir and Lalahan plants from the Savings Deposit Insurance Fund on 26 December 2005 in accordance with provisional accounting basis and as result of completion of provisional accounting, has adjusted the amount of goodwill, inventories and deferred income tax liability in accordance with IFRS 3 (Note 17).

Restatement of IAS 39 “Financial Instruments” and IFRS 3 “Business Combinations”

As explained in Note 3, at 1 January 2005 the Group has derecognised the negative goodwill included in the consolidated financial statements at 31 December 2004 related to the acquisitions before 31 March 2004 in the amount of YTL 14.595 with a corresponding adjustment to the opening balance of retained earnings.

The Group has reclassified the securities under loans and advances to customers as trading financial assets in accordance with the revised IAS 39 “Financial Instruments” which is effective from 31 December 2004. The effect of this reclassification is as follows:

	1 January 2005
- Increase in available-for-sale investment securities	9.327.271
- Increase in held-to-maturity investment securities	467.769
- Decrease in loans and advances to customers	9.713.400
- Increase in deferred tax liability	26.941
- Increase in financial assets fair value reserve	21.584
- Increase in minority interest	33.115

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 interim financial statements originally issued in Turkish

As of 30 June 2006, 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 financial statements and the notes to them. Accordingly, the accompanying consolidated interim financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

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 interim 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 using the effective yield method based on the actual purchase price 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 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 recognised 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 SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated. Currencies other than YTL are expressed in thousands 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 interim 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>
Buildings	20-50
Land improvements	20-50
Machinery and equipment	4-20
Motor vehicles	4-10
Furniture and fixtures	4-10

Gains or losses on disposals of property, plant and equipment is determined with respect to the difference between collections received and carrying amounts of property, plant and equipment and are included in the related income and expense accounts, as appropriate.

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 plus residual value of the related assets.

Subsequent costs to property plant and equipment are included in the asset’s carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statements during the financial period to which they are incurred.

Borrowing costs are expensed when incurred.

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 SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Amounts expressed in thousands of New Turkish lira (“YTL”) unless otherwise indicated. Currencies other than YTL are expressed in thousands 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). The amortisation of mining rights commences when the extraction begins.

Borrowing costs

Borrowings are recognised initially at the proceeds received, net of deferred 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 based on quoted bid prices, prices quoted by the Central Bank of the republic of Turkey in the Official Gazette or amounts derived from cash flow models.

Investments in equity instruments which do not have a quoted market price in an active market and for which other methods of making a reasonable estimate of fair value are clearly inappropriate or unworkable are carried at cost less any impairment.

Other investments in which the Holding has interest below 20% 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.

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

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

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

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).

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 and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in the income statement.

All purchases and sales of financial assets at fair value through profit or loss that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recognised at trade date, which is the date that the banks commit to purchase or sell the assets. Otherwise, such transactions are treated as derivatives until settlement occurs.

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 Board of Directors.

Foreign exchange risk

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 (Note 29).

In the banking segment, the difference between the assets and liabilities both denominated in foreign currency 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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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

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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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

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

The estimated fair values of financial instruments have been determined by the 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 the 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.

Trade payables are stated at their fair values.

Derivative financial instruments

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

Earnings per share

Earnings per share for each class of shares disclosed in these consolidated interim 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 “Earning per Share”.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

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

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.

(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 interim 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, most of the related party activity is eliminated and the remainder is not material to the overall consolidated financial statements.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

Segment reporting

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.

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 interim 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 interim 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 measure 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 41).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

Employee 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, providing all qualified bank employees with pension and post retirement benefits. The Fund is a defined benefit plan under which the bank pays fixed contributions, and is obliged to pay amounts other than the fixed contribution to the Fund through constructively paying additional amounts or through contractual benefits that are not solely linked to the fixed contributions.

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 instalments 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.

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 30 June 2006, 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).

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

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

Sale and repurchase agreements

In the banking segment, securities sold subject to linked repurchase agreements (“repos”) are retained in the financial statements as trading, available-for-sale or held to maturity financial assets and measured in accordance with the policies used in the measuring the relevant class. 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.

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 charges

Deferred financing charges (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 tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. The Group performs an impairment test of goodwill at year-ends.

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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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. Full provision is made for outstanding claims, including claim settlements, reported at the end of the period according to the insurance expert’s report, or according to the initial estimations of the insured and the expert.

Life assurance provision

The Subsidiaries dealing in life assurance are required to establish benefit reserves, which in the aggregate must be sufficient to provide for future guaranteed benefits as they become due. The life assurance provision is based on the level of premiums, as adjusted by commission, and administrative expenses and risk premiums that are computed on the basis of actuarial mortality assumptions, as approved by the Insurance Supervisory Office, which are applicable for Turkish insurance companies. 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 30 June 2006. 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 their 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 interim financial statements are presented in New Turkish lira, which is the functional currency of the 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 income statement.

Foreign Group companies

The results of Group undertakings using a measurement currency other than New Turkish lira are first 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 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 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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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 interim 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 interim 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.

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.

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NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents at 30 June 2006 and 31 December 2005 were as follows:

	30 June 2006	31 December 2005
Cash in hand		
- banking	1.054.645	859.554
- other companies	12.725	10.202
Banks - time deposits	2.854.754	2.598.640
Banks - demand deposits	475.328	292.691
Interbank money market placements	-	400.300
Due from reverse repo transactions	146.372	91.888
Other cash and cash equivalents	381	2.025
	4.544.205	4.255.300

Effective interest rates of USD, EUR denominated, and YTL time deposits are 5,28% p.a. (31 December 2005: 4,43% p.a.), 2,88% p.a. (31 December 2005: 2,41% p.a.) and 17,99% p.a. (31 December 2005: 14,07% p.a.), respectively.

Due from reverse repo transactions are secured with Turkish government bonds and treasury bills held for resale to banks under reverse repurchase agreements. The maturity of loan to banks is less than three months. Effective interest rate of loan to banks is 17,86% p.a. (31 December 2005: 15,79% p.a.). The market values of such securities approximate carrying values, including accrued income at the respective balance sheet date.

Analysis of maturities at 30 June 2006 and 31 December 2005 was as follows:

	30 June 2006	31 December 2005
Demand	1.543.079	1.564.772
Up to 3 month	2.868.235	2.481.571
3 to 12 months	49.865	107.501
1 to 5 years	83.026	101.456
	4.544.205	4.255.300

At 30 June 2006, Akbank, a subsidiary of the Holding pledged its assets in demand and time deposits in foreign banks amounting to YTL 126.355 (31 December 2005: YTL 69.682) as off-share cash reserve and payment accounts in connection with the issue of floating-rate notes in the amount of USD 2.277 million (31 December 2005: USD 1.879 million).

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NOTE 5 - MARKETABLE SECURITIES

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

	30 June 2006	31 December 2005
Government bonds denominated in foreign currency	6.901.067	5.958.594
Eurobonds	323.967	482.553
Government bonds	82.433	29.114
Treasury bills	13.020	46.133
Share certificates	15.945	18.997
Mutual funds	1.531	1.469
	7.337.963	6.536.860

Effective interest rates of USD, EUR and YTL denominated securities at fair value through profit and loss, are 6,91% p.a. (31 December 2005: 6,26% p.a.), 4,85% p.a. (31 December 2005: 5,05% p.a.) and 16,41% p.a. (31 December 2005: 14,47% p.a.), respectively.

Analysis of maturities at 30 June 2006 and 31 December 2005 was as follows:

Period remaining to contractual maturity dates:

	30 June 2006			31 December 2005		
	Banking	Other Companies	Total	Banking	Other Companies	Total
Up to 3 months	26.208	-	26.208	46.056	209	46.265
3 to 12 months	1.003.279	11.182	1.014.461	87.937	38.647	126.584
1 to 5 years	6.068.299	-	6.068.299	6.142.559	-	6.142.559
Over 5 years	211.519	-	211.519	200.986	-	200.986
No maturity	15.945	1.531	17.476	18.997	1.469	20.466
	7.325.250	12.713	7.337.963	6.496.535	40.325	6.536.860

Period remaining to contractual repricing dates:

	30 June 2006			31 December 2005		
	Banking	Other Companies	Total	Banking	Other Companies	Total
Up to 3 months	2.395.439	-	2.395.439	2.032.380	209	2.032.589
3 to 12 months	4.588.643	11.182	4.599.825	3.183.960	38.647	3.222.607
1 to 5 years	113.704	-	113.704	1.060.212	-	1.060.212
Over 5 years	211.519	-	211.519	200.986	-	200.986
No maturity	15.945	1.531	17.476	18.997	1.469	20.466
	7.325.250	12.713	7.337.963	6.496.535	40.325	6.536.860

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

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

	30 June 2006	31 December 2005
Short-term	6.876.256	5.945.359
Short-term portion of long term	409.159	230.329
Total short term	7.285.415	6.175.688

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

Long-term	5.107.989	3.519.917
Total	12.393.404	9.695.605

Effective interest rates of USD, EUR and YTL denominated funds borrowed borrowings and debt securities in issue are 5,60% p.a. (31 December 2005: 4,86% p.a.), 3,34% p.a. (31 December 2005: 2,73% p.a.) and 12,56% p.a. (31 December 2005: 12,72% p.a.), respectively.

The maturity schedule at 30 June 2006 and 31 December 2005 are summarised below:

	30 June 2006	31 December 2005
Up to 3 months	4.727.236	2.246.286
3 to 12 months	2.558.179	3.929.402
1 to 5 year	3.568.109	2.426.379
Over 5 year	1.539.880	1.093.538
Total	12.393.404	9.695.605

The maturity schedule of long term borrowing at 30 June 2006 and 31 December 2005 are summarised below:

Period	30 June 2006
1 July 2007 – 30 June 2008	856.673
1 July 2008 – 30 June 2009	1.503.417
1 July 2009 – 30 June 2010	627.644
1 July 2010 – 30 June 2011	580.375
1 July 2011 and over	1.539.880
Total	5.107.989

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

Period	31 December 2005
1 January 2007 – 31 December 2007	365.625
1 January 2008 – 31 December 2008	868.047
1 January 2009 – 31 December 2009	675.897
1 January 2010 – 31 December 2010	516.808
1 January 2011 and over	1.093.540
	3.519.917

The repricing schedule of borrowings at 30 June 2006 and 31 December 2005 are summarised below:

	30 June 2006	31 December 2005
Up to 3 months	10.206.344	6.949.673
3 to 12 months	1.649.982	2.093.234
1 to 5 years	490.256	647.370
Over 5 years	46.822	5.328
	12.393.404	9.695.605

Major borrowing transactions of Sabancı Holding and its banking subsidiaries as of 30 June 2006 are as follows:

Funds borrowed:

a) Funds borrowed from West LB AG London Branch

At 30 June 2006, funds borrowed from foreign institutions include syndicated credit facilities in the amount of EUR 500 million with an interest rate of Libor + 0,6% p.a. provided by 11 international banks with West LB AG, London Branch acting as the agent, and mature on 30 December 2008.

b) Funds borrowed via UFJ Bank Limited

At 30 June 2006, funds borrowed from foreign institutions include syndicated credit facilities in the amount of USD 1.250 million and EUR 500 million, with an interest rate of Libor + 0,4% p.a. and Libor + 0,55% p.a. provided by 27 and 10 international banks with UFJ Bank Limited acting as the agent, and maturing on 26 August 2006 and 29 June 2009 respectively.

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

c) Debt securities in issue

In November 1999, the Bank finalised a structured finance deal of USD 400 million by securitising its foreign currency denominated present and future remittances (international payment orders, cash against goods, letter of credit reimbursement rights, cash against documents and other amounts in deposit accounts) for the issue of floating-rate notes. The Bank obtained further tranches related with the same deal in the amount of USD 2.575 million between 2000 and 2006. Interest rates on the tranches vary between Libor + 0,16% p.a. and Libor + 1,1% p.a. At 30 June 2006, the outstanding principal amount of the securitization deal amounts to USD 1.208 million after the repayment of USD 1.767 million between January 2000 and June 2006.

In December 2005, the Bank finalised another structured finance deal of USD 500 million by securitising its foreign currency denominated present and future remittances (credit card receivables). The interest rates vary between Libor + 0,16% p.a. and Libor +1,01% p.a.

The repayment schedule of the total floating-rate notes in issue is as follows:

	<u>30 June 2006</u>		<u>31 December 2005</u>	
	USD	YTL	USD	YTL
2006 (*)	77.863	122.221	129.790	178.461
2007	163.923	257.310	82.105	112.895
2008	298.655	468.799	216.837	298.150
2009	349.322	548.331	349.322	480.318
2010	356.143	559.038	356.143	489.697
2011	354.373	556.260	354.373	487.263
2012	335.247	526.238	253.429	348.465
2013	300.313	471.402	136.677	187.930
2014	40.909	64.213	-	-
Total	2.276.748	3.573.812	1.878.676	2.583.179

(*) The repayments in 2006 include accrued interest payables in the amount of USD 10.082 and USD 3.676 thousands, respectively.

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NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

Short-term and long-term trade receivables:

	30 June 2006	31 December 2005
Trade receivables	1.823.223	1.408.001
Notes and cheques receivable	169.360	134.285
	1.992.583	1.542.286
Less: doubtful receivables provision	(27.472)	(15.627)
	1.965.111	1.526.659

Short-term and long-term trade payables:

	30 June 2006	31 December 2005
Trade payables	1.222.718	1.117.344
Notes payable	111	268
	1.222.829	1.117.612

NOTE 8 - LEASE RECEIVABLES AND LEASE PAYABLES

Lease receivables at 30 June 2006 and 31 December 2005 are summarized below (*):

	30 June 2006	31 December 2005
Gross investment in finance leases	493.454	306.788
Less: unearned finance income	(69.943)	(45.610)
Total investment in finance leases	423.511	261.178
Less: fair value loss	(3.770)	(1.733)
Net investment in finance leases	419.741	259.445

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

	30 June 2006	31 December 2005
2006	105.365	122.576
2007	162.328	80.866
2008	101.076	41.265
2009	41.007	12.276
2010	9.965	2.462
	419.741	259.445

(*) Finance lease receivables are related to Ak Finansal Kiralama A.Ş., a subsidiary of Ak Uluslararası.

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NOTE 8 - LEASE RECEIVABLES AND LEASE PAYABLES (Continued)

Lease payables at 30 June 2006 and 31 December 2005 are summarized below.

	30 June 2006	31 December 2005
Lease payables		
Current	6.655	8.500

NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES

Due from related parties

	30 June 2006	31 December 2005
Carrefoursa	4.638	2.593
Akçansa	3.613	3.284
Brisa	3.606	2.387
Oysa	1.439	1.118
Diasa	857	849
Beksa	499	716
Olmuksa	418	427
Other	4.453	8.241
	19.523	19.615

Due to related parties

	30 June 2006	31 December 2005
Brisa	9.644	5.522
Olmuksa	1.231	1.455
Akçansa	276	127
Beksa	58	75
Other	202	1.220
	11.411	8.399

Key management personnel compensation :

	30 June 2006	30 June 2005
Key management personel compensation	34.752	32.146

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NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other current / non-current receivables

	30 June 2006	31 December 2005
Receivables on cheques in clearance	235.933	95.567
Deductible VAT	83.904	49.061
Prepaid income taxes (Note 23)	81.200	-
Receivables from credit cards payments	11.158	11.364
Job advances given	10.025	2.431
Other	299.103	211.415
	721.323	369.838

Other current / non-current payables

	30 June 2006	31 December 2005
Payables related to credit card transactions	632.120	536.835
Payables on cheques in clearance	246.016	114.824
Other taxes and funds	141.041	113.899
Unearned commission income	96.157	42.792
Import deposits and transfer orders	94.346	20.176
Bonus liability to credit card customers	81.160	75.857
Payment orders to correspondent banks	52.477	27.848
Due to personnel	13.791	28.203
Saving deposits insurance	7.581	6.900
Other	425.266	318.170
	1.789.955	1.285.504

NOTE 11 - BIOLOGICAL ASSETS

None (31 December 2005: None).

NOTE 12 - INVENTORIES

	30 June 2006	31 December 2005
Raw materials and supplies	356.665	318.144
Semi-finished goods	116.445	87.417
Finished goods and merchandise	574.702	432.759
Spare parts	106.411	62.184
	1.154.223	900.504

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

None (31 December 2005: None).

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NOTE 14 - DEFERRED INCOME TAX ASSETS AND LIABILITIES

The Group recognises deferred tax income 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.

Deferred income taxes will be 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 rate is 30% for the companies using the investment allowance as deduction from the corporate tax base after 1 January 2006).

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 30 June 2006 and 31 December 2005 using the enacted tax rates, were as follows:

	<u>30 June 2006</u>		<u>31 December 2005</u>	
	Cumulative temporary difference	Deferred tax assets / (liabilities)	Cumulative temporary difference	Deferred tax assets / (liabilities)
Deferred income tax assets:				
Difference between tax base and carrying value of:				
- Property, plant and equipment	(90.865)	18.900	(62.872)	18.861
- Inventories	(20.731)	4.194	(32.727)	8.280
Tax losses carried forward	(237.327)	60.464	(252.470)	75.805
Provision for loan losses	(209.445)	42.501	(177.095)	53.128
Provision for employment termination benefits	(126.045)	26.460	(120.650)	35.689
Investment allowances	(184.083)	9.891	(1.029.166)	120.250
Unearned interest income	(4.267)	889	(5.136)	1.556
Other temporary differences	(197.321)	41.086	(173.175)	52.238
Deferred income tax assets		204.385		365.807
Deferred income tax liabilities:				
Difference between tax base and carrying value of:				
- Property, plant and equipment	710.282	(148.980)	726.134	(204.436)
- Inventories	3.082	(707)	1.751	(525)
Reversal of country risk provision	94.139	(37.656)	76.826	(30.731)
Deferred financing charges	14.886	(2.977)	16.484	(4.945)
Valuation difference on investment securities	14.681	(2.936)	56.478	(16.937)
Other temporary differences	71.133	(19.144)	44.118	(13.827)
Deferred income tax liabilities		(212.400)		(271.401)
Deferred income tax (liabilities)/assets - net		(8.015)		94.406

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

NOTE 14 - DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

Deferred income tax assets:

	30 June 2006	31 December 2005
Deferred income tax assets to be recovered after more than 12 months	140.024	280.461
Deferred income tax assets to be recovered within 12 months	64.361	85.346
	204.385	365.807

Deferred income tax liabilities:

	30 June 2006	31 December 2005
Deferred income tax liabilities to be recovered after more than 12 months	164.442	214.029
Deferred income tax liabilities to be recovered within 12 months	47.958	57.372
	212.400	271.401

Movements of deferred income tax assets for the periods ended at 30 June 2006 and 2005 were as follows:

	30 June 2006	30 June 2005
Balances at 1 January-as previously reported	84.206	89.763
Effect of business combination	10.200	-
Balances at 1 January-as restated	94.406	89.763
Business combinations	-	(2.167)
Fair value increase of financial assets	639	-
Effect of currency translation	1.430	(13.020)
(Charged)/credited to income statement	(104.490)	4.747
Balances at 30 June	(8.015)	79.323

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

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

	30 June 2006	31 December 2005
Other Current/Non-Current Assets		
Prepaid expenses	61.805	47.003
Other Current/Non-Current Liabilities		
Expense accruals	198.189	157.035

NOTE 16 - FINANCIAL ASSETS

a) Securities available-for-sale:	30 June 2006	31 December 2005
Debt securities		
- Government bonds	10.071.659	11.373.387
- Government bonds denominated in foreign currency	3.010.537	3.410.951
- Eurobonds	863.387	658.108
- Treasury bills	458.068	202.356
- Mutual Funds	27.954	53.914
	14.431.605	15.698.716
Equity securities		
- Listed	16.587	82.550
- Unlisted	31.735	30.379
	48.322	112.929
Total securities available-for-sale	14.479.927	15.811.645

Effective interest rates of USD, EUR and YTL denominated available-for-sale debt securities, are 7,46% p.a. (31 December 2005: 8,21% p.a.) and 5,35% p.a. (31 December 2005: 5,70% p.a.), 16,23% p.a. (31 December 2005: 18,42% p.a.) respectively.

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

NOTE 16 - FINANCIAL ASSETS (Continued)

Analysis of maturities at 30 June 2006 and 31 December 2005 were as follows:

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

	30 June 2006			31 December 2005		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	3.221.016	4.738	3.225.754	3.044.761	15.807	3.060.568
Up to 3 months	6.409.087	117.433	6.526.520	7.805.444	110.340	7.915.784
1 to 5 years	4.369.121	46.266	4.415.387	4.410.631	77.420	4.488.051
Over 5 years	235.990	-	235.990	193.149	-	193.149
No maturity	22.562	53.714	76.276	88.371	65.722	154.093
	14.257.776	222.151	14.479.927	15.542.356	269.289	15.811.645

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

	30 June 2006			31 December 2005		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	81.812	4.738	86.550	305.904	3.056	308.960
3 to 12 months	6.061.545	117.433	6.178.978	6.707.667	110.341	6.818.008
Current	6.143.357	122.171	6.265.528	7.013.571	113.397	7.126.968
1 to 5 years	7.855.867	46.266	7.902.133	8.247.265	77.420	8.324.685
Over 5 years	235.990	-	235.990	193.149	-	193.149
No maturity	22.562	53.714	76.276	88.371	78.472	166.843
Non-current	8.114.419	99.980	8.214.399	8.528.785	155.892	8.684.677
	14.257.776	222.151	14.479.927	15.542.356	269.289	15.811.645

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

NOTE 16 - FINANCIAL ASSETS (Continued)

The breakdown of available-for-sale equity securities at 30 June 2006 was as follows:

Listed	Share (%)	Carrying amount	Business
Ak Yatırım Ortaklığı A.Ş.(*)	45,62	13.346	Investment management
Others		3.241	
16.587			
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		19.786	
31.735			

(*) The Group owns 45,62% of the shares of Ak Yatırım Ortaklığı A.Ş. Due to the insignificance of the financial impact on the 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 30 June 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 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 30 June 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			

(*) Akbank, a subsidiary of the Holding, sold the 6,45% of the shares of Türkiye Sınai Kalkınma Bankası A.Ş. with a nominal value of YTL 12.893.915 in Istanbul Stock Exchange wholesale market. The investment sales income amounted to YTL 52.975.

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NOTE 16 - FINANCIAL ASSETS (Continued)

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	

b) Securities held-to-maturity:	30 June 2006	31 December 2005
Debt securities		
- Treasury bills denominated in foreign currency	187.169	152.724
- Bonds denominated in foreign currency	89.393	120.421
- Treasury bills	15.209	21.256
- Government bonds	13.531	6.414
- Government bonds denominated in foreign currency	-	480.521
	305.302	781.336

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

	30 June 2006			31 December 2005		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	13.531	-	13.531	31.071	-	31.071
3 to 12 months	55.582	7.914	63.496	498.295	7.445	505.740
Current	69.113	7.914	77.027	529.366	7.445	536.811
1 to 5 years	137.961	-	137.961	163.025	-	163.025
Over 5 years	90.314	-	90.314	81.500	-	81.500
Non-current	228.275	-	228.275	244.525	-	244.525
	297.388	7.914	305.302	773.891	7.445	781.336

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

	30 June 2006			31 December 2005		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	13.531	-	13.531	34.130	-	34.130
3 to 12 months	55.582	7.914	63.496	495.236	7.445	502.681
1 to 5 years	137.961	-	137.961	163.025	-	163.025
Over 5 years	90.314	-	90.314	81.500	-	81.500
	297.388	7.914	305.302	773.891	7.445	781.336

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

NOTE 16 - FINANCIAL ASSETS (Continued)

c) Investment in associates

	30 June 2006	Share(%)	31 December 2005	Share(%)
Philsa	121.115	25,00	96.216	25,00
Philip Morrissa	21.778	24,75	18.749	24,75
	142.893		114.965	

Income from Associates was as follows:

	1 January - 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Philsa	68.568	44.335	11.345	63
Philip Morrissa	17.678	9.638	6.920	616
	86.246	53.973	18.265	679

The summary financial information of associates is as follows:

	30 June 2006		31 December 2005	
	Total assets	Total liabilities	Total assets	Total liabilities
Philsa	1.061.615	577.156	805.523	471.322
Philip Morrissa	274.936	186.944	236.245	167.681
	1.336.551	764.100	1.041.768	639.003

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Sales revenue				
Philsa	2.742.504	1.496.608	2.167.467	1.112.914
Philip Morrissa	3.018.492	1.590.951	2.280.227	1.156.439
	5.760.996	3.087.559	4.447.694	2.269.353

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Net income				
Philsa	190.234	101.010	44.701	6.994
Philip Morrissa	57.581	54.410	27.832	3.708
	247.815	155.420	72.533	10.702

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NOTE 17 - GOODWILL / NEGATIVE GOODWILL (NET)

The movements in goodwill during the six-month periods ended 30 June 2006 and 2005 is as follows:

	Goodwill
Balances at 1 January-as previously reported	290.968
Adjustment to goodwill provisionally accounted under IFRS3	6.150
1 January 2006-adjusted	297.118
Credited to income statement	(10.902)
Currency translation difference	6.971
30 June 2006	293.187

	Goodwill
1 January 2005	176.162
Currency translation difference	(1.240)
30 June 2005	174.922

NOTE 18 - INVESTMENT PROPERTY (NET)

Cost	1 January 2006	Additions	Disposals	Transfers	Impairment	30 June 2006
Land	88.266	-	-	-	-	88.266
Buildings	229.628	-	-	-	-	229.628
Total	317.894					317.894
Accumulated depreciation						
Buildings	26.929	2.664	-	-	-	29.593
Net book value	290.965					288.301

Cost	1 January 2005	Additions	Disposals	Transfers	Impairment	30 June 2005
Land	119.548	338	(1.945)	28.246	-	146.187
Buildings	253.497	26.121	(1.694)	8.739	(3.356)	283.307
Total	373.045	26.459	(3.639)	36.985	(3.356)	429.494
Accumulated depreciation						
Buildings	36.317	3.141	(229)	-	-	39.229
Net book value	336.728					390.265

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

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (NET)

Cost	1 January 2006	Currency translation differences	Additions	Disposals	Impairment	30 June 2006
Land and land improvements	317.292	3.850	4.300	(2.288)	-	323.154
Buildings	2.012.984	12.524	28.361	(18.148)	-	2.035.721
Machinery and equipment	4.789.203	143.499	119.942	(166.387)	(2.603)	4.883.654
Motor vehicles	136.140	1.270	3.276	(6.619)	-	134.067
Furniture and fixtures	1.357.827	5.018	32.870	(20.610)	-	1.375.105
	8.613.446	166.161	188.749	(214.052)	(2.603)	8.751.701
Construction in progress	181.395	11.093	52.367	(30.150)	-	214.705
	8.794.841	177.254	241.116	(244.202)	(2.603)	8.966.406
Accumulated depreciation						
Land and land improvements	64.485	610	3.586	(115)	-	68.566
Buildings	669.397	6.631	30.726	(10.109)	-	696.645
Machinery and equipment	2.719.257	19.385	121.191	(156.899)	-	2.702.934
Motor vehicles	103.938	707	5.238	(5.570)	-	104.313
Furniture and fixtures	1.008.320	3.821	59.309	(18.557)	-	1.052.893
	4.565.397	31.154	220.050	(191.250)	-	4.625.351
Net book value	4.229.444					4.341.055

At 30 June 2006 there are mortgages amounting to YTL 21.529 on buildings as security for bank borrowings and legal requirements (31 December 2005: YTL 31.338).

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

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

Cost	1 January 2005	Currency translation differences	Additions	Disposals	Change in the scope of consolidation	Business combinations	Transfers	30 June 2005
Land and land improvements	345.225	(1.835)	5.320	(16.224)	578	4.611	(28.246)	309.429
Buildings	1.948.840	(8.346)	10.787	(28.209)	1.259	62.162	(73.242)	1.913.251
Machinery and equipment	4.532.557	30.424	93.745	(144.694)	5.988	192.040	-	4.710.060
Motor vehicles	127.828	(111)	5.133	(6.580)	363	44	-	126.677
Furniture and fixtures	1.194.714	(1.574)	28.252	(10.614)	126	19.968	74.172	1.305.044
	8.149.164	18.558	143.237	(206.321)	8.314	278.825	(27.316)	8.364.461
Construction in progress	193.899	(786)	169.052	(108.376)	48	25.977	(9.669)	270.145
	8.343.063	17.772	312.289	(314.697)	8.362	304.802	(36.985)	8.634.606
Accumulated depreciation								
Land and land improvements	59.147	(130)	3.268	(1.147)	225	243	-	61.606
Buildings	670.025	(2.108)	27.244	(7.516)	728	11.292	(36.297)	663.368
Machinery and equipment	2.703.931	16.641	106.355	(131.187)	4.670	25.103	-	2.725.513
Motor vehicles	102.456	(39)	3.796	(4.247)	324	216	-	102.506
Furniture and fixtures	897.858	(1.180)	67.858	(9.863)	112	13.648	36.297	1.004.730
	4.433.417	13.184	208.521	(153.960)	6.059	50.502	-	4.557.723
Net book value	3.909.646							4.076.883

At 30 June 2005 there are mortgages amounting to YTL 127.072 on buildings as security for bank borrowings and legal requirements.

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NOTE 20 - INTANGIBLE ASSETS

	30 June 2006	31 December 2005
Cost	460.354	299.047
Accumulated depreciation	(127.184)	(99.782)
	333.170	199.265

YTL 120.708 increase in intangible assets relates to the mining rights acquired in connection with the acquisition of Tufanbeyli Elektrik Üretim A.Ş. by Enerjisa.

NOTE 21 - ADVANCES RECEIVED

	30 June 2006	31 December 2005
Advances received from customers	27.866	29.491

NOTE 22 - RETIREMENT PLANS

As disclosed in Note 3 to the consolidated interim financial statements, 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 No: 506, Temporary Article No: 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 financial statements of the Fund necessitating the accounting of a provision.

NOTE 23 - PROVISIONS

a) Income taxes payable

	30 June 2006	31 December 2005
Corporation and income taxes currently payable	99.688	792.376
Less: prepaid taxes	(180.888)	(558.514)
Total taxes payable	(*) (81.200)	233.862

(*) The excess of prepaid taxes over corporation and income taxes payable amounting to YTL 81.200, is included in other receivables at 30 June 2006.

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)

The Corporate Tax Law was amended as of 13 June 2006 with Law No 5520. The majority of the clauses of Law No 5520 are effective as of 01.01.2006. Corporation tax rate of the fiscal year 2006 is 20% (2005: 30%). Corporation tax is payable at a rate of 20% 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 after 23 July 2006 are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations calculate corporate tax quarterly at the rate of 20% on their corporate income and declare it until the 10th day and pay it on the 17th day by the second month following each calendar quarter end. 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 25th 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.

Preferential right certificate sales and issued premiums exemption

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Exemption for Participation into Foreign Subsidiaries

The participation income of corporations participating in 10% 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 one year 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 15% (at corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

Exemption for sale of Participation Shares and Property

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of 5 years. The cost of the sale has to be collected up until the end of the second calendar year following the year the sale was realized.

Brokerage houses and real estate companies who are dealing with the trading and the leasing of the real estate can not benefit from this exemption.

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NOTE 23 - PROVISIONS (Continued)

Exemption for Investment Allowance

The investment allowance application which had been in force for a significant period of time was abolished by Law No.5479 dated 30.03.2006. However, in accordance with the temporary article 69 of the Income Tax Law, income and corporate taxpayers can deduct the following amounts from their income related to the years 2006, 2007 and 2008 as well as the investment allowance amounts they could not offset against 2005 gains which were present as of 31 December 2005, in accordance with the legislation (including the provisions related to tax rates) in force as of 31 December 2005.

a) In the scope of the investment incentive certificates prepared related to the applications before 24 April 2003, investments to be made after 1 January 2006 in the scope of the certificate for the investments started in accordance with the additional 1st, 2nd, 3rd, 4th, 5th and 6th articles prior to the abrogation of Income Tax Law No.193, with Law No.4842.

b) In the scope of the abolished 19th article of Income Tax Law No.193, the investment allowance amounts to be calculated in accordance with the legislation in force at 31 December 2005 for investments which were started before 1 January 2006 and which display an economical and technical integrity.

Accordingly, gains with the above nature which are in the profit/loss figures are taken into consideration, in the calculation of corporate tax.

Apart from the abovementioned exceptions in the determination of the corporate tax base, allowances cited in the articles 8, 9 and 10 of Corporate Tax Law and article 40 of Income Tax Law are taken into consideration.

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 30 June 2006 the amount payable consists of one month's salary limited to a maximum of YTL 1.771 (31 December 2005: YTL 1.727) 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.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

NOTE 23 - PROVISIONS (Continued)

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.

Movements in the reserve for employment termination benefits for the periods ended 30 June are as follows:

	30 June 2006	30 June 2005
Balances at 1 January	142.373	124.925
Change in the scope of consolidation	-	39
Acquisition	-	7.661
Payments during the period	(18.016)	(23.938)
Charge for the period	29.423	27.673
Balances at 30 June	153.780	136.360

NOTE 24 - MINORITY INTEREST

	30 June 2006	30 June 2005
Balances at 1 January - as previously reported	4.856.918	4.693.824
Accounting policy change	-	33.115
Balances at 1 January - as restated	-	4.726.939
Effect of change in the effective rate of subsidiaries	(8.291)	14.501
Non-cash capital increase correction	(15.946)	(111.204)
Disposal of subsidiary	-	(2.420)
Capital increase	7.083	9.050
Increase in share premium	-	160
Partial disposition of subsidiary	25.950	-
Dividends paid	(374.283)	(876.665)
Business combination	-	37.574
Currency translation differences	33.998	(1.010)
Available for sale investments net fair value change, net of tax	(411.871)	55.065
Net income for the period	537.594	532.023
Balances at 30 June	4.651.152	4.384.013

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

The Holding’s authorised and issued capital consists of 180.000.000.000 (31 December 2005: 180.000.000.000) shares of YKr 1 each.

The Holding’s authorised and paid-in share capital and shareholding structure at 30 June 2006 and 31 December 2005 were as follows:

Shareholders:	Share (%)	30 June 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	100,00	1.800.000	100,00	1.800.000
Share premium		21.670		21.670

NOTE 26 - CAPITAL RESERVES

At 30 June 2006 and 31 December 2005, the restated amounts and the shareholders’ equity restatement differences of equity accounts were as follows:

30 June 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	92.463	175.566	83.103
Extraordinary reserves	747.332	842.937	95.605
	2.661.465	6.545.386	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

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

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%, to the holders of the usufruct shares in the amount of 3% 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.

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.

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

NOTE 27 - PROFIT RESERVES (Continued)

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:

	30 June 2006	31 December 2005
Capital	1.800.000	1.800.000
Share premium	21.670	21.670
Legal reserves	92.463	76.136
Extraordinary reserves	747.332	567.538
Shareholders’ equity restatement difference	3.883.921	3.883.921
Net income	319.200	689.765
Retained earnings	116.911	17.021
Total shareholders’ equity subject to dividend distribution	6.981.497	7.056.051
Translation reserve	(182.400)	(361.560)
Revaluation reserve	13.161	12.455
Fair value reserve	(178.339)	92.213
Shareholders’ equity per consolidated financial statements	6.633.919	6.799.159

NOTE 28 - RETAINED EARNINGS

	30 June 2006
Balance at 1 January 2006	17.021
Effect of change in the effective rate of subsidiaries	8.291
Transfer of net income at 31 December 2005	493.644
Purchase of usufruct shares	(269.325)
Dividends paid	(134.760)
Transfer from revaluation fund	2.040
Balance at 30 June 2006	116.911

NOTE 29 - FOREIGN CURRENCY POSITION

Foreign currency denominated assets and liabilities held by the Holding before consolidation eliminations at 30 June 2006 and 31 December 2005 were as follows:

	30 June 2006	31 December 2005
Assets	29.971.533	25.304.424
Liabilities	(31.218.756)	(26.118.652)
Net foreign currency position	(1.247.223)	(814.228)

As of 30 June 2006, USD and Euro bid rates announced by CBRT are USD1= YTL 1,6029 and EUR1= YTL 2,0095, respectively. As of the preparation of these consolidated interim financial statements, USD and EURO bid rates announced by CBRT are USD1= 1,4722 and EUR1= 1,8811, respectively.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

	30 June 2006				
	USD	EUR	GBP	Other	Total
Cash and due from banks	1.901.753	2.100.088	296.929	26.368	4.325.138
Trading securities	6.405.866	819.168	-	-	7.225.034
Derivative financial instruments	11.881	24.912	7.852	63	44.708
Reserve deposits at Central Bank	-	1.550.086	-	-	1.550.086
Loans and advances to customers	6.942.815	4.525.290	57.253	7.229	11.532.587
Investment securities	3.398.315	707.679	49.228	-	4.155.222
Trade receivables	254.168	600.229	109.365	42.124	1.005.886
Other receivables	47.568	34.842	25.196	25.266	132.872
Total foreign currency denominated assets	18.962.366	10.362.294	545.823	101.050	29.971.533
Funds borrowed, bank borrowings and debt securities in issue	9.643.625	3.471.744	75.095	13.066	13.203.530
Customer deposits	9.053.130	6.984.880	809.830	164.542	17.012.382
Derivative financial instruments	4.066	10.682	13.670	-	28.418
Trade payables	198.304	334.746	98.881	13.604	645.535
Other payables	138.373	127.499	42.423	20.596	328.891
Total foreign currency denominated liabilities	19.037.498	10.929.551	1.039.899	211.808	31.218.756
Net balance sheet position	(75.132)	(567.257)	(494.076)	(110.758)	(1.247.223)
	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)

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

NOTE 30 - GOVERNMENT GRANTS

None (31 December 2005: None).

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

	30 June 2006	31 December 2005
Letters of guarantee issued	2.169.983	2.227.769
Foreign currency acceptance credits	832.030	838.159
Letter of credits	40.344	49.179
	3.042.357	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 30 June 2006 and 31 December 2005 were as follows:

	30 June 2006	31 December 2005
Repurchase commitments	2.370.295	5.489.288
Resale commitments	146.325	91.885

Commitments to forward currency purchase / sale and swap transactions:

	30 June 2006	31 December 2005
Forward currency purchases		
YTL	29.200	410
USD	98.487	204.377
EUR	159.500	718.182
JPY	103.050	43.380
GBP	504.294	339.685
	894.531	1.306.034
Forward currency sales		
YTL	132.686	27.862
USD	499.028	983.941
EUR	207.134	214.420
JPY	10.598	95.137
GBP	48.418	48.755
	897.864	1.370.115

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

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

	30 June 2006	31 December 2005
Currency swap purchases		
YTL	106.778	-
USD	856.336	857.195
EUR	1.132.721	816.540
GBP	187.174	265.462
CHF	38.211	17.777
Other	102.374	83.721
	2.423.594	2.040.695
Currency swap sales		
YTL	5.500	-
USD	1.257.602	832.273
GBP	10.367	8.296
EUR	1.148.643	1.216.265
	2.422.112	2.056.834
Interest rate swap purchases		
USD	436.134	326.729
EUR	810.485	315.649
GBP	465.056	323.694
JPY	-	13.680
	1.711.675	979.752
Interest rate swap sales		
USD	436.116	320.154
EUR	810.503	315.649
GBP	465.056	323.694
JPY	-	20.520
	1.711.675	980.017
Spot purchases	231.591	78.170
Spot sales	230.972	78.170
Commitments - Other companies		
Letters of guarantee given	547.492	729.677
Other guarantees given	77.396	43.810
	624.888	773.487

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

NOTE 32 - BUSINESS COMBINATIONS

The business combinations between 1 January and 30 June 2006 are as follows:

Enerjisa, a subsidiary of the Holding, acquired 99,97% of shares of Tufanbeyli Elektrik Üretim A.Ş. (“Tufanbeyli Elektrik”) from Park Holding A.Ş. in consideration of YTL 124.694 on 2 June 2006. Tufanbeyli has generated a net income of YTL 167 as of 30 June 2006 following this acquisition. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the acquisition costs are as follows:

Property plant and equipment, net	711
Intangible assets- net (*)	120.708
Other assets	3.333
Other liabilities	(27)
Minority interest in negative net assets as of acquisition date	(31)
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Total net assets	124.694
Less: cost of acquisition	(124.694)

(*) The acquired intangible assets represent mining rights.

The business combinations between 1 January and 31 December 2005 are 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 the acquisition date 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)
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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)
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Excess recognised in the statement of income as of 31 December 2005	(24.968)

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

NOTE 32 - BUSINESS COMBINATIONS (Continued)

Sabancı Industrial Nylon Yarn, a Subsidiary of the Holding, acquired 50% of shares of Kordsa LLC from E.I. du Pont de Nemours and Company, which is a joint venturer of Kordsa LLC, in consideration of YTL 133.349 on 30 April 2006. The excess amount of YTL 52.269 that arose from the excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired from the purchase consideration is included in other operating income. Kordsa LLC has generated a net income of YTL 9.650 until 31 December 2005 after this acquisition. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

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)
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Total net assets	185.617
Less: cost of acquisition	(133.349)

Excess recognised in income statement as of 31 December 2005 **(52.268)**

Sabancı Industrial Nylon Yarn, a Subsidiary of the Holding, acquired 90,32% of shares of Cobafi from Acordis/Diolen in consideration of YTL21.320 on 13 May 2005. The excess amount of YTL10.449 that arose from the excess of the fair value of the identifiable assets, liabilities and contingent liabilities acquired from the purchase consideration is included in 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)
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Total net assets	31.769
Less: cost of acquisition	(21.320)

Excess recognised in income statement as of 31 December 2005 **(10.449)**

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

NOTE 32 - BUSINESS COMBINATIONS (Continued)

Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş., a joint venture of Sabancı Holding, acquired 65,33% of shares of Gıma 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 ended 31 December 2005 after the acquisition. The fair values of identifiable assets, liabilities and contingent liabilities acquired and the cost of acquisition are as follows:

Inventory	9.029
Property plant and equipment, net	15.343
Intangible assets	269
Other assets	7.144
Financial liabilities	(13.070)
Trade payables	(34.373)
Other liabilities	(19.771)
Minority interest in negative net assets as of acquisition date	(5.743)
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Total net assets	(41.172)
Less: cost of acquisition	(72.192)
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Goodwill	113.364

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	22.759
Deferred tax asset	3.871
Employment termination benefits	(199)
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Total net assets	103.644
Less: cost of acquisition	(235.784)
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Goodwill	132.140

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

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

NOTE 33 - SEGMENT REPORTING

a) External revenues

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Finance	4.085.504	2.033.669	3.202.570	1.698.327
Tire and tire reinforcements	638.790	343.652	461.946	277.133
Automotive	825.586	471.898	603.952	358.043
Textile	204.107	116.323	179.563	92.993
Chemicals	780.049	425.777	792.650	394.375
Cement	325.207	210.922	223.355	141.756
Retail	824.473	403.577	510.899	261.255
Food and beverage	220.447	114.893	184.814	91.536
Other	221.308	122.957	192.317	91.397
	8.125.471	4.243.668	6.352.066	3.406.815

b) Segment assets

	30 June 2006	31 December 2005
Tire and tire reinforcements	1.229.249	880.361
Automotive	617.151	511.642
Textile	508.189	456.838
Chemicals	1.753.859	1.413.551
Cement	829.288	645.534
Retail	806.504	818.030
Food and beverage	303.949	261.401
Finance	59.140.096	55.542.083
Banking	58.466.231	54.780.220
Insurance	673.865	761.863
Other	1.523.635	1.433.677
Segment assets (*)	66.711.920	61.963.117
Investment in associated companies	142.893	114.965
Other	142.893	114.965
Unallocated assets	728.434	937.046
Less: intercompany eliminations and reclassifications	(1.490.560)	(1.172.728)
Total assets per consolidated financial statements	66.092.687	61.842.400

(*) Segment assets mainly comprise of operating assets.

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

NOTE 33 - SEGMENT REPORTING (Continued)

c) Segment liabilities	30 June 2006	31 December 2005
Tire and tire reinforcements	219.547	195.382
Automotive	256.172	231.851
Textile	64.839	48.267
Chemicals	357.269	271.055
Cement	87.831	58.426
Retail	371.721	329.300
Food and beverage	118.505	81.324
Finance	52.960.715	48.616.674
Banking	52.314.943	48.071.665
Insurance	645.772	540.009
Other	310.407	215.092
Segment liabilities (*)	54.747.006	50.047.371
Unallocated liabilities	1.143.076	1.211.655
Less: intercompany eliminations and reclassifications	(1.082.466)	(1.072.703)
Total liabilities per consolidated financial statements	54.807.616	50.186.323

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

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

NOTE 33 - SEGMENT REPORTING (Continued)

d) Segmental analysis for the six-month period ended 30 June 2006

	Tire and tire reinforcements	Automotive	Textile	Chemicals	Cement	Retail	Food and beverage	Finance			Total finance	Inter segment Other elimination	Total
								Banking	Insurance				
External revenues	638.790	825.586	204.107	780.049	325.207	824.473	220.447	3.697.408	388.097	4.085.505	221.307	-	8.125.471
Inter segment revenues	3.221	2.167	154	10.060	2	1.568	4.806	49.843	1.555	51.398	86.591	(159.967)	-
Intra segment revenues	19.637	1	314	-	1.916	945	-	2.793	-	2.793	950.913	(976.519)	-
Combined revenues	661.648	827.754	204.575	790.109	327.125	826.986	225.253	3.750.044	389.652	4.139.696	1.258.811	(1.136.486)	8.125.471
External revenues	638.790	825.586	204.107	780.049	325.207	824.473	220.447	3.697.408	388.097	4.085.505	221.307	-	8.125.471
Inter segment revenues	3.221	2.167	154	10.060	2	1.568	4.806	49.843	1.555	51.398	86.591	(159.967)	-
Consolidated revenue	642.011	827.753	204.261	790.109	325.209	826.041	225.253	3.747.251	389.652	4.136.903	307.898	(159.967)	8.125.471
Cost of goods sold (*)	(519.311)	(689.582)	(148.462)	(714.129)	(191.374)	(658.790)	(185.602)	(2.179.309)	(365.930)	(2.545.239)	(270.135)	167.325	(5.755.299)
General administrative expenses	(44.805)	(10.303)	(14.176)	(19.944)	(12.987)	(95.593)	(9.346)	(736.082)	(33.378)	(769.460)	(20.665)	-	(997.279)
Sales, marketing and distribution expenses	(14.705)	(57.077)	(15.110)	(57.531)	(5.709)	(64.438)	(36.525)	-	-	-	(19.161)	-	(270.256)
Research and development expenses	(2.786)	(2.947)	(4.853)	(4.493)	-	-	(199)	-	-	-	-	-	(15.278)
Inter segment adjustment	-	(369)	45	98	(50)	33	709	(20)	(2)	(22)	(1.170)	16.288	15.562
Operating result	60.404	67.475	21.705	(5.890)	115.089	7.253	(5.710)	831.840	(9.658)	822.182	(3.233)	23.646	1.102.921
Other unallocated operating expenses													(24.463)
Net operating result													1.078.458
Other income/(expense)- net	(1.450)	(4.340)	(1.862)	(20.092)	(2.023)	3.203	(5.048)	113.607	15.788	129.395	(28.564)	-	69.219
Segment result	58.954	63.135	19.843	(25.982)	113.066	10.456	(10.758)	945.447	6.130	951.577	(31.797)	23.646	1.147.677

(*) In the banking segment cost of sales includes interest expense, fee and commission expense, provision for loan losses and other operating income.

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

NOTE 33 - SEGMENT REPORTING (Continued)

Segmental analysis for the three-month period ended 30 June 2006

	Tire and tire reinforcements	Automotive	Textile	Chemicals	Cement	Retail	Food and beverage	Finance		Total finance	Inter segment elimination		Total
								Banking	Insurance		Other		
External revenues	343.652	471.898	116.323	425.777	210.922	403.577	114.893	1.853.116	180.554	2.033.670	122.956	-	4.243.668
Inter segment revenues	1.922	2.112	116	4.880	2	800	2.234	41.222	(1.045)	40.177	42.518	(94.761)	-
Intra segment revenues	10.421	1	280	-	1.108	(3.772)	(903)	1.422	-	1.422	325.239	(333.796)	-
Combined revenues	355.995	474.011	116.719	430.657	212.032	400.605	116.224	1.895.760	179.509	2.075.269	490.713	(428.557)	4.243.668
External revenues	343.652	471.898	116.323	425.777	210.922	403.577	114.893	1.853.115	180.554	2.033.669	122.957	-	4.243.668
Inter segment revenues	1.922	2.112	116	4.880	2	800	2.234	41.222	(1.045)	40.177	42.518	(94.761)	-
Consolidation revenue	345.574	474.010	116.439	430.657	210.924	404.377	117.127	1.894.337	179.509	2.073.846	165.475	(94.761)	4.243.668
Cost of goods sold	(273.734)	(402.045)	(77.188)	(383.631)	(116.736)	(319.987)	(100.253)	(1.214.119)	(161.686)	(1.375.805)	(144.740)	134.937	(3.059.182)
General administrative expenses	(26.104)	(5.465)	(6.878)	(10.137)	(6.917)	(48.824)	(4.855)	(410.150)	(18.765)	(428.915)	(8.645)	-	(546.740)
Sales, marketing and distribution expenses	(8.441)	(34.900)	(8.939)	(30.520)	(4.224)	(38.373)	(17.788)	-	-	-	(10.625)	-	(153.810)
Research and development expenses	(1.458)	(1.949)	(2.461)	(2.601)	-	-	(106)	-	-	-	-	-	(8.575)
Inter segment adjustment	-	(185)	22	98	(25)	113	705	(9)	(1)	(10)	(1.855)	(23.998)	(25.135)
Operating result	35.837	29.466	20.995	3.866	83.022	(2.694)	(5.170)	270.059	(943)	269.116	(390)	16.178	450.226
Other unallocated operating expenses													(13.146)
Net operating result													437.080
Other income/(expense)- net	1.177	(4.244)	(1.684)	(15.244)	833	3.864	(4.011)	46.270	(9.743)	36.527	(23.658)	-	(6.440)
Segment result	37.014	25.222	19.311	(11.378)	83.855	1.170	(9.181)	316.329	(10.686)	305.643	(24.048)	16.178	430.640

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NOTE 33 - SEGMENT REPORTING (Continued)

Segmental analysis for the six-month period ended 30 June 2005

	Tire and tire reinforcements	Automotive	Textile	Chemicals	Cement	Retail	Food and beverage	Finance			Inter segment elimination	Total	
								Banking	Insurance	Total finance			
External revenues	461.946	603.952	179.563	792.650	223.355	510.899	184.814	2.912.533	290.037	3.202.570	192.317	-	6.352.066
Inter segment revenues	2.840	5.461	1	9.912	8	967	2.395	10.013	1.434	11.447	98.756	(131.787)	-
Intra segment revenues	21.727	-	83	2.065	1.161	920	414	1.565	-	1.565	1.048.421	(1.076.356)	-
Combined revenues	486.513	609.413	179.647	804.627	224.524	512.786	187.623	2.924.111	291.471	3.215.582	1.339.494	(1.208.143)	6.352.066
External revenues	461.946	603.952	179.563	792.650	223.355	510.899	184.814	2.912.534	290.037	3.202.571	192.316	-	6.352.066
Inter segment revenues	2.840	5.461	1	9.912	8	967	2.395	10.013	1.434	11.447	98.756	(131.787)	-
Consolidated revenue	464.786	609.413	179.564	802.562	223.363	511.866	187.209	2.922.547	291.471	3.214.018	291.072	(131.787)	6.352.066
Cost of goods sold	(362.525)	(506.424)	(133.517)	(717.745)	(155.955)	(408.685)	(167.353)	(1.245.142)	(278.633)	(1.523.775)	(270.803)	148.129	(4.098.653)
General administrative expenses	(26.766)	(9.534)	(13.563)	(21.814)	(10.977)	(59.258)	(10.007)	(547.327)	(29.121)	(576.448)	(20.009)	-	(748.376)
Sales, marketing and distribution expenses	(15.962)	(42.961)	(14.090)	(59.269)	(3.163)	(33.137)	(36.451)	-	-	-	(18.583)	-	(223.616)
Research and development expenses	(2.033)	(3.085)	(4.121)	(3.208)	-	-	(141)	-	-	-	(2.082)	-	(14.670)
Inter segment adjustment	2.001	(369)	45	-	(50)	39	(12.260)	(20)	(2)	(22)	(1.370)	25.019	13.033
Operating result	59.501	47.040	14.318	526	53.218	10.825	(39.003)	1.130.058	(16.285)	1.113.773	(21.775)	41.361	1.279.784
Other unallocated operating expenses													(26.516)
Net operating result													1.253.268
Other income/(expense)- net	11.244	(5.182)	(10.147)	(24.064)	22.492	13.886	569	14.910	20.268	35.178	9.950		53.926
Segment result	70.745	41.858	4.171	(23.538)	75.710	24.711	(38.434)	1.144.968	3.983	1.148.951	(11.825)	41.361	1.307.194

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

NOTE 33 - SEGMENT REPORTING (Continued)

Segmental analysis for the three-month period ended 30 June 2005

	Tire and tire reinforcements	Automotive	Textile	Chemicals	Cement	Retail	Food and beverage	Finance		Total finance	Inter segment elimination		Total
								Banking	Insurance		Other		
External revenues	277.133	358.043	92.993	394.375	141.756	261.255	91.536	1.562.653	135.674	1.698.327	91.397	-	3.406.815
Inter segment revenues	1.666	5.451	(7)	(641)	4	354	1.020	2.813	692	3.505	51.634	(62.986)	-
Intra segment revenues	11.021	-	56	2.062	828	920	118	912	-	912	473.990	(489.907)	-
Combined revenues	289.820	363.494	93.042	395.796	142.588	262.529	92.674	1.566.378	136.366	1.702.744	617.021	(552.893)	3.406.815
External revenues	277.133	358.043	92.993	394.375	141.756	261.255	91.536	1.562.654	135.674	1.698.328	91.396	-	3.406.815
Inter segment revenues	1.666	5.451	(7)	(641)	4	354	1.020	2.813	692	3.505	51.634	(62.986)	-
Consolidated revenue	278.799	363.494	92.986	393.734	141.760	261.609	92.556	1.565.467	136.366	1.701.833	143.030	(62.986)	3.406.815
Cost of goods sold	(220.998)	(296.920)	(68.389)	(353.684)	(94.577)	(209.201)	(89.753)	(630.017)	(134.437)	(764.454)	(129.405)	66.489	(2.160.892)
General administrative expenses	(15.937)	(4.812)	(6.664)	(11.108)	(5.081)	(29.756)	(5.264)	(301.783)	(17.765)	(319.548)	(7.800)	-	(405.970)
Sales, marketing and distribution expenses	(9.628)	(24.886)	(7.113)	(30.079)	(1.685)	(15.943)	(18.688)	-	-	-	(9.203)	-	(117.225)
Research and development expenses	(1.140)	(2.628)	(2.222)	(1.325)	-	-	(72)	-	-	-	(2.082)	-	(9.469)
Inter segment adjustment	2.001	(185)	22	-	(258)	39	(12.260)	(9)	(1)	(10)	(2.055)	33.535	20.829
Operating result	33.097	34.063	8.620	(2.462)	40.159	6.748	(33.481)	633.658	(15.837)	617.821	(7.515)	37.038	734.088
Other unallocated operating expenses													(14.559)
Net operating result													719.529
Other income/(expense)- net	14.799	(2.878)	(8.780)	(20.156)	18.867	10.790	668	(16.783)	13.872	(2.911)	15.608	-	26.007
Segment result	47.896	31.185	(160)	(22.618)	59.026	17.538	(32.813)	616.875	(1.965)	614.910	8.093	37.038	745.536

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

NOTE 33 - SEGMENT REPORTING (Continued)

e) Operating results

i) Banking

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Interest on loans	1.769.110	927.851	1.232.323	402.645
Interest on investment and trading securities	1.149.415	531.695	1.092.114	839.651
Fee and commission income	527.819	280.624	436.772	236.822
Interest from other banks	111.280	61.454	69.905	39.369
Net trading gains on securities	115.865	47.522	68.103	37.794
Other interest income	23.919	3.970	13.316	6.372
Total operating revenues	3.697.408	1.853.116	2.912.533	1.562.653
Less: fee and commission income and net trading gains on securities	(643.684)	(328.146)	(504.875)	(274.617)
Total interest income	3.053.724	1.524.970	2.407.658	1.288.036
Interest expense	(1.741.730)	(898.817)	(1.054.035)	(570.305)
Interest income - net	1.311.994	626.153	1.353.623	717.731
<u>Operating costs</u>				
Interest expense	(1.741.730)	(898.817)	(1.054.035)	(570.305)
Foreign exchange trading gains - net	(133.217)	(131.361)	44.423	68.263
Operating expense	(736.082)	(410.150)	(547.327)	(301.783)
Fee and commission expense	(107.003)	(55.671)	(109.758)	(55.206)
Provision for loan losses	(147.536)	(87.058)	(115.778)	(69.966)
Total operating costs	(2.865.568)	(1.583.057)	(1.782.475)	(928.997)
Add: interest expense	1.741.730	898.817	1.054.035	570.305
Add: fee and commission income and net trading gains on securities	643.684	328.146	504.875	274.617
Operating results	831.840	270.059	1.130.058	633.656

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

NOTE 33 - SEGMENT REPORTING (Continued)

ii) Insurance

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Gross premiums written	388.097	180.554	290.037	135.674
Outward reinsurance premiums	(177.748)	(73.480)	(149.303)	(62.773)
Change in the provision for unearned premiums, net of reinsurance	(43.749)	(16.419)	(27.095)	(20.417)
Earned premiums, net of reinsurance	166.600	90.655	113.639	52.484
Claims paid - gross	(207.727)	(108.281)	(158.170)	(78.577)
Claims paid – reinsurers’ share	97.486	54.476	79.859	40.353
Change in the provision for claims	(15.852)	(6.284)	(4.591)	(3.108)
Claims incurred, net of reinsurance	(126.093)	(60.089)	(82.902)	(41.332)
Change in life assurance provision	(2.305)	(3.237)	(5.867)	(1.536)
Commission expense - net	(14.482)	(9.499)	(12.034)	(7.688)
Other technical income - net	23.720	17.830	12.836	1.928
General administrative expenses	(33.378)	(18.773)	(29.121)	(17.765)
Operating results	(9.658)	(943)	(16.285)	(15.837)

iii) Non-financial products

Net sales	4.039.966	2.209.998	3.149.496	1.708.488
Cost of sales	(3.261.471)	(1.753.798)	(2.586.325)	(1.385.008)
Gross profit	778.495	456.200	563.171	323.480
Operating expenses	(522.219)	(288.236)	(423.676)	(221.771)
Operating profit	256.276	167.964	139.495	101.709

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

NOTE 33 - SEGMENTAL REPORTING (Continued)

f) Interests in joint ventures

Aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities and income and expense items related to Joint Ventures which are proportionally consolidated in the consolidated interim financial statements are as follows on a combined basis:

	30 June 2006	31 December 2005		
Balance sheet				
Current assets	446.625	442.916		
Non-current assets	950.072	973.894		
Total assets	1.396.697	1.416.810		
Current liabilities	455.541	404.918		
Non-current liabilities	57.248	76.638		
Total liabilities	512.789	481.556		
Outside interests	4.163	4.143		
Shareholders' equity	879.745	931.111		
Total liabilities, outside interests and shareholders' equity	1.396.697	1.416.810		
Income statement	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Operating profit	50.231	34.308	68.802	41.727
Financial (expense)/ income- net	(4.835)	(7.713)	5.049	3.042
Income before taxation on income and outside interests	45.396	26.595	73.851	44.769
Taxation on income	(35.314)	(40.660)	(20.145)	(13.379)
Income/ (loss) before outside interests	10.082	(14.065)	53.706	31.390
Outside interests	(20)	(344)	(1.512)	(273)
Net income/ (loss) for the period	10.062	(14.409)	52.194	31.117

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

NOTE 33 - SEGMENTAL REPORTING (Continued)

g) Amortisation charge, negative goodwill income and capital expenditures

1 January - 30 June 2006

	<u>Finance</u>		Tire and tire enforcements	Automotive	Textile	Chemicals	Cement	Food and beverage	Retail	Other	Total
	Banking	Insurance									
Depreciation and amortisation	55.185	2.251	35.164	5.854	18.652	44.070	25.090	6.305	16.521	32.635	241.727
Capital expenditure	47.628	1.673	53.972	13.733	12.604	42.589	41.377	18.953	15.981	8.057	256.567

1 April - 30 June 2006

	<u>Finance</u>		Tire and tire enforcements	Automotive	Textile	Chemicals	Cement	Food and beverage	Retail	Other	Total
	Banking	Insurance									
Depreciation and amortisation	27.590	1.138	20.084	2.007	9.271	24.649	11.947	2.958	8.184	16.396	124.224
Capital expenditure	41.229	894	49.807	6.034	7.871	26.112	34.102	14.091	11.749	8.057	199.946

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

NOTE 33 - SEGMENTAL REPORTING (Continued)

1 January - 30 June 2005

	Finance		Tire and tire enforcements	Automotive	Textile	Chemicals	Cement	Food and beverage	Retail	Other	Total
	Banking	Insurance									
Depreciation and amortisation	56.131	2.031	22.894	3.611	17.497	34.484	22.173	5.870	16.328	43.235	224.254
Impairment of goodwill	(24.968)	-	(32.282)	-	-	-	-	-	-	-	(57.250)
	31.163	2.031	(9.388)	3.611	17.497	34.484	22.173	5.870	16.328	43.235	167.004
Capital expenditure	23.070	2.623	42.204	13.710	37.449	36.971	29.681	13.354	9.734	33.325	242.121

1 April - 30 June 2005

	Finance		Tire and tire enforcements	Automotive	Textile	Chemicals	Cement	Food and beverage	Retail	Other	Total
	Banking	Insurance									
Depreciation and amortisation	28.659	830	12.669	1.858	8.847	16.932	10.838	2.956	6.826	6.947	97.362
Capital expenditure	16.996	1.267	24.416	3.706	23.313	20.734	20.791	8.743	1.480	24.288	145.734

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

NOTE 34 - SUBSEQUENT EVENTS

1) Enerjisa acquired 90,97% of the share capital of Ser Enerji Üretim ve Ticaret A.Ş. on 25 August 2006, for a cash consideration of YTL 22.094. The acquired company holds the rights to enter two hydroelectric plant tenders. Should the tenders be won a contingent consideration of USD 12,5 million will be paid to previous shareholders.

2) In accordance with the decision of the Board of Directors of Akbank dated 14 July 2006, a share purchase agreement was signed with Parsian Investment Company established in Iran, regarding the sale of 65% shares of Akbank in the share capital of Sabancı Bank Plc. (“Shares Purchase Agreement”). Within the scope of this agreement, the other shareholder Universal, that holds the remaining 35% shareholding, will also sell its shares in Sabancı Bank Plc. Sale value of the shares will be determined over the net assets of Sabancı Bank Plc at the date of completion of the purchase transaction. Purchase transaction will be completed at a later date subsequent to the approval of the Financial Services Authority in England and other related authorities.

3) One of the factories of Olmuksa, a joint venture of the Holding, located in Bursa İnegöl caught fire on 6 August 2006. The fire damaged buildings, machinery and equipment together with the finished goods and raw materials. The factory was insured for fire and business continuity losses. As of the date of the preparation of these consolidated interim financial statements the damage assessment is in progress.

NOTE 35 - DISCONTINUED OPERATIONS

Advansa, a subsidiary of the Holding registered in Netherlands, signed a share sales agreement with La Seda De Barcelona on 28 July 2006 regarding the asset sale of pet, pet reform and pta production entities located in Turkey (Artensa A.Ş.), United Kingdom (Advansa UK Ltd) and Romania (Advansa Romania SRL) together with associated production technology and licences. The transaction is subject to the approval of competition authorities in related countries. Based on the agreement, the assets are priced at EUR 320 million (equivalent of YTL 643.040 at 30 June 2006).

The summary financial information of the entities subject to the sales transaction is as follows:

	1 January 2006 - 30 June 2006
Revenues	373.838
Expenses	(401.187)
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Loss before tax of chemicals business segment	(27.349)
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Income taxes	5.278
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Segment result of chemicals	(22.071)

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

NOTE 35 - DISCONTINUED OPERATIONS (Continued)

The assets and liabilities to be disposed of in connection with the share sales acquirement discussed above following the approval of competition authorities of related countries is as follows:

	30 June 2006
Assets	841.745
Cash and cash equivalents	3.220
Trade receivables (net)	194.783
Inventories (net)	110.661
Other current assets	24.898
Property, plant and equipment (net)	445.573
Intangible assets (net)	45.318
Deferred income tax assets	17.292
Liabilities	(445.170)
Trade payables (net)	(126.748)
Other liabilities	(74.078)
Due to related parties (net)	(27.006)
Bank borrowings	(217.338)
Net Assets	396.575

NOTE 36 - OPERATING INCOME

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Finance	4.085.504	2.033.669	3.202.570	1.698.327
Non-finance	4.039.967	2.209.999	3.149.496	1.708.488
	8.125.471	4.243.668	6.352.066	3.406.815

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NOTE 37 - OPERATING EXPENSES

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
General and administrative expenses	1.014.851	438.304	768.250	288.503
Marketing, selling and distribution expenses	261.621	149.906	217.260	113.008
Research and development expenses	15.242	8.559	14.635	9.509
	1.291.714	596.769	1.000.145	411.020

NOTE 38 - OTHER INCOME/EXPENSES AND GAINS/LOSSES

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Foreign exchange gains	213.726	192.761	48.264	23.781
Gain on sale of associate	52.032	-	-	-
Interest income	45.713	31.871	44.457	8.422
Gain on sale of property, plant and equipment-net	11.271	-	-	-
Negative goodwill income	-	-	57.250	32.278
Other	18.881	3.820	8.834	817
	341.623	228.452	158.805	65.298

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Idle time expense	3.429	1.256	7.784	4.620
Impairment losses	2.603	2.603	-	-
Provision expense	1.800	1.800	455	216
Loss on sale of property, plant and equipment-net	-	-	3.919	2.252
Other	5.134	4.601	-	-
	12.966	10.260	12.158	7.088

NOTE 39 - FINANCIAL EXPENSES

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Foreign exchange losses	222.395	204.386	64.927	54.541
Interest expense	31.734	22.160	21.084	7.153
Other financial expenses	35.338	19.142	25.684	18.279
	289.467	245.688	111.695	79.973

Financial expenses relates only to segments other than banking.

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NOTE 40 - NET MONETARY POSITION PROFIT/LOSSES

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 six-month period ended 30 June 2006. (1 January - 30 June 2005: None).

NOTE 41 - TAXES ON INCOME

Total taxes payable for the period ended 30 June 2006 and 2005 were reconciled to current period tax charge as follows:

	30 June 2006	30 June 2005
Corporation and income taxes currently payable	99.688	427.360
Tax charge to equity relating to available for sale financial assets	143.233	(49.595)
Currency translation adjustment	(311)	142
Current period tax charge	242.610	377.907
Deferred taxation	104.490	(4.747)
Taxation on income	347.100	373.160

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.

	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April- 30 June 2005
Earnings per share in full YTL				
- ordinary share	1,72	0,70	2,03	1,06
- usufruct shares (*)	-	-	127.397	66.723
Weighted average number of shares with TL 1,000 face value each				
- ordinary shares	180.000.000.000	180.000.000.000	180.000.000.000	180.000.000.000
- usufruct shares	-	-	189	189

(*) The Holding purchased the 189 usufruct shares that are issued in accordance with the 13th article of the Article of Association of Sabancı Holding which entitles its holders to 3% dividend from the distributable net income without any voting rights for YTL 1.425 each..

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

NOTE 42 - EARNINGS PER SHARE (Continued)

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. No bonus shares were issued during the period 1 January – 30 June 2006. Bonus shares issued during the year ended 31 December 2005 was as follows:

	Number of shares issued attributable to transfers to share capital from		
	Retained earnings	Revaluation surplus	Total
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:

	Vaksa share	Usufruct shares	Ordinary shares	Total
1 January - 30 June 2006	9.576	-	309.624	319.200
1 April - 30 June 2006	3.878	-	125.395	129.273
1 January - 30 June 2005	12.039	24.078	365.185	401.302
1 April - 30 June 2005	6.305	12.611	191.261	210.177

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	1 January - 30 June 2006	1 January - 30 June 2005
Income before taxation and minority interests		1.203.894	1.306.485
Adjustments to reconcile income before taxation and outside interest to net cash provided by operating activities:			
Depreciation and amortisation		241.727	224.254
Provision for loan losses		129.117	116.813
Insurance technical reserves		(61.906)	(37.553)
Change in employment termination benefits reserve	23	29.423	27.673
Re-measurement of derivatives at fair value		(76.713)	318.389
Income from associates		(86.246)	(18.265)
Currency translation adjustment		44.338	1.948
Goodwill charge to the income statement	17	10.902	-
Impairment charge on tangible assets and investment property		2.603	3.356
Negative goodwill income		-	(57.250)
Other		6.804	(19.031)
Net cash provided by operating activities before changes in operating assets and liabilities		1.443.943	1.866.819
Changes in operating assets and liabilities			
Increase in trade receivable		(438.452)	(87.299)
Decrease in due from related parties		92	1.739
Increase in inventory		(253.719)	(4.012)
Increase in other receivables and other current assets		(362.954)	(84.336)
Increase in lease receivables		(160.296)	(182.202)
Increase in trade payables		105.217	23.389
Increase / (decrease) in due to related parties		3.012	(2.961)
Increase in insurance technical reserve		110.525	64.700
Increase in other liabilities and advances received		543.953	205.911
Changes in assets and liabilities in banking segment			
Increase in marketable securities		(801.103)	(1.627.251)
Increase in loans		(5.761.435)	(3.572.822)
Increase in customer deposits		1.547.828	7.766.612
Decrease / (increase) in reserve with the Central Bank of the Republic of Turkey		2.023.228	(1.252.202)
		(3.444.104)	1.249.266
Income taxes paid		(476.472)	(318.904)
Employment termination benefits paid	23	(18.016)	(23.938)
Net cash (used in) / provided by operating activities		(2.494.649)	2.773.243
Cash flows from investing activities:			
Capital expenditures		(256.567)	(242.121)
Investment in available-for-sale and held-to-maturity securities (non-banking segments)		1.125.329	(2.253.223)
Subsidiary acquisition	32	(124.694)	(223.635)
Partial disposal of the Subsidiary	24	25.950	-
Increase due to change in scope of consolidation		-	21.436
Proceeds from sale of property, plant and equipment		64.401	51.852
Dividends received		40.412	20.790
Net cash provided by / (used in) investing activities		874.831	(2.624.901)
Cash flows from financing activities:			
Increase in short term funds borrowed, bank borrowings and debt securities in issue		2.697.799	1.576.377
Decrease on finance lease payables		(1.845)	(5.207)
Dividends paid		(134.760)	(128.686)
Acquisition of usufruct shares	42	(269.325)	-
Dividends paid to outside interests	24	(374.283)	(876.665)
Increase in share capital of outside interests		(8.863)	(101.994)
Net cash provided by financing activities		1.908.723	463.825
Net increase in cash and cash equivalents		288.905	612.167
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	4.544.205	3.844.321

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NOTE 44 - DERIVATIVE FINANCIAL INSTRUMENTS

	<u>Fair values</u>	
	<u>Assets</u>	<u>Liabilities</u>
30 June 2006		
Derivatives held for trading		
Foreign exchange derivatives		
Currency forwards	19.337	7.065
Currency swaps	19.442	7.698
Total over-the-counter derivatives	38.779	14.763
Interest rate derivatives		
Interest rate swaps	8.201	13.656
Total derivatives held for trading	46.980	28.419
	<u>Fair values</u>	
	<u>Assets</u>	<u>Liabilities</u>
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 rate derivatives		
Interest rate 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

	30 June 2006	31 December 2005
Consumer loans and credit cards receivables	9.206.253	6.994.921
Small-scale enterprises	2.469.108	1.956.879
Financial institutions	2.080.482	1.868.413
Project finance loans	1.419.069	1.433.489
Mining	1.291.814	942.802
Textile	851.725	618.697
Food and beverage, wholesale and retail	821.044	759.436
Construction	691.763	499.435
Automotive	675.991	797.058
Chemicals	544.120	785.744
Agriculture and forestry	418.304	242.734
Tourism	359.507	190.235
Health care and social services	281.959	207.778
Electronics	179.606	136.011
Telecommunication	166.833	103.454
Other manufacturing industries	1.277.934	885.017
Others	5.006.751	3.652.968
Total	27.742.263	22.075.071
Non-performing loans	453.293	359.050
Total loans and advances to customers	28.195.556	22.434.121
Allowance for loan losses	(666.186)	(537.069)
Net loans and advances to customers	27.529.370	21.897.052

Effective interest rates of USD, EUR and YTL denominated loans and advances to customers are 7,21% p.a. (31 December 2005: 6,15% p.a.), 4,36% p.a. (31 December 2005: 3,10% p.a.) and 21,19% p.a. (31 December 2005: 20,90% p.a.), respectively.

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NOTE 45 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

The maturity schedule of loans and advances to customers at 30 June 2006 and 31 December 2005 are summarised below:

	30 June 2006	31 December 2005
Up to 3 months	10.745.722	7.296.166
3 to 12 months	7.452.656	8.311.990
Current	18.198.378	15.608.156
1 to 5 year	7.274.808	5.435.713
Over 5 year	2.056.184	853.183
Non-current	9.330.992	6.288.896
	27.529.370	21.897.052

The repricing schedule of loans and advances to customers at 30 June 2006 and 31 December 2005 are summarised below:

	30 June 2006	31 December 2005
Up to 3 months	14.189.271	12.746.841
3 to 12 months	8.493.270	5.803.853
1 to 5 year	4.207.277	2.980.224
Over 5 year	639.552	366.134
	27.529.370	21.897.052

Movements in the allowance for loan losses were as follows:

	30 June 2006	30 June 2005
Balance at 1 January	537.069	336.628
Gross provisions	195.287	142.567
Recoveries	(80.794)	(51.337)
Written-off	(18.353)	(2.815)
Net specific provision	96.140	88.415
Net additional provision	32.977	28.398
	666.186	453.441

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NOTE 46 - BANKING CUSTOMER DEPOSITS

	30 June 2006			31 December 2005		
	Demand	Time	Total	Demand	Time	Total
Savings deposits	3.078.492	21.966.004	25.044.496	2.668.137	18.097.911	20.766.048
Commercial deposits	1.929.522	5.779.300	7.708.822	1.953.702	4.448.533	6.402.235
Bank deposits	68.910	1.390.954	1.459.864	99.761	2.560.729	2.660.490
Funds deposited under repo transactions	-	2.339.560	2.339.560	-	5.478.089	5.478.089
Other	803.627	1.119.112	1.922.739	602.341	1.018.450	1.620.791
	5.880.551	32.594.930	38.475.481	5.323.941	31.603.712	36.927.653

NOTE 47 - MUTUAL FUNDS

At 30 June 2006, the Group manages twelve (31 December 2005: thirteen) mutual funds and ten mutual pension funds (“Funds”) which were established under Capital Markets Board Regulations. At 30 June 2005, the Funds’ investment portfolio includes government bonds, treasury bills and share certificates of YTL 3.754.445 (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 0.0010%-0.0020%. At 30 June 2006, management fees and commissions earned by the Group amounted to YTL 61.274 (30 June 2005: YTL 61.149).

NOTE 48 - DISCLOSURE OF OTHER MATTERS

None (31 December 2005: None).

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