

ANNUAL REPORT 2006

July 24, 2007
General Assembly Meeting
2006 Fiscal Year

Registered Capital
TRY 500.000.000

Issued Capital
TRY 176.880.000

ALARKO CENTER

Muallim Naci Cad. No: 69
34347 Ortaköy, İstanbul/Türkiye
Phone: (90 212) 310 33 00 - 227 52 00 Pbx
Fax: (90 212) 260 71 78 - 227 04 27
web: www.alarko.com.tr
e-mail: info@alarko.com.tr

ANKARA BRANCH

Sedat Simavi Sokak No: 48
06550 Çankaya, Ankara/Türkiye
Phone: (90 312) 440 79 10 Pbx
Fax: (90 312) 440 79 30

İZMİR BRANCH

Şehit Fethi Bey Cad. No: 55 Kat: 13
35210 Pasaport, İzmir/Türkiye
Phone: (90 232) 483 25 60 Pbx
Fax: (90 232) 441 55 13

ADANA BRANCH

Ziyapaşa Bulvarı Çelik Apt. No: 19/5-6 Kat: 1
01130 Adana/Türkiye
Phone: (90 322) 457 62 23 Pbx
Fax: (90 322) 453 05 84

ANTALYA OFFICE

Metin Kasapoğlu Cad.
Küçük Kaya Sitesi A Blok No: 7 Kat: 2
07160 Antalya/Türkiye
Phone: (90 242) 322 00 29 - 322 66 64 Pbx
Fax: (90 242) 322 87 66

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MESSAGE FROM THE CHAIRMAN

Esteemed Shareholders,

The year 2006 has been a better and more stable one than the previous year.

In the May-June period of 2006 in particular, there was a slight fluctuation in the financial markets. In spite of this, the positive trend observed in the economy in recent years was maintained during this year in general.

Let us now have a look at the macroeconomic values.

In 2006, there was a small increase in inflation over 2005. However, the single digit rate was maintained. The Annual Consumer Prices Index increase was 9,65 %.

Economic growth continued and there was a Gross National Product increase of over 6 %. For the first time in history the GNP exceeded 400 billion US dollars. GNP per capita rose to 5.500 US dollars.

A successful budget performance was attained in 2006. The ratio of primary surplus to GNP was 7,3%. The ratio of the total budgetary deficit to GNP decreased from minus two percent in 2005 to minus seven per thousand in 2006.

In addition, the net public debt decreased from 201 billion US dollars in 2005 to 183 billion US dollars in 2006.

There was also a serious foreign capital inflow in 2006. Moreover, privatizations, company purchases and partnerships and direct investments gained momentum. A net inflow of 20 billion US dollars was attained during this year.

Now, let us have a look at 2007. Soon there will be presidential and parliamentary elections.

Still, we see that at the level that our economy has reach, we have overcome the fragilities of the past. Moreover, when taking into consideration the increasing integration with world economy, we expect this positive trend in the economy to continue in the future.

We are also going through another important and positive development. The financial markets are no longer reacting to internal social and political fluctuations as strongly as they used to. A structure much more integrated with the world has been formed. Foreigners are no longer coming for a temporary period but for a permanent period. This gives depth to the markets, and the markets become stronger vis-a-vis interior and exterior factors. We can now make long-term plans.

Yes, the economic situation is generally improving. However, unemployment is increasing.

The number of unemployed is not decreasing but increasing because rapid population increase.

Due to structural changes there is a transfer of labor force from agriculture to other sectors.

We hope that more serious steps will be taken to solve this problem after the elections.

We must make more serious efforts on this issue.

Our best regards to all our shareholders.

İshak Alaton
Chairman

BOARD OF DIRECTORS



İshak ALATON
Chairman
(16.05.2006-24.07.2007)



İzzet GARIH
Vice Chairman
(16.05.2006-24.07.2007)



Vedat A. ALATON
Vice Chairman
(16.05.2006-24.07.2007)



Ayhan YAVRUCU
Director
Chief Executive Officer
(16.05.2006-24.07.2007)

Prof. Dr. Ahmet Zeyyat HATİPOĞLU

Auditor

(16.05.2006-24.07.2007)

Prof. Dr. Mustafa Aydın AYSAN

Auditor

(16.05.2006-24.07.2007)

Prof. Dr. Halil Kemal KAFALI

Auditor

(16.05.2006-24.07.2007)

**BOARD OF
AUDITORS**



Güner KOÇEL
Director
(16.05.2006-24.07.2007)



Dalia GARIH
Director
(16.05.2006-24.07.2007)



Leyla ALATON GÜNYELİ
Director
(16.05.2006-24.07.2007)



Işık BİREN
Director
(16.05.2006-24.07.2007)



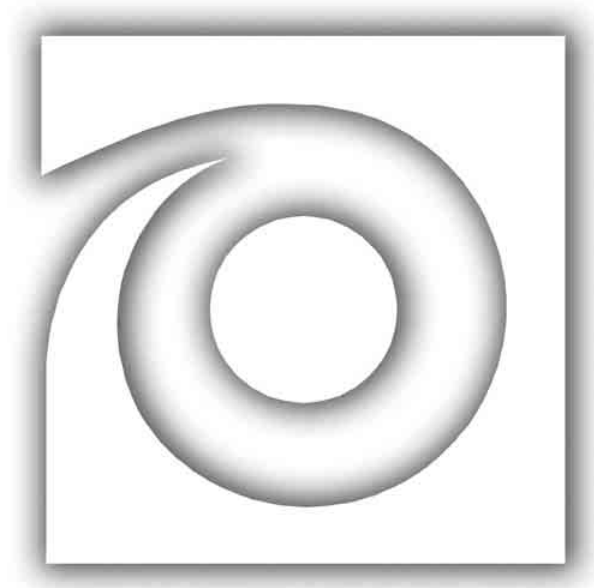
Ahmet Vural AKIŞIK
Director
(16.05.2006-24.07.2007)

Independent Auditing Company

Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.

**(Member firm of
BDO International)**

THE ALARKO GROUP OF COMPANIES



ALARKO HOLDİNG A.Ş.

**THE
CONTRACTING
GROUP**

ALSİM ALARKO SAN. TES. VE TİC. A.Ş.

96,41%

ADANA SUBWAY DIVISION
İSTANBUL SUBWAY (YENİKAPI - ŞİŞHANE ELECTRO - MECHANIC SYSTEMS) CONSTRUCTION
ASTANA AIRPORT CONSTRUCTION PROJECT
ALSİM ALARKO - OHL - G&O J.V. TCDD ANKARA - ESKİŞEHİR HIGH SPEED TRAIN PROJECT
ALSİM ALARKO - ROSNEFTEGAZSTROY MELEN J.V.
TECNIDAS REUNIDAS - ALARKO - AKFEN CONSORTIUM
STREICHER - HAUSTAD&TIMMERMANN-GÜNSAYIL-ALSİM ALARKO SAN. TES. VE TİC. A.Ş. J.V.
THE WESTERN KAZAKHSTAN ROAD NETWORK
ALMATY BISHKEK REGIONAL ROAD REHABILITATION PROJECT
ARZEW DESALINATION AND POWER PLANT PROJECT
KIRIKKALE TÜPRAŞ REFINERY DHP-CCR CONSTRUCTION PROJECT
ALSİM ALARKO - GARANTİ KOZA J.V. İSTANBUL METRO 4.LEVENT - AYAZAĞA ROUTE CONSTRUCTION PROJECT
ASTANA WATER PROJECT
CYPRUS WATER PROJECT ENGINEERING SERVICES
ATRAU - AKTAU ROAD RE-CONSTRUCTION PROJECT

**THE LAND
DEVELOPMENT
GROUP**

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

49,19%

ALDEM ALARKO KONUT İNŞAAT VE TİCARET A.Ş.

96,31%

AL-RİVA PROJESİ ARAZİ DEĞER., KONUT İNŞ. VE TİC. A.Ş.

40,00%

AL-RİVA ARAZİ DEĞER., KONUT İNŞ. VE TİC. A.Ş.

40,00%

AL-RİVA ARAZİ DEĞER., KONUT İNŞ., TURİSTİK TES., GOLF İŞL. VE TİC. A.Ş.

40,00%

MOSALARKO J.V.

50,00%

AL-KONUT DIVISION

**THE INDUSTRY
AND
TRADE GROUP**

ALARKO CARRIER SANAYİ VE TİCARET A.Ş.

42,09%

THE MAIN MANUFACTURING PLANT

RADIATOR MANUFACTURING PLANT

İSTANBUL SALES DIVISION

FREE ZONE BRANCH

TOTALINE DIVISION

ANKARA REGIONAL SALES DIVISION

ALARKO FENNİ MALZEME SATIŞ VE İMALAT A.Ş.

65,50%

ALMÜT ALARKO SİNAYİ GEREÇLER İMALAT VE MÜMESSİLLİK A.Ş.

65,45%

TÜM TESİSAT VE İNŞAAT A.Ş.

1,40%

ALAMSAS ALARKO AĞIR MAKİNA SAN. A.Ş.

52,93%

**THE
TOURISM
GROUP**

ATTAŞ ALARKO TURİSTİK TESİSLER A.Ş.

94,66%

HILLSIDE BEACH CLUB

HILLSIDE CITY CLUB

HILLSIDE CITY CLUB - TRIO

CINECITY

CINECITY - TRIO

HILLSIDE SU HOTEL

**THE
ENERGY
GROUP**

ALTEK ALARKO ELEKTRİK SANTRALLARI TESİS İŞLETME VE TİC. A.Ş.

38,44%

HASANLAR HYDROELECTRIC POWER STATION

BERDAN HYDROELECTRIC POWER STATION

TOHMA HYDROELECTRIC POWER STATION

KIRKLARELİ NATURAL GAS COMBINED CYCLE POWER PLANT

TEMZET ELEKTRİK ÜRETİM İLETİM A.Ş.

48,20%

**THE
SEAFOOD
PRODUCTS
GROUP**

ALFARM ALARKO LERÖY SU ÜRÜNLERİ SAN. VE TİC. A.Ş.

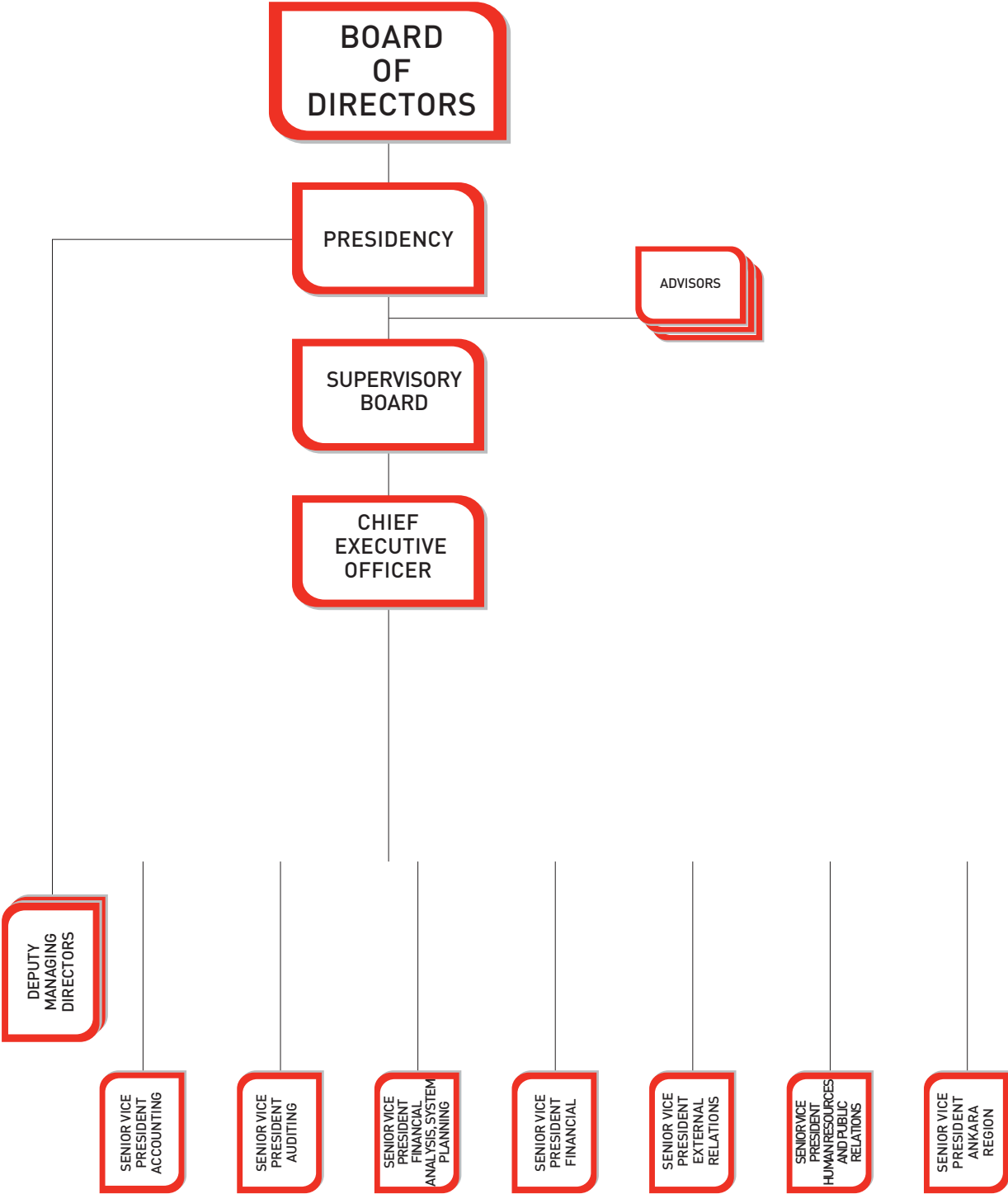
40,99%

ATAŞEHİR: MANAGEMENT & SALES OFFICE

SEAFOOD PRODUCTS FACTORY SUADIYE / İZMİT

ANTALYA : SALES OFFICE

GENERAL ORGANIZATION



EXECUTIVE
COMMITTEE

EXECUTIVE
VICE PRESIDENT
INDUSTRY AND
TRADE

EXECUTIVE
VICE PRESIDENT
LAND
DEVELOPMENT

EXECUTIVE
VICE PRESIDENT
DEVELOPMENT
CONSTRUCTION

EXECUTIVE
VICE PRESIDENT
TOURISM

EXECUTIVE
VICE PRESIDENT
ENERGY

EXECUTIVE
VICE PRESIDENT
CONSTRUCTION

DEPUTY CHIEF
EXECUTIVE
OFFICER
CONSTRUCTION

EXECUTIVE
VICE PRESIDENT
BUSINESS
DEVELOPMENT

DEPUTY CHIEF
EXECUTIVE
OFFICER
BUSINESS
DEVELOPMENT

SUBSIDIARIES
AND
PARTICIPATIONS

MANAGEMENT STAFF

CORPORATE PRESIDENT
İSHAK ALATON

DEPUTY MANAGING DIRECTORS
İZZET GARİH
VEDAT AKSEL ALATON

CHIEF EXECUTIVE OFFICER
AYHAN YAVRUCU

DEPUTY CHIEF EXECUTIVE OFFICERS

M. ALPER KAPTANOĞLU
M. TANSU USLU *

CONTRACTING - CONSTRUCTION
CONTRACTING - BUSINESS DEVELOPMENT

SENIOR VICE PRESIDENTS

MEHMET DÖNMEZ *
MEHMET AHKEMOĞLU
MUSTAFA FİLİZ
OKTAY VARLIER *
SEYİT M. BURUK *
ÜMİT NURİ YILDIZ

ANKARA REGION
AUDITING
ACCOUNTING
EXTERNAL RELATIONS
HUMAN RESOURCES & PUBLIC RELATIONS
FINANCIAL ANALYSIS, SYSTEM & PLANNING

EXECUTIVE VICE PRESIDENTS

H. ÖNDER ŞAHİN
EDİP İLKBAHAR
TARHAN GÜNAY *
A. ÖNDER KAZAZOĞLU
HARUN H. MORENO

AYKUT BAYCAN
BEKİR BORA
CELAL TATLICIBAŞI *
ONAT BİTİK

INDUSTRY & TRADE
TOURISM
ENERGY
LAND DEVELOPMENT - CONSTRUCTION
LAND DEVELOPMENT - BUSINESS DEVELOPMENT /
REAL ESTATE INVESTMENT CO. GENERAL MANAGER
CONTRACTING - ACCOUNTING
CONTRACTING - BUSINESS DEVELOPMENT & PROJECT FINANCE
CONTRACTING - TÜPRAŞ İZMİT OIL REFINERY DHRP PROJECT
CONTRACTING - DSI MELEN WATER TRANSMISSION PIPELINE PROJECT

DEPUTY SENIOR VICE PRESIDENTS

EROL UÇMAZBAŞ
ÖMER ÇELİK
TURGUT ÇELİK

ACCOUNTING
FINANCING
INFORMATION TECHNOLOGY

DEPUTY EXECUTIVE VICE PRESIDENTS

A. CEM KOCASOY
B. BÜLENT AKKAN
ERGÜN BERKALP*
F. NEŞE UCAR
HALUK MARTAĞAN
KORHAN UĞUR ÖZBAYSAL
MEHMET HAŞİP AKŞİT
MEHMET UĞUR KURUL
MUSTAFA V. GAFUROĞLU
NAİM TÜRKÖĞLU
TİMUR DURMAZ

CONTRACTING - BÜYÜKÇEKMECE & RİVA HOUSING PROJECTS
CONTRACTING - TCDD ANKARA-ESKİŞEHİR HIGH SPEED RAILWAY PROJECT
CONTRACTING - SUBCONTRACTOR'S AUDIT
CONTRACTING - LOGISTICS
CONTRACTING - PLANNING, ANALYSIS & IT
CONTRACTING - KAZAKHSTAN PROJECTS & BUSINESS DEVELOPMENT
CONTRACTING - SAKHALIN LNG PROJECT
CONTRACTING - BUSINESS DEVELOPMENT
CONTRACTING - LRTS & SUBWAY PROJECTS
CONTRACTING - CONTRACT IMPLEMENTATION
CONTRACTING - TÜPRAŞ KIRIKKALE OIL REFINERY DHRP PROJECT

*Organization level is limited to the "Coordinator" level in this chart.

H. ÖZÇELİK ÇATALOĞLU	LAND DEVELOPMENT
KADİR EKE	LAND DEVELOPMENT - MARKETING, SALES
İSMET GENCER	INDUSTRY & TRADE - INDUSTRIAL SALES
ADNAN YAĞMUR	ENERGY

**PROJECT CONTRACT MANAGERS, GENERAL MANAGERS, BRANCH MANAGERS, FACTORY MANAGERS,
ASSISTANT GENERAL MANAGERS**

ABBAS ŞAHİN	CONTRACTING - PROJECT CONTRACT MANAGER ATRAU-AKTAU ROAD CONSTRUCTION PROJECT
A. EROL GÜVENÇ AHMET CİBOĞLU	CONTRACTING - PROJECT CONTRACT MANAGER CONTRACTING - PROJECT CONTRACT MANAGER MOSCOW ONCHOLOGY HOSPITAL PROJECT
KADİR BAŞOĞUL M. GÖKHAN GÜVEN	CONTRACTING - PROJECT CONTRACT MANAGER CONTRACTING - PROJECT CONTRACT MANAGER TÜPRAŞ İZMİT OIL REFINERY DHRP PROJECT
MEHMET HALİL TUNA	CONTRACTING - PROJECT CONTRACT MANAGER CYPRUS WATER SUPPLY PROJECT
S. UFUK TEZER	CONTRACTING - PROJECT CONTRACT MANAGER TCDD ANKARA İSTANBUL HIGH-SPEED RAILWAY PROJECT
S. VELİ MESTA ŞAFAK KOLAY	CONTRACTING - PROJECT CONTRACT MANAGER CONTRACTING - PROJECT CONTRACT MANAGER DSİ MELEN TRANSMISSION PIPELINE PROJECT
TAMER ÖZER	CONTRACTING - PROJECT CONTRACT MANAGER SAKHALIN LNG PROJECT
TARIK ULUNUR BÜYÜKBAY TURAN SÜHA AÇARBIÇER	CONTRACTING - PROJECT CONTRACT MANAGER CONTRACTING - PROJECT CONTRACT MANAGER ASTANA WATER DISTRIBUTION & SEWERAGE PROJECT
TURHAN GÜNERİ	CONTRACTING - PROJECT CONTRACT MANAGER ATRAU-AKTAU ROAD CONSTRUCTION PROJECT
İ. CEM ÖZKÖK M. ALİ GİRGİNCE SERDAR KARAHÖYÜK	CONTRACTING - BRANCH MANAGER - BUSINESS DEVELOPMENT - ANKARA OFFICE CONTRACTING - GROUP MANAGER - LOGISTICS SUPPORT CONTRACTING - DEPUTY PROJECT CONTRACT MANAGER 4.LEVENT-AYAZAĞA SUBWAY CONSTRUCTION
SERDAR SAĞLAM	CONTRACTING - DEPUTY PROJECT CONTRACT MANAGER TÜPRAŞ KIRIKKALE OIL REFINERY DHRP PROJECT
AHMET YÜKSEL VAROL MURAT ÇOPUR HALUK FERİZOĞLU HIRANT KALATAŞ İBRAHİM BİNER İBRAHİM GÜRAY ARIF NEZİH YILMAZ BÜLENT TOKAN İSMAİL H. YILDIRIM LEVENT ÖZMARAL BÜLENT İŞİK	LAND DEVELOPMENT - ASSISTANT GENERAL MANAGER - FINANCING AND ADMINISTRATION INDUSTRY & TRADE - FACTORY MANAGER INDUSTRY & TRADE - BRANCH MANAGER - İZMİR INDUSTRY & TRADE - BRANCH MANAGER - MARKETING & SUPPORT INDUSTRY & TRADE - BRANCH MANAGER - İSTANBUL INDUSTRY & TRADE - BRANCH MANAGER - ANKARA ENERGY - KIRKLARELİ POWER PLANT MANAGER ENERGY - ASSISTANT GENERAL MANAGER - FINANCING AND ADMINISTRATION ENERGY - H.E.P.P. OPERATIONS MANAGER ENERGY - PROJECT MANAGER SEAFOOD - GENERAL MANAGER

ADVISORS

GÜROL SOYLU	ADVISOR - CONTRACTING & CONSTRUCTION
YUSUF TEZMAN	PRESIDENTIAL ADVISOR - FINANCE

AGENDA OF THE ORDINARY GENERAL ASSEMBLY

1. Deliberations and decision on the election of the Presiding Committee.
2. Deliberations and decision to authorize the Presiding Committee to sign the minutes of the General Assembly.
3.
 - a) Reading of the Board of Directors' Annual Report of 2006 and the Balance Sheet and Income Statement of 2006.
 - b) Reading of the Statutory Auditors' Report.
 - c) Reading of the Independent Auditors' Report
 - d) Approval of the 2006 Balance Sheet and Income Statement.
 - e) Deliberations and decision to acquit the Members of the Board of Directors and the Statutory Auditors' fiduciary responsibilities on account of the company's results in 2006.
4. Giving information about donations made by the Company.
5. Presenting information about the profit distribution policy for 2007 and the following years.
6. Deliberations and decision on the proposal of the Board of Directors concerning the distribution of the profits of 2006.
7. Determining the number of Board members for the next operational term, the election of these members in accordance with the provisions of the articles of corporation and deliberations and decision on the salaries to be paid to them.
8. Re-election of the Statutory Auditors whose terms in office have expired or election of new auditors and deliberations and decision concerning the salaries to be paid to them.
9. Deliberations and decision on granting Board members the authority set forth in Articles 334 and 335 of the Turkish Commercial Code.
10. Deliberations and decision concerning the signing of a contract for the auditing of the company's accounts by an independent auditing company selected by the Board of Directors in accordance with the Capital Market Regulations and approval of the draft of the contract.

Board of Directors

BOARD OF DIRECTORS' ANNUAL REPORT

Distinguished Shareholders,

2006 has been a year of rather serious developments. In the past year, we realized once more the importance of carefully following economic developments and revising strategic decisions and policies accordingly and of the mechanism of rapid decision making.

Having realized this, our group concluded 2006 successfully thanks to our well-timed decisions. Precautions taken in times of uncertainty in particular have helped our Group to achieve a better performance. Our country's economy, that entered a growth trend since 2001, maintained this trend in 2006 and achieved a growth rate of 6%. Considering the increasing interest rates and the fluctuations in the financial markets during the year, this rate should be regarded as successful.

The negative effect of this fluctuation was quite limited compared to similar situations experienced in the past. Although it is true that abundance of liquidity in the global markets and carry trade limited this effect, we must not underestimate the effect of the structural reforms realized in our country on this result. This fluctuation clearly showed the importance of maintaining structural reforms as well as the balanced implementation of monetary and financial policies. Once more, it was seen that sustainable growth had to be based on solid financial sources.

The targeted inflation rate was not attained, however, we did not return to the days of double-digit inflation. The increase in value of the Turkish lira, the foreign trade deficit and current account deficit continued. However, the fact that 63% of the current account deficit was financed by direct investments emerged as a positive development.

The picture drawn above shows that the economy is open to some risks. However, these risks can be overcome by maintaining structural reforms, applying correct policies and encouraging foreign investments. The risk of energy shortage that we pointed out in our annual report of last year has materialized this year. This risk that is the result of the growth rate attained has given rise to the urgent need of new energy investments. Arrangements for investments in the energy sector should be made rapidly and the necessary incentive should be provided. This is the only way to secure stability in the energy market. Our group is doing its share on this issue and is preparing important projects in the area of energy. The infrastructure issues in our country should also be solved rapidly with similar incentives and arrangements. Our group has kept a close watch on infrastructure investments in 2006.

Our activities in the said areas will continue at an increasing rate in the coming years. The way to ensure improvement in our country's economy is through the application of well-planned investment, production and employment policies. Growth should be based on sound resources and the fact that industry is the driving force of growth should not be overlooked. Growth based on industry and sound resources will also solve the employment problem. At a time when the EU peg is weakening, the importance of attaining the above mentioned objective without compromising financial discipline is becoming evident once more.

Our goal is to accomplish the sound development and growth of our Group by adapting to these difficult economic and political conditions as well as possible.

With these sentiments, we extend our respects to your esteemed Committee.

BOARD OF DIRECTORS' ANNUAL REPORT

Our Annual Report has been prepared in accordance with the standards set by the Capital Market Regulations and information regarding our Holding company is given below:

- a) This Annual Report covers the period between 01.01.2006 and 31.12.2006.
- b) The terms in office of members of the Board and Statutory Auditors for the year 2006 are given on pages 6 and 7. The financial statements of the operational results obtained by Alarko Holding A.Ş. in 2006 were audited independently by Denet Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş. (member firm of BDO International).
- c) Our partnership's registered capital ceiling in 2006 was TRY 500.000.000.
- d) Our issued capital is TRY 176.880.000.- and our operational profit in 2006 was TRY 52.388.820.
- e) Our Annual General Assembly held on 16.05.2006 was attended by 26 of our partners. At the time this report was prepared, Anmak Holding A.Ş., our only partner with more than 10% of our capital, owned 69,40 % of the shares totaling TRY 122.763.249. Net dividends of 64,9 % of the issued capital and 20% of the total capital were paid for the year 2002. Since financial statements adjusted for inflation indicated a loss in 2003 and 2004, no dividends were distributed to shareholders. Net dividends of 6 % of the total capital and 20 % of the paid-in capital were paid for the year 2005. The proposal for the distribution of the profits for 2006 submitted by our Board of Directors to the approval of the General Assembly is on page 86 of this report. The value of our shares being traded at the Istanbul Stock Exchange at the time this report was prepared was TRY 3,76.
- f) The total amount of donations made by our partnership to various foundations and associations in 2006 was TRY 4.630.
- g) The following table includes the subsidiaries of our company with their areas of operation, their capitals and the percentage of shares owned as of 31.12.2006.

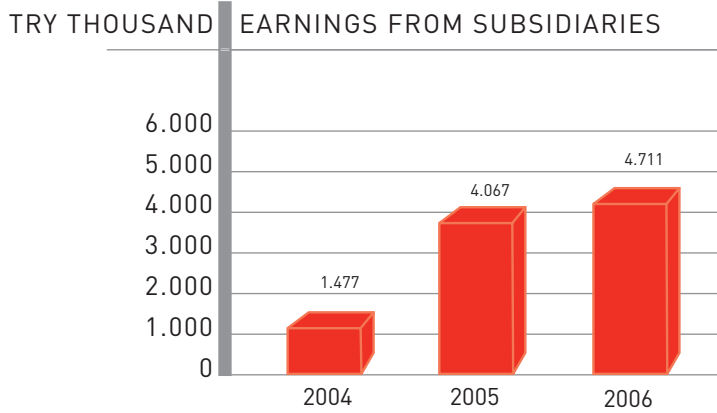
SUBSIDIARIES AND PARTICIPATIONS

COMPANIES	SECTOR	AUTHORIZED CAPITAL (TRY)	PERCENTAGE SHARE (%)
Alarko Carrier Sanayi ve Ticaret A.Ş.	Production of heating and cooling equipment, manufacturing, contracting, tourism	10.800.000	42,03
Alamsaş Alarko Ağır Makina Sanayii A.Ş.	Production of machines and equipment for industrial investments	500.000	27,93
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	Turnkey contracting construction and tourism	43.321.865	96,38
Alarko Fenni Malzeme Satış ve İmalat A.Ş.	Marketing of industrial and after sales service	230.000	54,59
Attaş Alarko Turistik Tesisler A.Ş.	Touristic facility management	6.500.000	0,46
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.	Real estate investment	5.490.100	15,54
Almüt Alarko Sınai Gereçler İmalat ve Mümessillik A.Ş.	Manufacturing of technical equipment and representation	50.000	57,00
Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş.	Electric energy production	2.000.000	36,87
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.	Production and marketing of seafood	1.100.000	40,94
Aldem Alarko Konut İnşaat ve Ticaret A.Ş.	Housing, construction	50.000	0,06
Al-Riva Projesi Arazi Değerlendirme, Konut İnşaat ve Tic. A.Ş.	Housing, construction	6.839.064	11,55
Al-Riva Arazi Değerlendirme, Konut İnşaat ve Tic. A.Ş.	Housing, construction	3.308.556	2,49
Al-Riva Arazi Değerlendirme, Konut İnşaat, Turistik Tesis., Golf İşl. ve Tic. A.Ş.	Housing, construction and touristic facility management	10.489.765	2,16
Gönen Gıda Sanayi A.Ş.	Production of canned goods	2.000	0,84
Yaşar Dış Ticaret A.Ş.	Export and import	90.038.867	0,0005
Arı Teknokent Proje Geliştirme Planlama A.Ş.	Technologic Development	50.000	1,00
Mosalarko J.V.	Real estate project construction and use	Ruble 100.000.000	50,00

EARNINGS FROM SUBSIDIARIES

a) Our corporation's shares in dividends paid out over the last three years by the companies in which it has either minority or majority shareholdings:

(TRY)			
Company Name	2004	2005	2006
Alarko Carrier Sanayi ve Ticaret A.Ş.	-	998.609	3.932.806
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	1.451.397	3.041.960	-
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	299.094
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.	-	-	476.222
Almüt Alarko Sınai Ger. İml. ve Müm. A.Ş.	23.466	23.313	-
Attaş Alarko Turistik Tesisler A.Ş.	2.311	3.466	2.450
Yaşar Dış Ticaret A.Ş.	3	-	-
TOTAL	1.477.177	4.067.348	4.710.572



b) The 2005 profits of the companies within the Alarko Group from which we receive dividends, the distributable profits remaining after tax and legal reserves are set aside and the dividends distributed from the past year's reserves are given in the table below.

(TRY)				
ALARKO GROUP MANAGED COMPANIES	Profit For The Period	Distributable Profit (A)	Distributed Profit (B)	(B/A) %
Alarko Carrier Sanayi ve Ticaret A.Ş.	25.004.255	18.341.403	5.508.000	30
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.	10.183.740	6.369.973	1.925.100	30
Attaş Alarko Turistik Tesisler A.Ş.	1.276.322	1.066.113	530.000	50
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.	1.312.026	991.160	902.873	91

SUBSIDIARIES OF ALARKO GROUP

The Alarko Holding A.Ş. established in 1972 consists of a number of companies and entities operating in various sectors. Although the companies within the group are autonomous, they are directed and audited centrally in terms of financing, financial coordination, supervision, legal affairs, management information systems, human resources, promotion, training and organization in accordance with the central coordination and control principle.

The companies of the Alarko Group operate in 6 major fields of activity.

CONTRACTING GROUP

LAND DEVELOPMENT GROUP

INDUSTRY AND TRADE GROUP

TOURISM GROUP

ENERGY GROUP

SEAFOOD PRODUCTS GROUP

We are presenting the 2006 activities of the companies in our group to your comments and evaluation.

THE CONTRACTING GROUP

With years of experience and knowledge accumulation our Contracting Group operates as a general contractor and carries out large infrastructure works, construction of buildings and industrial plants both in Turkey and abroad.

Due to serious competition and the increasing risks in reaching goals, completing started projects rapidly with maximum profit while increasing market and customer variety is becoming a must. Therefore, our Contracting Group has adopted the strategy of using developed organization and management systems to achieve a serious competitive advantage in the market. As a result, our work methods and management systems are being revised continuously within this framework.

The markets in which we are currently active extend over a vast area from Algeria in the west to the Sakhalin Island in the east, Yemen-Qatar in the south, and Russia and Kazakhstan in the north. In order to make good use of the developing market opportunities we have been putting special emphasis on exploring transportation and petrochemical projects in the Gulf countries.

The areas in which the Contracting Group operates as a general contractor can be summarized under the following headings:

- Underground and Railway Systems
- Airports
- Gas and Oil Pipelines
- Highways and Dams
- Petrochemical and Refinery Systems
- Power Plants
- Compressor and Pump Stations
- Industrial Plants on a Turn-key Basis
- Water and Waste Water Treatment Plants
- Construction of Business Centers, Residences, Hospitals, Hotels and Schools

The management philosophy of our group is based on central control and autonomous management principle. Each project is considered as a separate profit center and each project administration is responsible for strategic thinking, developing effective decision making policies, expediting the work term, minimizing costs, and improving quality. Due to the increase in business volume, our existing staff was supplemented and training continued intensively in 2006. New and effective training programs were put into effect for the training of our work power, i.e. the one that we consider being the most important, and performance management was seriously applied. New sources for the purchase of materials and services were explored and cost savings were obtained. Work-site supervision was increased and supervision effectiveness was improved. Thanks to the Occupational Health and Safety Management Systems applied, there has been a serious drop in occupational accidents and our accident rate is now at the level of developed countries. Moreover, the Environment Management Systems applied has enabled us to lower the possible damage of our operations to the environment to acceptable levels. Our company has the ISO 14001, ISO 9001:2000 and OHSAS 1801 certifications. The management systems concerning these issues are being developed constantly.

The projects in progress in 2006 and those recently undertaken are summarized below:

TCDD Ankara - Istanbul High Speed Train Project:

The earth works, super structure and track laying works of the Ankara - Eskişehir high speed train project have been completed and track welding, electrification, signalization and telecommunication works are continuing rapidly. The trial runs of the project started in April 2007 and completion is projected for October 2007.

Istanbul Municipality 4. Levent - Ayazağa - Darüşşafaka Metro Project:

The tunnel digging works of the project whose construction started in the middle of 2005 is continuing in 5 shafts. The stations on the 5.500 m. route are now in the construction stage.

The route of the line has been extended up to Darüşşafaka and 3 more stations have been added. The Depot Maintenance Area to serve the whole metro system within the scope of this project is being built in Seyrantepe. With these new additions the total single tunnel length reached 16.370 m. and the station number to five. When completed this project will be the backbone of the north-south direction of the Istanbul metro system. The planned completion date is March 2008.

Istanbul Municipality Taksim - Yenikapı Metro Construction Project:

The foreign credit of this project consisting of a 5.200 m. line with 4 stations between Yenikapı and Taksim, the electromechanical works of the LRTS connection and fine construction works was provided by us. The site delivery of the Şişhane station and the Şişhane-Taksim section was done in the second half of 2006 and the detailed design work is proceeding. The fine construction works of the station and production of the line will be started in 2007.

Adana Metro Project :

The loan agreement of this project went into effect in the second half of 2006. Track laying and sub and super structure works are continuing. Efforts are being made to complete the first phase of the project and putting it into operation. Completion of the project is planned for the end of 2008.

Tüpraş İzmit Refinery DHRP (Diesel-Kerosene) Project:

This project consists of increasing the unleaded gasoline production capacity of the İzmit Tüpraş Refinery and to enable attaining the upper limit rate of sulfur in diesel oil to conform to EU norms. The construction of the 40 Megawatt cogeneration unit and annex buildings has been completed and delivered to TÜPRAŞ. The process units forming the second phase have reached completion stage and the whole system is planned to go in operation at the first half of 2007.

Tüpraş Kırıkkale Refinery DHRP (Diesel-Kerosene) Project:

The project consists of increasing the capacity of the power plant, and demineralized water, unleaded petrol production capacity and to enable attaining the upper limit rate of sulfur in diesel oil to conform to EU norms. Modernization of the refinery and construction of the annexes are 45% completed. Activities are continuing and the project is to be finished and delivered in the first quarter of 2007. The plant is planned to go into operation in the first quarter of 2008.

DSİ Cyprus Water Supply Project:

The aim of this project is to built a water supply line to supply water to the Turkish Republic of Northern Cyprus from the Anamur Dragon Stream through an HDPE -100 (High Density Polyethylen) pipe line of approximately 80 km with a diameter of 1600 mm. floating at a depth of 250 m under the sea level and held to the sea bed with ropes and weights. The project that will also include two dams to be built on the Turkish and Cyprus sides will be the largest of its kind in the world. The designing of the project started in January 2006, and the sea exploration and final system designing is near completion.

DSİ Melen Water Supply Project:

Due to restrictions in the DSİ (State Water Works) budget, in 2005, no construction activities could proceed at the Büyük Melen Potable Water Project that is financed by the JBIC loan and is to ensure the long-term water need of Istanbul. Construction restarted in early 2006 and a 35 km long portion of the line of a total of 69 km was completed. Due to urgent water need of İstanbul the construction works has been accelerated and planned to be finished in October 2007 as requested by DSİ.

THE CONTRACTING GROUP

Sakhalin LNG Project:

The infrastructure pipeline and precast pipe bridge constructions of the natural gas liquification project started in Sakhalin, Russia in 2004 are completed and the construction of the industrial buildings is 94 % completed. The project whose buildings are being delivered one by one is planned to be completed in the first half of 2007. This plant is the largest natural gas liquification plant in the world.

Astana Water Supply Project:

The project whose contract was signed at the end of 2005 includes supplying water to Astana, a water intake plant, purification plant, wastewater purification plant, and the water distribution lines within the city. The project will be completed at the end of 2008.

Atrau-Aktau Highway Rehabilitation Project:

The mobilization works of the project consisting of the rehabilitation of the 122,6 km. long portion of the highway between Atrau-Aktau in Kazakhstan have been completed and construction started at the end of 2006. The project is to be completed at the end of 2007.

Astana International Airport Project:

The final acceptance of the Astana International Airport, that is one of the largest international airports of Central Asia with an annual capacity of 1 million 360 thousand passengers and 2 million 700 thousand tons of cargo and that went into operation in 2005, was signed in 2006.

Baku - Ceyhan Pipeline Project:

The 465 km long section of the pipeline project to convey the crude oil produced in Azerbaijan via Georgia to the sea terminal built in Ceyhan and from there to world markets has been completed. Oil transfer through the pipeline started in 2006.

West Kazakhstan Road Project:

The construction works of the rehabilitation of the 460 km asphalt road starting at Aktobe and leading to Karabutak -Kostanai and 21 bridges that started in 2003 were completed at the end of 2005. The final acceptance of the project was done at the end of 2006.

Almaty - Bishkek Highway Project:

The final acceptance of the 60 km. long Almaty-Bishkek Regional Highway Rehabilitation Project completed at the end of 2005 was done at the end of 2006 and signed by the respective parties.

Construction of Algeria Desalination Plant and Power Plant:

The final acceptance procedures of the power plant and desalinated plant completed at the end of 2005 and built to export the natural and liquid gas of Algeria at the Arzew Industrial Zone where the largest refineries are located were started at the end of 2006.

Moscow Oncology Hospital:

A new contract was signed with Idar in 2005 to complete the half finished construction of this project in Moscow.

THE LAND DEVELOPMENT GROUP

The Land Development Group designs satellite towns with full infrastructure, recreation areas, respectful of the environment and operated by modern management methods. Therefore, the group enjoys a well-earned reputation for quality and reliability.

Our Group has created the most prestigious and large scale land development projects that address the middle and upper income groups in Turkey. The fact that the value of projects we have realized years ago have exceeded that of more current projects is proof of the success of our projects. The current activities and future projects of our Group are summarized below.

ACTIVITIES IN TURKEY

Alkent Istanbul 2000

Our Alkent Istanbul 2000 project developed amidst nature in Büyükçekmece and with a view over the lake has become one of the most prestigious settlements of Istanbul with its modern concept and is already housing 800 families.

The third phase "Lake Mansions" make up the most prestigious part of the Alkent Istanbul 2000 project. The 63 mansion type, large size villas with large gardens of this phase were offered to the market in 2006. The marketing and sales activities of this project are continuing and the mansions will be delivered to their owners in the fall of 2007.

The "Wattabe Nature Sports Club" offering lake and nature sports opportunities and designed as part of the marketing activities of this project has been completed and is in operation. We are negotiating with foreign investor partners experienced in golf courses for the 18 hole golf course that will be part of this project.

Alkent Riva

We are continuing to work on the modern satellite town to be built over an area of 6000 acres in Riva. The site mobilization for the staff to do the construction is completed. The sales and construction activities will start as soon as all necessary permissions are obtained. Construction of the new road from the Kavacık exit of the TEM highway to Riva has been completed and access to the area has become very easy. The project contains detached houses with gardens intended for the high middle-income group.

Work concerning the development of facilities such as shopping centers, schools, hospitals and sports grounds within the scope of the project has also begun.

ACTIVITIES ABROAD

Our land development activities abroad, in Russia, are in progress. Various projects have been realized within the scope of our equal share partnership with the Moscow Municipality. We sold 14 % of the business center projects developed and leased 73 %, and thus have earned long term income. We are planning new projects for the reanimated Russian and Turkic republics markets.

ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

As a result of the continuous high growth rate in the Turkish economy in the last five years a serious activity was observed in the construction sector in 2005 and 2006. Despite the increase in loan interests in the second half of 2006, a record number of housing loans were used at this time. A considerable increase has also been observed in the foreign investors' interest in housing and shopping center investments. We foresee that this positive atmosphere in the sector will be maintained in 2007.

Due to this serious increase in demand for housing, we have given priority to our projects. The Lake Mansions project, the 3rd phase of our Alkent Istanbul 2000 project was started in 2006. The sales and construction activities of this project are continuing successfully.

The development works of our estate in Maslak, the business and commerce center of Istanbul, is progressing. The business and shopping center project to be developed on this estate is among the major project that will be realized shortly.

On the other hand, the construction permission for our project on our land in Orhanlı, Tuzla was obtained on 15.12.2006 and our efforts to start this project are continuing. Moreover, our quest for appropriate city center plots suitable for building residences, shopping centers, hypermarkets continues.

Fethiye Hillside Beach Club Holiday Village, one of the most exclusive holiday villages of Turkey, and Alkent Çarşı, located at Alkent Etiler, one of the most prestigious residential projects of Istanbul, were bought in 2004 and included in our assets portfolio. With these two investments, our Company has started to get long-term rent income. Moreover, the value increase of these real estates has made positive contributions to the assets of our partnership.

THE INDUSTRY AND TRADE GROUP

Our industry and trade group produces and markets heating, ventilating, air conditioning units and pumps, and gives sales and after-sales services for these products.

Sales of Air Handling Units, Roof-tops and Fan Coils manufactured using the Carrier technology, brand name and developed in collaboration as a natural extension of the strategic partnership with Carrier, one of the world's leading companies in its area of activity, was maintained in 2006 and continued both in the domestic and international markets. The sales of cooling type only Carrier product Roof-tops began in 2005. Now, all the necessary certifications for their heat pump and gas heated versions have been completed and production and sales of full series in six types started. Alarko Carrier Sanayi ve Ticaret A.Ş., the largest company of this group, is the sole manufacturer of (48 - 50AZ/UZ016 - 042) in Roof-tops in the Carrier European organization and the sales of this product both in the domestic and export markets is increasing rapidly. The 39 HH Air Handling Units in production for the last six years were replaced by the newly developed and higher quality 39 HQ Air Handling Units as of January 2006. The 39 HQ Air Handling Units were developed in three years by an international team of engineers to which the Alarko Carrier engineering department is also a member.

Panel radiators are being manufactured using Alarko technology and the second production line investment necessary to meet the continuously increasing local and international market demand was completed in 2006. With the new line reaching full capacity in May 2006, our total capacity has become 1.000.000 running metres. Production of the Trendy Combi to replace the Minea Combi with bithermal exchanger imported for the economy segment has started. The entire series is complete with the Trendy, Harmony, Serena, Supercomfort and Condensing Atag offering alternatives to all client profiles and thus, the targeted sales figures have been exceeded and our market share has increased. Engineering work for the New Serena combi to replace the Serena combi has started and this more compact and higher technology product is planned to be offered to the market in May 2007. As a result of earlier R&D efforts and in addition to burners developed in previous years we have started production of the new series advanced technology Light Oil Burners (ALF 130/2, ALF 180/2), Heavy Oil Burners (ALM 125/2, ALM 174/2), Natural Gas and LPG Burners (ALG 120/2, ALG 210/M) and sales will start in March 2007. The 3 pass gas and liquid fuel boilers which are demanded by public tenders have been added to the product range and CE certification has been obtained for 2 and 3 pass steel boilers. The CE certificate was also obtained for the domestically manufactured cast iron boiler added to the product range. The bathroom radiator supplier was replaced by a more economical source.

In 2006, great strides were made in pumps. In the 4-inch submersible pumps, our product range was improved with the American Sta-Rite brand known worldwide for its high quality and durability. In the 8-inch series, the success and experience attained with the 8131 N series was used to develop the 8131 BR model, a high yield series suitable for sprinkling, and offered to the market. The 8-inch submersible motors were developed to increase yield and the power from 95 Hp to 130 Hp. In addition, work related to the sales of complete stainless steel 6-inch submersible pumps supplied by Pentair was finalized. The stainless steel pumps will be on sale as of March 2007. Our new motors AL-8 ECO are now offered to the market. The new model high hydraulic performance and yield APH water booster series combining complete stainless pump and frequency inverter technology has been offered to the market increasing the number of types from 7 to 14 and the models from 33 to 150.

In individual and light commercial air-conditioners variety of price was attained with Carrier, Toshiba and Alarko brands and thus we were able to supply a wide section of the market. In addition to variety of price, all the requirements of the market are provided with 28 different series. Our company also contributes to the development of environmental awareness in Turkey with its products using environment friendly cooling

THE INDUSTRY AND TRADE GROUP

gases. In addition, we provide energy saving with 26 products that have the developed DC inverter technology "A class" energy labels. All design requirements of power saving conscious end-users are met with a choice of five different Toshiba and Airstage brand products using the variable refrigerant flow (VRF) system.

The level reached in the numerous inspections carried for the ISO 9000, ISO 14000, OHSAS 18000 and SA 8000 (Social Accountability) certificates obtained earlier has become part of the company culture and its sustainability has been proven.

PRODUCTION ACTIVITIES

Main Production Plant

The following products are manufactured in our main production plant situated in the Gebze Industrial Zone. The facilities extend over an area of 60.000 m² consisting of a covered area of 20.000 m² for production, 2.000 m² for offices, 2.000 m² for testing and Research and Development building, and social and training facilities.

Central Air Handling:

- Air Handling Units
- Fan-Coils
- Chillers
- Roof-top Air Handling Units
- Cooling Coils

Heating:

- Oil Fired Domestic Boilers
- Natural Gas and LPG Fired Combi Boilers
- Light and Heavy Oil and Gas Burners
- Heat Exchangers

Water Pressurizing:

- Submersible Pumps and Motors
- Circulation Pumps
- Water Boosters

The ACE (Achieving Competitive Excellence) project, which is used in all the regions of UTC to which Carrier is associated, is being implemented at our facilities. Our Testing and Research and Development Departments regularly cooperate with universities and TUBITAK (Turkish Institute for Scientific and Technical Research) to develop and improve products. Important improvements have been made in our production with technology transfer from Carrier.

Radiator Production Plant

This plant manufacturing panel radiators using Alarko technology is located in the Istanbul Dudullu Organized Industrial Zone. The plant, whose production capacity doubled thanks to expansion and modernization work carried out to answer the continuously increasing export and domestic market demand was completed in May 2006 and covers a closed area of 12.000 square meters. With the second line going into production in May 2006 our total capacity has reached 1.000.000 running meters. This plant manufactures Alarko brand radiators for the domestic market and Carrier brand radiators for export.

TRADE AND MARKETING ACTIVITIES

Our Group, with an extensive distribution and service network in Turkey, has sales offices in Istanbul, Ankara, Izmir, and Adana, and a liaison office in Antalya. The Group has a total of 313 dealers and 385 after-sales service units over the country. It has earned itself a special place in the sector with its dealer and service network, showrooms and well-trained personnel. In addition to products manufactured at our plants, our group, that maintains a customer-oriented approach, included imported products to its product range considering the trends of the market. Thus, our dealers are offered a wide variety of products and our clients can enjoy complete solutions. Our activities are supported by successful promotion and information activities.

Supplementary products sold in addition to those manufactured at our own plants are:

- Automatic Control Equipment
- Duct Equipment and Filters
- Axial Fans
- Cold Rooms
- Air-Conditioners for Operating Theater
- Exhaust Fans
- Radiator Valves and Thermostatic Valves

Building automation systems converting complex buildings such as large business centers, hotels, hospitals into "intelligent buildings" for smooth operation create a serious difference as complete solutions. Operating theater air conditioners for hospitals and special solutions for telecommunications are also within the scope of our expertise.

In addition to central system boiler and burner solutions in heating, we offer combi radiator packages in individual heating thus offering a variety of choice for every customer profile. In individual air conditioners, in addition to Carrier and Alarko brands we are also offering Flair and Allegro brand equipment that provide more economic solutions and we have attained an important sales volume in these brands.

On the other hand, since 2002, the spare parts and technical service equipment for the heating, air-conditioning and pressurizing products are being offered to the whole of the sector at Totaline spare parts markets. With headquarters in Istanbul, Totaline has markets in Istanbul, Ankara and Izmir and a sales point in Bursa.

The training of our dealer and service personnel as well as our own personnel is being carried out in our modern training centers of our group. Training sessions include personal development training in addition to training on technical subjects.

In 2006, our Industry and Trade Group has realized numerous highly prestigious projects in the areas of heating, air-conditioning, hygienic air-conditioning and building automation.

THE TOURISM GROUP

The Alarko Tourism Group, one of the first companies in Turkey to represent the "Leisure Management" phenomenon, a rapidly growing industry area in the world, is basing its activities on creating different concepts that will enable people to feel better, to spend their spare time in a more productive and enjoyable way, and to marketing these concepts, perfecting its service quality and creating surplus value on the activities with these concepts. The Group is continuing its efforts in the success it has attained in making people "feel well" with its never ending objective of being "beyond competition" at HILLSIDE BEACH CLUB Holiday Village, HILLSIDE SU HOTEL, HILLSIDE CITY CLUB-ETILER and HILLSIDE CITY CLUB-TRIO sports and recreation centers, the CINECITY CINEMAS chain and SANDA SPA chain within the group.

HILLSIDE BEACH CLUB - Fethiye

Hillside Beach Club, the group's holiday village and winner of numerous national and international awards is maintaining its well-earned leader position in Turkish tourism with its high occupancy level and service quality. As in previous years, this first class holiday village referred to as "paradise on earth" by its guests hosted approximately 25.000 local and foreign guests in the 2006 season. The club, that offers its guests the holiday of their dreams with its friendly personnel and service quality exceeding expectations, adheres to the principle of continuous innovations always welcoming its guests with surprise novelties. Thus, the rate of returning guests increases every year.

Hillside Beach Club does not base its price policy to the demand but to the principle of giving the guests "their money's worth". In 2006, the club once more caught its exceptional occupancy rate and was selected and presented the Best Holiday Village and Resort award by Skal International, the international organization with a total of 25.000 members with 500 clubs in 80 countries that bring together all the different areas of travel and tourism.

HILLSIDE SU HOTEL - Antalya

The **Hillside Su** deluxe hotel of Alke Turizm A.Ş., one of the major steps in line with our **Tourism Group's** objective of "expanding through operating agreements" making use of its know-how in the service sector in selected projects, continues to attract attention in the world. **Hillside Su** that also emerges as the first concept hotel that the world famous Design Hotels Group selected to collaborate with in Turkey has introduced a new hotel approach both to Turkey and the world with its special design, dynamic life style offered to its guests, simple, original and surprising features. **Hillside Su** offering service as a holiday hotel open throughout the year also often hosts meetings of numerous international companies with its well-equipped conference halls. Since its opening, Hillside Su has been covered in more than 60 publications and 220 pages in the international press and has been the cover of most of them. Thus, thanks to this interest of the world press and the fact that it has hosted many select groups and celebrities, **Hillside Su** continues to play a major role in the promotion of Turkey.

HILLSIDE CITY CLUB - Etiler

Hillside City Club-Etiler has had a leading role in the fitness sector of Turkey with the motto of "sports awareness" and "customer oriented recreation center" and thanks to its 16 years of "know-how" has become a real life center where the club spirit can really be felt. In addition to simultaneously implementing the world sports trends in Turkey, the facilities, preferred especially by the business world, has created a rather crowded "community" through the organization of tours, cultural tours, tournaments, parties to enrich the lives of the members. Cooperation with numerous national and international companies willing to reach this loyal group of club members continued in 2006. Moreover, as a result of communication and marketing activities carried out in 2006 the number of members reached record levels despite increasing

competition.

Mezzaluna Restaurant, Starbucks Coffee, D&R, Sanda Day Spa, Mos Hair Saloon, Sun Vital Solarium, that have contributed to make the club a meeting point, continued their operations and enjoyed high popularity among guests of the club with their synergy.

HILLSIDE CITY CLUB - TRIO

Hillside City Club -Trio considered an alternative to the Bağdat Avenue of the Anatolian Side and operated by the **Alarko Tourism Group** opened in 2003. A Tekser-Baytur investment, **Hillside City Club -Trio** is a giant "recreation center" on the Asian side of Istanbul with approximately 5.500 members and provides an added value to the Kozyatağı area from the investors' point of view.

Hillside City Club - Trio, one of the largest complexes of its kind in Europe, contains many alternatives such as sports halls, indoor-outdoor swimming pools, indoor basketball court, squash, racquetball and tennis courts, 7 cinema theaters, restaurants, cafés, children's club and Sanda Day Spa extending over an area of 23.500 m² and has made important contributions to group synergy.

CINECITY CINEMAS

Our **Tourism Group**, that has been active in cinema operations since 1993, is continuing its activities in this area with 3 cinema theaters at Alkent-Etiler, 6 at Zeytinburnu Olivium Outlet Center, 7 at Kozyatağı Hillside-Trio and 9 at Izmir Kipa Shopping Center. In addition to the pleasures of cinema, the **Cinacity Cinemas**, that has changed the cinema habits with the restaurants and cafés in its operation, is hosting approximately 1.000.000 people a year with its original service.

The objectives of our Tourism Group for the Cinacity Cinemas referred to with the term "quality" in the sector due to the concepts created, its boutique cinema approach and continuous innovations, is to maintain cinema operation by increasing its number of theaters in large cities and boutique locations.

SANDA DAY SPA

Five years ago, the Alarko Tourism Group introduced the natural SPA culture that created great interest in the world to the Turkish people at Fethiye Hillside Beach Club, and made the Sanda Spas designed according to a synthesis of Far Eastern, Mediterranean and local influences Turkey's first and largest spa chain. The Group aims at expanding the SANDA SPAs offering service with Turkish and Far Eastern therapists at 6 locations at the Hillside Hotels, Hillside Sports Centers and SuAda particularly in large cities.

HILLSIDER MAGAZINE

Hillsider Magazine, an Alarko Tourism Group publication, celebrated its 11th anniversary in 2006 and continues its "exemplary" role in the world of publication with its rich content and the advertisements of national and international companies.

THE ENERGY GROUP

Altek A.Ş., a member of our group, is active in the energy sector and is turning to new investments in parallel with the growth in Turkish economy. In Turkey, the year 2006 was one in which the capacity surplus in the production of electrical energy was consumed and the supply and demand reached a balance. In 2006, the ready capacity in the national electricity system was used and at times when consumption reached peak power cuts came up as a possibility.

Taking into consideration that a dry season with inadequate rainfall is ahead. It can be said that 2007 will be a critical year from the viewpoint of electricity supply.

Within the scope of this perspective and the continuous growth observed in the Turkish economy in the last five years, Altek A.Ş., a company of our group active in the energy sector, is continuing its growth with new investments in this field.

Our Power Plants in Operation

Altek A.Ş., active in the energy sector and a member of our group, is engaged in the production of electrical power by the Build-Operate-Transfer model. Production is continuing at the **Düzce-Hasanlar, Tarsus-Berdan** and **Malatya-Tohma Hydroelectric Power Plants** that are among the first examples of this model in Turkey.

Our **Kırklareli Natural Gas Power Plant** was put into commercial operation at the end of 2005. Our Kırklareli Natural Gas Combined Cycle Power Plant with an installed capacity of 80 MW has an annual capacity of 600 million kwh. In 2007, payment will change from a monthly base to a daily base model and thus an important step will be taken towards the establishment of an electricity exchange market in our country just like in the EU countries.

Our New Power Plant Projects

Karakuz Hydroelectric Power Plant and **Beşkonak Hydroelectric Power Plants** are two of our new power plant projects.

Our company won the license tender for the construction and 40 year operation of the **Karakuz Hydroelectric Power Plant** with a capacity of 87 MW on the Körkün River in Adana. The production license from the Electricity Market Board has been obtained and Water Usage Contract with DSI (State Waterworks Administration) has been signed. The annual 340 million kwh electric power produced at this plant will be sold on the free market. Expropriation and construction works of this plant that is still in the designing stage will start following the acquisition of the ÇED (Environmental Impact Evaluation) report.

The necessary applications for the **Beşkonak Hydroelectric Power Plant** have been made. Our company has applied for the capacity certificate for the construction and operation in accordance with the free market model of this project with a capacity of 76 MW opened to application of investors by DSI within the framework of new regulations. We are awaiting the selection of the company by DSI.

THE SEAFOOD PRODUCTS GROUP

Alfarm A.Ş., established in 1991 for breeding and processing salmon, also processes sea trout and other kinds of trout in its plant and offers them to the internal and external markets.

Our first salmon processing plant was established in Dudullu, Istanbul in 1993 and the modern production plant in Suadiye, Izmit in 2001. With this new plant our production capacity increased 10 folds and a serious increase was observed in our market share.

Serious Synergy Achieved Through Strategic Partnership

Thanks to the strategic partnership established with Lerøy Group ASA of Norway, one of the world's leading companies in salmon breeding and processing in 2005 a serious synergy was achieved as of 2006. Fresh salmon of Norwegian origin was offered to the market for the first time and Alfarm now has a voice in the importation and sales of frozen sea products in the domestic market.

Fresh salmon imported from Norway was offered to consumers in all the chain supermarkets in Turkey and reached all consumers through wholesale fish markets and fishmongers. Efforts to promote fresh salmon were increased and thanks to these efforts our budget targets were exceeded. Efforts to increase the sales volume of our products were maintained at an increased rate in 2006. Moreover, additional efforts were made for product promotion, in marketing activities and the expansion of the distribution network.

New Products and Projects:

In addition to our smoked salmon with 4 spices developed by our engineers at our plant and in production since 2005, our smoked trout products have also taken their place on supermarket shelves and tables. Moreover, boiled frozen meat, shrimps and herring are being imported and offered to the market. Our company that follows the developments in the area of seafood processing has accomplished all the investments planned for 2006. Capacity, quality and product range will be increased further with new investments planned for 2007.

On the other hand, promotion activities were maintained in 2006. In February 2006 we participated in the Anfaş Fair and in April 2006 at the ESE 2006 fair with our partner Lerøy. Our brand and product recognition was increased through the year with participations to various fairs and activities.

New Objectives and Envisioned Investments:

Investments to increase capacity and product range will continue in 2007. Within this scope we are planning to make investments towards an incubation chamber, steak machine, additional fresh fish storage, deboning machine, a new laboratory and the establishment of a barcode system.

With these new investments, we are planning to offer the market products with a longer shelf life. Thus products will reach the consumer with a longer tolerance period.

Import and sales of processed industrial sea products will be developed to meet the changing life styles and a variety of products that consumers of all types can use easily will be offered to the market.

With new products offered to the market our sales volume will increase while at the same time our brand will be seen more often in catalogues and supermarkets. We are aiming at promoting our products at the furthest corners of Turkey with the tasting activities maintained. Further promotion of our products is planned through participation in fairs and organizing seminars. One of our most important strategic objectives is to export products manufactured in our plant to the world markets. From now on we will increase efforts towards this goal.

SOCIAL AND INDUSTRIAL ACTIVITIES

EMPLOYMENT

A total of 3005 people consisting of 1475 white collar employees, mainly engineers and architects, 1530 technicians and workers were employed by the companies and enterprises within the body of Alarko Holding A.Ş. in 2006.

In addition, an average of 5220 people were employed by the sub-contractors and external workshops. The severance pay load of Alarko Holding A.Ş. as of 31 December 2006 was TRY 545.345,89 (excluding participations).

TRAINING

In 2006, the personnel received a total of 58.843 man/hour of training given within the group and a grand total of 71.618 man/hour of training including training given by outside groups. Technical, financial, administrative and computer training seminars were organized within the group and our personnel were given the opportunity to attend seminars in their related areas organized by well-known training institutions. In addition, on the job training sessions on welding, assembly and other production techniques, construction, ISO 9000 and Occupational Security were organized. Training given to Alarko Carrier Sanayi ve Ticaret A.Ş. dealers and service units continued.

EMPLOYEE-EMPLOYER RELATIONS AND RIGHTS GRANTED

Keeping in mind the economic situation in Turkey, efforts were made to establish a realistic equilibrium between employees and employer and find solutions that would not disadvantage employees under present economic conditions. A collective labor agreement covering the period 01.09.2006 - 31.08.2008 was signed and put in effect between the companies in our group and MESS - Türk Metal.

ALARKO EDUCATION - CULTURE FOUNDATION

In the 2006 - 2007 school year, the Alarko Education - Culture Foundation, established in 1986, gave scholarships to 42 students in their last year of university or in graduate programs in the engineering, civil engineering, finance, business administration departments of various universities, 27 students studying in technical or vocational high-schools and 22 successful children of our employees in need of financial support. Thus, more than 1100 university students and more than 550 high school students have so far been granted gratis scholarships from our Foundation.

On the other hand, our Foundation continued to sponsor various cultural and artistic events this year, too. Our Foundation continues to cooperate with outstanding scientific and cultural foundations.

ALARKO FUTURE'S CLUB

The future of the Alarko group of companies is in the young generations who are university graduates, dynamic, hard-working, clever, creative, knowledgeable, have the ambition and desire to move up, and expect a future at Alarko.

In 2006, the Alarko Future's Club maintained its activities aiming at the professional and personal development of qualified young people to give them the opportunity to understand the benefits of team spirit and cooperation and become the well-trained experts or managers that will lead Alarko to the future.

ÜZEYİR GARİH'S VIEW



TWO CONCEPTS: SPENDING AND SQUANDERING*

I have always seen that the concepts of spending and squandering are confused in economics both by free enterprises and state institutions.

When organizations become rich, when their financial and cash position in particular improves considerably, I have always observed that they start spending within the organization. I have also seen that at times they confuse their assets and cash situation.

However, we must also remember that although receivables are not always cashed easily and on time, respectable institutions have to pay their debts on time.

Therefore, the free enterprises, in particular, have to plan their investments and expenditures after assimilating and internalizing the concepts of liquidity, profit, assets, wealth and the correlations among these concepts very well.

The basic raison d'être of institutions and public companies is making profits. Thousands of people have trusted those companies and have deposited their money with them. Executives of these companies have to feel obliged to reciprocate and recompense this trust.

Therefore, all expenditures of a company should be geared to maximize profits. A large portion of these expenditures should be in line with the mission of the institution/company.

This way of thinking must be explained relentlessly to people at all levels of the company.

All spending should be regarded as an investment for the company and its economic, social, and prestige yields must be calculated in a realistic way.

Many times the advertising and prestige expenditures made for premises and furnishings exceeds intentions, endangers the future liquidity of the company, blocks profitable investments and at times jeopardizes the company's future, especially at times of crises.

My personal observation is that when their liquidity permits, these companies immediately go into building grandiose service buildings.

In countries like Turkey where there are no long-term loans, I have observed that such spending has often resulted in disappointment.

If the building needed by the organization cannot be amortized by the rent to be paid by the organization, such an investment is bound to cause difficulties for the company or to impede profitable investments.

In the western world, rather than restricting their financial means by building their own buildings, organizations that cannot find loans that will permit them to pay according to principle of the provision for rent opt for leasing premises for long terms from pension organizations or insurance companies that have to make such investments due to their missions.

However, restricting spending on equipment and tools necessary for the development of the business will decrease efficiency.

Organizations should definitely not abstain from expenses that are necessary, that will help their economy. However, they will be strengthened by avoiding unnecessary squandering for prestige and showing off.

[*] Quoted from the 2001 edition of the book "My Experiences VI".

BUSINESS VOLUME

We present to the view of our shareholders the following table which shows the consolidated results of the last five years in figures and the volume we have reached as a result of the activities which we described in earlier section of the report.

Companies and Businesses According to Activities	Consolidated Results (Thousand TRY)				Consolidated	Total
	2002	2003	2004*	2005	(Thousand TRY)	2006
Contracting & Land Development	42.202	31.099	55.306	432.447	465.541	494.066
Industry & Trade	144.103	155.870	203.092 **	227.066**	248.237 **	251.792
Tourism	25.959	31.100	36.416	37.637	43.995	44.022
Energy	12.188	9.178	13.786 **	7.957**	50.594 **	50.597
TOTAL	224.452	227.247	308.600	705.107	808.367	840.477

* Amounts adjusted for inflation.

** The total of the turnovers is taken in order to be in accordance with the previous years.

Perspectives for 2007

Our company has adopted the principle of working according to a plan and it has made it a tradition to reflect this in its annual reports. Our aim is to contribute to the comparison of the results of 2006 with the volumes which we foresee for 2007 and to their evaluation.

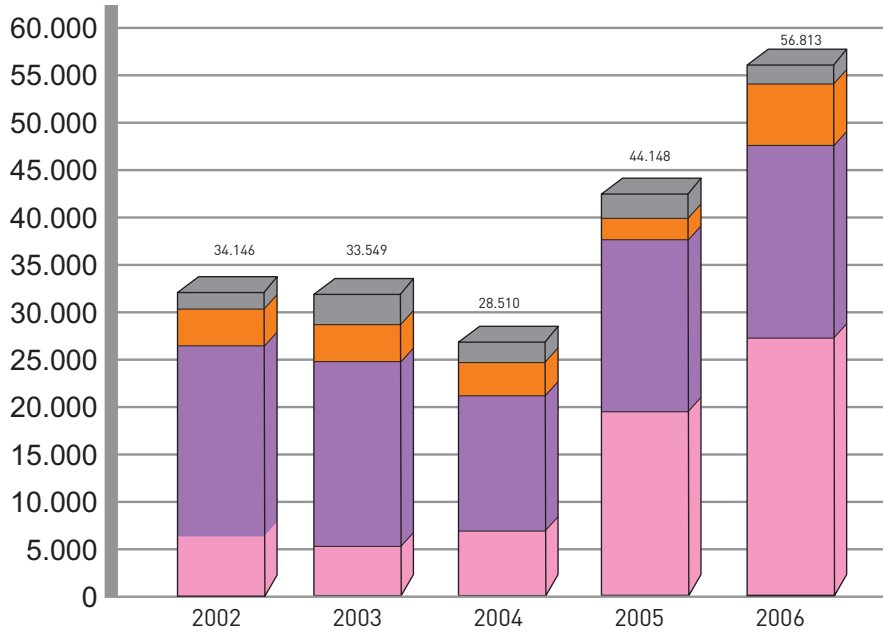
Starting from this point, the turnovers planned for 2007 are as follows according to groups of activities :

Companies and Businesses According to Activities	2007	
	Consolidated (Thousand TRY)	Total (Thousand TRY)
Contracting & Land Development	529.236	555.051
Industry & Trade	315.388	326.749
Tourism	48.952	48.952
Energy	69.138	69.138
TOTAL	962.714	999.890

TAXES PAID AND PERSONNEL EXPENSES

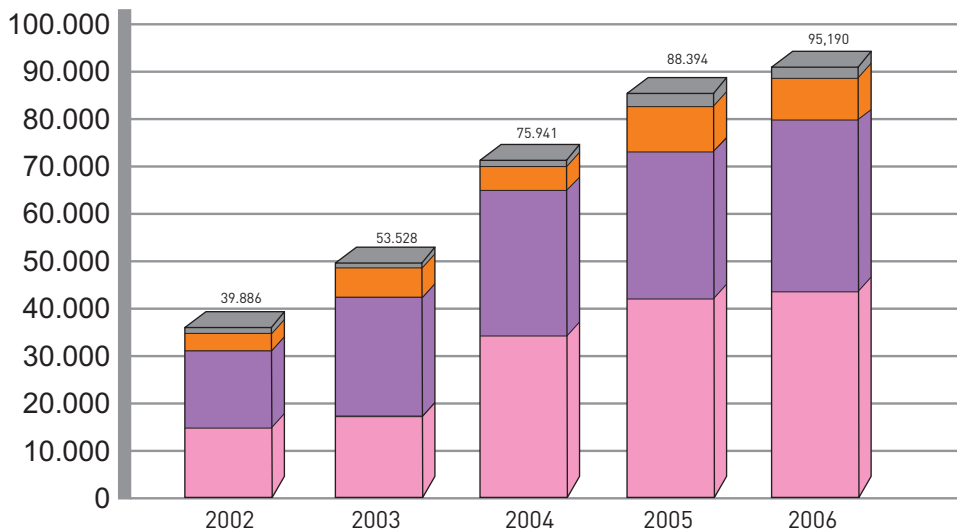
TAXES PAID

(THOUSAND TRY)



PERSONNEL EXPENSES

(THOUSAND TRY)



DEVELOPMENTS IN THE LAST FIVE YEARS

The development trend of our holding company's balance sheet items, profits, equity participations and dividends in the last five years are shown below.

	2002	2003	2004	2005	2006
Profit / Loss before Tax (TRY)	40.245.618	15.918.082	(2.446.328)**	67.867.271***	52.388.820***
Equity Participations (TRY) *	32.062.698	46.131.045	15.479.298	15.644.952	14.515.798
Capital (TRY)					
• Issued					
- As free shares	11.127.284	11.127.284	11.127.284	11.127.284	171.927.284
- Against cash	4.952.716	4.952.716	4.952.716	4.952.716	4.952.716
Total	16.080.000	16.080.000	16.080.000	16.080.000	176.880.000
• Registered	25.000.000	25.000.000	25.000.000	25.000.000	500.000.000
Dividends					
• Net dividends (Per share with a par value of TRY 1)					
- According to paid-in capital	0,65	-	-	0,20	0,274
- According to total capitalization (including distributed bonus shares)	0,20	-	-	0,06	0,0076
• Net dividend rates					
- According to paid-in capital	64,9 %	-	-	20,4 %	27,4 %
- According to total capitalization (including distributed bonus shares)	20 %	-	-	6,3 %	0,76 %

* The amounts in the equity participations line for the years 2002 and 2003 includes affiliates and subsidiaries but only affiliates for the years 2004, 2005 and 2006.

** Amounts consolidated and adjusted for inflation.

*** Consolidated amounts.

**REPORT ON COMPLIANCE WITH
CORPORATE
MANAGEMENT PRINCIPLES**

REPORT ON COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

1. Statement Of Compliance With Corporate Management Principles

Our Company takes due care to implement the rules mentioned in Corporate Management Principles published by the Capital Markets Board. Explanations on this issue are here below.

PART I - SHAREHOLDERS

2. Unit in Charge of Relations with Shareholders

The duties of the unit in charge of relations with shareholders are carried out by the Shareholders' Department formed within the Alarko Group of Companies.

The director and staff of the department are; Lawyer Aysel Yürür and Emel Ecevit.

For communication:

Phone : (90 212) 310 33 00 - (90 212) 227 52 00

Fax : (90 212) 236 42 08

e-mail : aysel.yurur@alarko.com.tr

The general assembly meeting of the Company was held, documents to be referred by the shareholders at the meeting were prepared and outcomes of the meeting were communicated to the Istanbul Stock Exchange and Capital Markets Board for publishing during the year. Questions of about 100 investors have been answered during this period.

3. Exercise of Right to Obtain Information by the Shareholders

Questions of the shareholders commonly relate to investments, turnover, capital increase and dividend payments of the company. Some 100 questions were asked within the year. Questions and answers given were communicated to the Board of Directors. Company's articles of association contain no provision regarding appointment of an independent auditor. No request was made during the year for the appointment of an independent auditor.

4. Information About the General Assembly

The Ordinary annual general assembly meeting of the company was held with a quorum of 69.86 %. Representatives of the media attended the meeting.

Invitation to the meeting was made by way of public announcement, letters sent to shareholders and the Istanbul Stock Exchange was duly notified.

The activity report, auditors' report, financial statement, articles of association, meeting agenda and profit distribution proposal by the Board of Directors were presented to the shareholders at the company's headquarters prior to the general assembly meeting. The Istanbul Stock Exchange and Capital Markets Board were notified of the profit distribution proposal prior to the general assembly meeting. At the general assembly meetings, the shareholders exercise their right to ask questions and such questions are duly answered. No proposal was made other than by major shareholders.

The Company's articles of association contain no provision regarding vesting the authority for making decisions on splitting, sale, purchasing and letting of assets in the general assembly. The minutes of the general assembly meeting are maintained at the Company's headquarters open to the shareholders for review.

5. Voting Rights and Minority Rights

Voting rights bear no concession. Minority shares are not represented at the management. No cumulative voting is applicable.

6. Policy and Time of Profit Distribution

No concession is granted in connection with participation in Company's profits. Profit distribution is carried out within the period set forth in applicable laws.

The amount of profit available for distribution will be determined taking into account the new investments to be made and liquidity status if the Capital Markets Board terminates profit distribution obligation in 2007 and the following years.

7. Transfer of Shares

There is no specific provision limiting the hand over of shares in the company's articles of association.

PART II - PUBLIC INFORMATION AND TRANSPARENCY

8. Company's Informing Policy

Annual information and future expectations of the company are announced to the public by the Chief Executive Officer through the printed and visual media upon closing of the annual ordinary general assembly meeting. The necessary information is given to the public by the President of the Board of Directors and the Chief Executive Officer during the year.

Any material situation that evolves during the year is announced to the public in a timely manner. Responsibility for observing any and all matters that may require announcement exclusively to the public and answering the question asked to the company rests with the Directorate of Shareholders' Service. Questions asked to the company during the year verbally or in writing are answered by this department and the Board of Directors is informed accordingly.

The person in charge of implementing the company's informing policy is Chief Executive Officer Ayhan Yavrucu.

9. Announcement of Special Cases

During the year 2006, announcements in connection with 30 special cases were made. No additional explanation was requested.

10. Company's Web-Site and Content

Alarko Holding A.Ş. has a web-site. The company's web address is:
www.alarko.com.tr

"Report on Compliance with Corporate Management Principles of Capital Markets Board" which contains a number of links for the following headings may be accessed from the "Investor Relations" link of the web-site.

Information provided in Corporate Management Principles, Part II, Article 1.11.5 as mentioned in Article 10 of this report is accessible via the following links as well.

LIST OF LINKS

1) STATEMENT OF COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES PART I - SHAREHOLDERS

- 2) Shareholders' Relations Department
- 3) Exercise of Right to Demand Information by the Shareholders
- 4) Information on General Assembly
- 5) Voting Rights and Minority Rights
- 6) Policy and Time of Profit Distribution
- 7) Transfer of Shares

PART II - PUBLIC INFORMATION AND TRANSPARENCY

- 8) Company's Informing Policy
- 9) Announcement of Special Cases
- 10) Company's Web-site and Content
 - Trade Register information
 - Recent partnership and management structure
 - Detailed information on preference stocks
 - Current text of Company's Articles of Association including date and issue number of Trade Register Gazettes where amendments thereto are published.
 - Announcement of special cases
 - Annual Reports
 - Periodical Financial Statements and Reports
 - Registration Statements and Public Offering Circulars
 - Agendas of General Assembly Meetings
 - Lists of Attendance and Minutes of General Assembly Meetings
 - Specimen Form for Voting by Proxy
 - Specimen form for compulsory information prepared in collection of share certificates or proxy by way of invitation.
 - Minutes of Board Meetings where important decisions that may affect the value of Capital Market Tools are taken.
 - Frequently Asked Questions (demands for information, questions and denunciations to the Company

and their answers)

- 11) Announcement of Real Person Plenary Shareholder (s)
- 12) Publication of Insiders

PART III - OWNERS OF INTEREST

- 13) Informing the Owners of Interest
- 14) Participation of Owners of Interest in Management
- 15) Human Resources Policy
- 16) Information on Relations with Customers and Suppliers
- 17) Social Accountability

PART IV - BOARD OF DIRECTORS

- 18) Structure, Composition of Board of Directors and Independent Members of Board of Directors
- 19) Qualifications of Board of Directors
- 20) Mission, Vision and Strategic Objectives of the Company
- 21) Risk Management and Internal Control Mechanism
- 22) Powers and Responsibilities of Board Members and Managers
- 23) Operational Principles of Board of Directors
- 24) No Business or Competition with the Company
- 25) Rules of Ethics
- 26) Number, Composition and Independence of Board of Directors' sub-committees
- 27) Financial Rights Granted to Board of Directors

11. Announcement of Real Person Plenary Shareholder (s)

The real person plenary shareholders of the Company are announced by the Company upon request.

12. Announcement of Insiders

List of insiders has been announced to public for the first time in the Annual Report of 2004 and the names of insiders as of the end of 2006 are as follows:

- İshak Alaton
- İzzet Garih
- Vedat Aksel Alaton
- Ayhan Yavrucu
- Güner Koçel
- Dalia Garih
- Leyla Alaton Günyeli
- Işık Biren
- Ahmet Vural Akışık
- Mustafa Filiz
- Ümit Nuri Yıldız
- Mehmet Ahkemoğlu
- Erol Uçmazbaş
- Ömer Çelik
- Aysel Yürür
- Süleyman Sami İnal
- Oktay Altınak
- Burcu Özsoy

PART III - OWNERS OF INTEREST

13. Informing Owners of Interest

Owners of interest of the company are regularly informed on matters of interest to them. Employees of the company are informed through annual meetings held regularly. In addition, developments within the company are announced on a continuous basis through the periodical "Bizim Dünyamız" and "News" published biannually.

On the other hand, a comprehensive information effort is carried out through our web-site, e-bulletins and annual reports.

14. Participation of Owners of Interest in Management

No particular model has been developed regarding participation of owners of interest in the company's management. Rights of owners of interest are protected by virtue of applicable legislation.

15. Human Resources Policy

The human resources policy of the company is defined in the manual "Our Policy" issued annually and announced to the employees in annual meetings.

Recruitment criteria to be strictly complied with by the staff in charge of recruitment are defined in writing. The physiological, psychological, and intellectual characteristics required by each job are taken into consideration in the recruitment process. These characteristics are measured and evaluated by a written test. Following the initial evaluation by the human resources department, the candidate is also interviewed by manager of the particular unit to employ the candidate.

All employees are treated fairly and equally in terms of training and promotion opportunities, training plans and policies aiming at improving the knowledge, skills and experience of the employees are developed. The employees receive regular training every year.

Job descriptions are developed for every position. Performance and reward criteria are determined on a yearly basis and are implemented upon agreement with the employees. The performance and evaluation system used in measuring and evaluating the individual performance is taken into account during wage and career planning.

On the other hand, a certain number of personnel are granted "Golden Badge" as a result of their outstanding performance. Employees winning the "Invention Prize" competition are also awarded. Thus, the creative personnel are motivated. A safe working environment is provided for the personnel and it is improved continuously.

16. Information on Relations with Customers and Suppliers

Alarko Holding A.Ş. is a holding company providing services to companies in the group. Focused mainly on customers our company measures and evaluates the level of customer satisfaction on a permanent basis. Our personnel are subject to continuous training in order to enhance customer satisfaction.

Quality standards for goods and services are strictly adhered to and maximum care is taken to comply with those standards. Therefore, quality warranty is provided and any goods or services found to be below the quality standards are compensated immediately.

17. Social Accountability

Alarko Holding A.Ş. is extremely sensitive to social responsibility issues and therefore, acts in accordance with the regulations and ethical rules regarding the environment, consumers and public health. Alarko Holding A.Ş. and the Group companies operating within its framework and the personnel, experts and subsidiary industries have adopted and apply the principles below in order to protect nature and the environment in all their operations.

- To follow and apply the stipulations of acts, statutes, bylaws and standards regarding the environment.
- To take the necessary measures to prevent air, water, soil and noise pollution in all their operations.
- To protect plant and animal life and ensure the recycling of wastes.
- To cooperate with official and private associations and enterprises to develop policies and systems for environmental protection.
- To maintaining research to improve the environment friendly properties of our products and production methods.
- To reduce consumption of natural resources and energy to optimum levels.
- To provide continuous training programs to contribute to and increase the environmental protection awareness of our members. To use the most advanced technology available to attain these objectives. There is no litigation or warning filed against our company neither during the current year nor in the past for damages to the environment.

The Alarko Education-Culture Foundation established in 1986 to work in the area of education and culture has granted scholarships to a large number of students. Since its establishment, the foundation has granted scholarships to more than 1000 university students and more than 500 high-school students. The Foundation's scholarships are not to be refunded. A total of 90 students were granted scholarships in the 2006-2007 school year.

PART IV - BOARD OF DIRECTORS

18. Structure, Composition and Independent Members of Board of Directors

Board of Directors

İshak Alaton	Chairman
İzzet Garih	Vice Chairman
Vedat Aksel Alaton	Vice Chairman
Ayhan Yavrucu	Member
Dalia Garih	Member
Leyla Alaton Günyeli	Member
Güner Koçel	Member (Independent)
Işık Biren	Member (Independent)
Ahmet Vural Akışık	Member (Independent)

There are three independent members in the Board of Directors.

Board members are in no way restricted in assuming positions in other organizations or entities not related to the Company.

19. Qualifications of Board Members

Minimum qualifications required in election of Board members comply with the Corporate Management Principles of Capital Markets Board. Articles of Association of the Company contains no such principles as due care is taken in the election of Board members in accordance with the said principles.

20. Mission, Vision and Strategical Objectives of the Company

Rather than being the largest, the main vision of the company is to become one of the strongest, most reliable and respected companies worldwide supplying goods and services of global quality by being honest to the state, the customers, shareholders and employees in all its operations.

The company's main mission is to offer goods and services exceeding the expectations of its customers and to satisfy its clients, shareholders and employees by integrating information, technology and the human factor in a creative organization.

Strategic objectives developed by the Chief Executive Officer, evaluated by the Audit Consultation and Approval Committee and submitted to the Board of Directors for approval. The realization level of the approved objectives is communicated to the Board and the Audit Consultation and Approval Committee and their realization level is evaluated.

21. Risk Management and Internal Control Mechanism

A risk management and internal control mechanism is set by the Board of Directors. Managerial risks are reviewed periodically by the Audit Consultation and Approval Committee constituted by the members of the Holding's Board of Directors. The said Committee has decided to establish, audit and update an internal control mechanism within the Group in general. In accordance with this decision, the Auditing Group of the Group of Companies has been given the responsibility to supervise the establishment of the internal control mechanism and check its functioning. The Auditing Group inspects the internal control mechanism regularly against the approved annual audit plans and submits its opinion and findings to top management.

Furthermore, the Auditing Committee established reviews the said matters and advises the Audit Consultation and Approval Committee accordingly. The Audit Consultation and Approval Committee and the Committee in charge of Auditing determine the measures to be taken and instruct the company's managers via the Chief Executive Officer.

22. Powers and Responsibilities of Board Members and Managers

Powers and responsibilities of Board members and managers are set forth in the company's articles of association.

23. Operational Principles of Board of Directors

The Board has convened 21 times within the year. Actual participation to the meetings was established. Board decisions are taken unanimously.

No weighed voting right or negative veto right is granted to the Board members.

24. No Business or Competition with the Company

As per the decision taken at the general assembly, the Board members are not banned to do business or compete with the company within the year.

25. Rules of Ethics

Rules of ethics approved by the Company's Board of Directors and the Audit, Consultation and Approval Committee and agreed upon by all Alarko Holding A.Ş. personnel and managers and defined in the ALARKO Group of Companies' Philosophy are summarized here below. These rules are concordance with the policies, objectives, procedures and principles of Alarko.

- Acting honestly in all business activities towards the Government, Clients, Shareholders, Personnel, Partners, and Sub- and By- Industries.
- Protecting the environment and maintaining the inter-company social balance in all its activities.
- Orienting the customers without forcing and giving priority to their needs.
- Maintaining high quality at all times, trying to supply the best at the lowest price even when the customers are satisfied and contented with what is already given.
- Achieving the profits deserved by the shareholders under the current conditions.
- Give priority to teamwork as a corporation performing systematically on the basis of pre-defined procedures, share profit, loss, success and failure.

Our policies are shaped by this philosophy. And this philosophy is affixed at easily visible points in various units of our company and subsidiaries. In addition, all employees are informed through the annual Policy Meeting and Our Policy Book. Our existing and newly recruited personnel are regularly trained on this philosophy and related rules.

Our philosophy including the rules of ethics is accessible via the internet and our web-site www.alarko.com.tr All Alarko Holding personnel are obliged to act in compliance with these rules.

Rules of ethics are followed-up by the superiors of all employees in hierarchical order. Employees are responsible of immediately notifying the management of any act or behavior contrary to the rules of ethics.

Any contrary act or behavior noticed, notified or suspected by the Board of Auditors, the Auditing Committee, the Chief Executive Officer or other managers are reviewed by the Board of Directors or instructed to be reviewed by the Auditing Committee to ensure compliance therewith.

Disciplinary sanctions are applied by the Chief Executive Officer authorized by the Board of Directors to doers of actually proven contrary acts.

26. Number, Composition and Independence of Board of Directors' Sub-committees

The auditing committee is established within the legal term and performs the duties set forth in the communiqué of the Capital Markets Board. The members of this committee are İzzet Garih and Vedat Aksel Alaton.

After approving the strategic decisions the Audit Consultation and Approval Committee consisting of 5 members of the Board of Directors presents them to the Board.

27. Financial Right Granted to Board of Directors

No rights or interests are granted to the Board members including remuneration as per the decision of the General Assembly.

No money is lent to the company's Board members or managers including credit utilization or suretyship.

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

INDEPENDENT AUDITORS' REPORT



Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.

Avni Dilligil Sokak No: 6
Mecidiyeköy 34394 İstanbul / Turkey
Tel: +90 (212) 275 96 90
Fax: +90 (212) 272 33 23 / 272 62 16
E-mail: bdo.denet@bdodenet.com.tr
Web Site: www.bdodenet.com.tr

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors and Shareholders
Alarko Holding A.Ş.**

We have audited the accompanying consolidated financial statements of Alarko Holding A.S. (the Parent Company) which comprise the consolidated balance sheet as at December 31, 2006, and the consolidated statements of income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The balance sheets as of 31 December 2006 and the statements of income, changes in equity and cash flows for the year then ended related to the subsidiary Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. and the joint venture company Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.Ş. of Alarko Holding A.Ş., which represent 20,35% of the consolidated balance sheet total as of 31 December 2006 and 6,69% of the total income stated in the consolidated statement of income for the year then ended have been audited by another independent auditor.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Our independent audit involves the application of independent auditing techniques to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of the independent auditing techniques including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, is made by our professional judgment. In making those risk assessments; the internal control system of the entity is taken into consideration. However, this is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control but for displaying the relationship between the consolidated financial statements and the internal control system prepared by the entity in order to design audit procedures that are appropriate in the circumstances. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Alarko Holding A.Ş. as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards issued by the Capital Markets Board.

Explanatory Paragraphs

As of 31 December 2006 the financial statements of the subsidiaries Alsim Alarko KZ and Temzet Elektrik Üretim İletim A.Ş. in which the Parent Company has a 100% and a 50 % interest, respectively, and Alarko S.A. in which the Parent Company has 41,25% interest have low operating volumes and do not materially affect the consolidated financial statements, hence the companies referred to above have not been included in the consolidation.

As stated in Note 26, the Parent Company has made a capital increase in 2006 accounting period through utilizing internal resources. The totals used in the said capital increase are lower than the internal resources stated in the legal books as well as the internal resources calculated as per the CMB accounting standards.

As described in Note 43 to the consolidated financial statements, the Company Management has stated that the profit to be distributed in accordance with the accompanying consolidated financial statements is less than the profit stated in the legal books, hence the accompanying consolidated financial statements is taken as basis in profit distribution.

İstanbul,
06 April 2007

**Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.**


DENET
Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.

Ömür Günel
Partner in charge

ALARKO HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2006 AND 2005 (TRY)

ASSETS	Note	31 December 2006	31 December 2005
Current Assets		948.343.659	769.150.643
Liquid Assets	3,4	229.316.965	185.681.920
Marketable Securities (net)	3,5	99.873.720	118.135.026
Trade Receivables (net)	3,7	276.588.739	196.327.694
Receivables from Financial Leasings (net)	8	-	-
Due from Related Parties (net)	3,9	3.438.764	3.106.956
Other Receivables (net)	10	12.471.987	827.379
Biological Assets (net)	11	-	-
Inventories (net)	3,12	120.426.188	89.183.812
Receivables from Deferred Project Contracts (net)	3,13	183.377.698	155.852.673
Deferred Tax Assets	3,14	-	-
Other Current Assets	15	22.849.598	20.035.183
Long Term Assets		243.491.020	266.608.321
Trade Receivables (net)	3,7	720.460	734.514
Receivables from Financial Leasings (net)	8	-	-
Due from Related Parties (net)	3,9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	3,16	14.515.798	15.644.952
Positive/Negative Goodwill (net)	3,17	(821.312)	(881.339)
Investment Properties (net)	3,18	2.138.886	2.154.349
Real Estates Held For Trading (net)	3,12	-	-
Tangible Assets (net)	3,19	181.758.755	223.105.688
Intangible Assets (net)	3,20	4.602.575	5.624.872
Deferred Tax Assets	3,14	8.654.823	5.314.546
Other Long Term Assets	15	31.921.035	14.910.739
Total Assets		1.191.834.679	1.035.758.964

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2006	31 December 2005
Short Term Liabilities		463.130.421	397.837.619
Financial Liabilities (net)	3,6	51.803.211	57.047.592
Current Portion of			
Long Term Liabilities (net)	3,6	6.560.969	6.279.311
Liabilities from Financial Leasings (net)	3,8	1.080.003	475.657
Other Financial Liabilities (net)	3,6	498.321	524.473
Trade Payables (net)	3,7	181.605.815	129.768.342
Due to Related Parties (net)	3,9	207.085	178.085
Advances Received	3,21	84.886.023	59.927.342
Ongoing Construction			
Contract Income (net)	13	82.367.804	112.700.197
Debt Provisions	3,23	27.794.729	15.601.583
Deferred Tax Liabilities	3,14	-	-
Other Liabilities (net)	10	26.326.461	15.335.037
Long Term Liabilities		78.490.990	43.175.656
Financial Liabilities (net)	3,6	23.994.306	23.915.212
Liabilities from Financial Leasings (net)	3,8	575.633	586.634
Other Financial Liabilities (net)	3,6	776.747	642.605
Trade Payables (net)	3,7	-	-
Due to Related Parties (net)	3,9	-	-
Advances Received	3,21	39.584.854	5.936.644
Debt Provisions	3,23	13.370.065	12.062.208
Deferred Tax Liabilities	3,14	-	-
Other Liabilities (net)	10	189.385	32.353
MINORITY INTEREST	2,24	96.352.442	93.704.762
SHAREHOLDERS' EQUITY		553.860.826	501.040.927
Share Capital	25,26	176.880.000	16.080.000
Adjustment on Cross Shareholding	25	(555.126)	(983.605)
Capital Reserves		129.603.938	290.415.604
Share Premium		-	-
Share Premium of Cancelled Shares		-	-
Revaluation Fund		-	-
Revaluation Fund of Financial Assets		(118.916)	(107.250)
Differences Arising from Inflation Adjustment in Shareholders' Equity	27	129.722.854	290.522.854
Profit Reserves	29	38.286.695	18.536.850
Legal Reserves		2.228.043	820.935
Statutory Reserves		-	-
Extraordinary Reserves	33.005.106	-	18.457.091
Special Reserves		-	-
Profit on Disposal of Tangible Assets and Investments to be Added to Share Capital		-	-
Foreign Currency Translation Differences	3.053.546	-	(741.176)
Net Profit/(Loss) for the Period		48.311.969	60.238.872
Retained Earnings / (Accumulated Losses)	30	161.333.350	116.753.206
Total Liabilities and Shareholders' Equity		1.191.834.679	1.035.758.964

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

ALARKO HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005 (TRY)

INCOME FROM PRINCIPAL ACTIVITIES	Note	31 December 2006	31 December 2005
Income From Sales (net)	37	634.637.827	569.751.637
Cost of Sales (-)	37	(595.772.882)	(495.864.676)
Service Income (net)	37	-	-
Other Income From Principle Activities/interest+dividend+rent (net)		-	-
GROSS PROFIT FROM PRINCIPAL ACTIVITIES		38.864.945	73.886.961
Operating Expenses (-)	38	(49.411.744)	(49.616.896)
NET PROFIT/(LOSS) FROM PRINCIPAL ACTIVITIES		(10.546.799)	24.270.065
Other Income and Profits	39	205.583.829	99.540.513
Other Expense and Losses (-)	39	(116.815.779)	(46.136.197)
Financial Expenses (-)	40	(21.685.259)	(4.184.351)
OPERATING PROFIT		56.535.992	73.490.030
Net Monetary Profit/(Loss)	41	-	-
MINORITY INTEREST	2,24	(4.147.172)	(5.622.759)
PROFIT BEFORE TAX		52.388.820	67.867.271
Taxes	3,42	(4.076.851)	(7.628.399)
NET PROFIT FOR THE PERIOD		48.311.969	60.238.872
EARNINGS PER SHARE	3,43		
- Ordinary		0,274	3,990
- Revised		0,274	0,342

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

ALARKO HOLDİNG A.Ş.

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

A. CASH FLOWS FROM PRINCIPAL ACTIVITIES	Note	31 December 2006	31 December 2005
Net Profit Before Tax (+)		52.388.820	67.867.271
Adjustments:			
Amortisation (+)		24.334.958	19.496.260
Termination Indemnity		1.122.167	1.679.409
Provision for Debts		10.346.634	8.525.088
Profit From Foreign Currency Exchange (-)		-	-
Profit From Marketable Securities or Long Term Investment (-)		(1.622.281)	(61.116)
Goodwill amortisation (-)		(60.027)	(60.026)
Income on Disposal of Tangible Assets		-	-
Interest income (-)		(14.196.714)	(9.544.626)
Interest expense (+)		-	-
Net Income Before Working Capital Changes (+)		72.313.557	87.902.260
Increase in trade operations and other receivables (-)		(80.246.991)	(74.595.901)
Increase in balances due from related parties and shareholders (-)		(331.808)	(1.656.206)
Increase (-)/Decrease (+) in inventories		(31.242.376)	10.429.311
Increase in other receivables (-)		(11.644.608)	(474.997)
Increase in other current assets (-)		(19.824.709)	(6.381.559)
Increase (-)/Decrease (+) in balances due from ongoing construction contracts		(27.525.025)	(44.343.168)
Increase in trade payables(+)		51.837.472	45.872.405
Increase (+)/Decrease (-) in balances due to related parties and shareholders		29.000	(1.029.100)
Increase (+)/Decrease (-) in advances received		58.606.890	(39.172.702)
Effect of foreign currency difference on deferred tax		(385.301)	-
Increase in ongoing construction contract income (+)		(30.332.393)	21.402.589
Increase in other liabilities (+)		11.148.457	7.562.443
Net cash related to principal activities (+)		-	-
Interest payments (-)		-	-
Tax payments (-)		(4.999.626)	(3.836.319)
Net cash provided from/(used in) principal activities	44	(12.597.461)	1.679.056
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
Acquisition of financial assets. net(-)		1.129.154	(165.654)
Acquisition of marketable securities (-)		18.261.306	(36.318.337)
Acquisition of tangible assets. net (-)		18.934.206	(41.877.322)
Acquisition of investment properties (-)		(84.901)	(143.993)
Acquisition of real estates to be held for trading (-)		-	-
Cash inflows related to disposal of tangible assets (+)		-	-
Increase in intangible assets. net (-)		(799.570)	(1.092.773)
Interest received (+)		14.196.714	9.544.626
Dividend received (+)		1.622.281	61.116
Net cash provided from/(used in) investing activities	44	53.259.190	(69.992.337)
C. CASH FLOWS FROM FINANCIAL ACTIVITIES			
Cash inflows related to issuance of capital stock (+)		-	-
Increase in leasing liabilities (+)		593.346	1.062.291
Decrease (-)/Increase (+) in financial liabilities		(4.775.641)	31.271.915
Value increase (+)/decrease (-) in financial assets		1.478.809	(2.035.985)
Effect of companies included in the consolidation		-	214.650
Effect of consolidation rate change		(103.057)	(15.379.089)
Foreign currency translation differences		3.791.963	(741.176)
Effect of consolidation by equity method		465.816	(287.388)
Dividends paid (-)		(1.125.600)	-
Increase in minority interest (+)		2.647.680	7.705.208
Net cash provided from/(used in) financial activities	44	2.973.316	21.810.426
Increase (+)/Decrease (-) in liquid assets	3	43.635.045	(46.502.855)
Liquid assets at the beginning of the period	4	185.681.920	232.184.775
Liquid assets at the end of the period	4	229.316.965	185.681.920

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

ALARKO HOLDING A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005
(TRY)

	Share Capital	Adjustment on Cross Shareholding	Differences Arising from Inflation Adjustment on Shareholders' Equity	Revaluation Fund of Financial Assets	Legal Reserves	Extraordinary Reserves	Prior Year Profit	Foreign Currency Translation Differences	Profit for the Period	Total
Balance as at 01 January 2005	16.080.000	(983.605)	290.940.834	(193.678)	452.478	12.433.694	140.301.320	-	-	459.031.043
Effect of consolidation by equity method	-	-	-	-	-	248.023	(535.411)	-	-	(287.388)
Value increase/decrease in financial assets	-	-	-	86.428	-	-	(2.122.413)	-	-	(2.035.985)
Transfer to reserves	-	-	(417.980)	-	368.457	5.775.374	(5.725.851)	-	-	-
Effect of companies included in the consolidation	-	-	-	-	-	-	214.650	-	-	214.650
Effect of consolidation rate change	-	-	-	-	-	-	(15.379.089)	-	-	(15.379.089)
Foreign currency translation difference	-	-	-	-	-	-	-	(741.176)	-	(741.176)
Net profit	-	-	-	-	-	-	-	-	60.238.872	60.238.872
Balance as at 31 December 2005	16.080.000	(983.605)	290.522.854	(107.250)	820.935	18.457.091	116.753.206	(741.176)	60.238.872	501.040.927
Capital increase	160.800.000	428.479	(160.800.000)	-	-	-	(428.479)	-	-	-
Effect of consolidation by equity method	-	-	-	-	57.567	-	408.249	-	-	465.816
Value increase/decrease in financial assets	-	-	-	11.666)	-	-	1.490.475	-	-	1.478.809
Transfer of 2005 year profit	-	-	-	-	-	-	60.238.872	-	(60.238.872)	-
Transfer to reserves	-	-	-	-	1.350.445	14.554.553	(15.904.998)	-	-	-
Effect of consolidation rate change	-	-	-	-	(904)	(6.538)	(98.375)	2.759	-	(103.058)
Dividends paid	-	-	-	-	-	-	(1.125.600)	-	-	(1.125.600)
Foreign currency translation difference	-	-	-	-	-	-	-	3.791.963	-	3.791.963
Net profit	-	-	-	-	-	-	-	-	48.311.969	48.311.969
Balance as at 31 December 2006	176.880.000	(555.126)	129.722.854	(118.916)	2.228.043	33.005.106	161.333.350	3.053.546	48.311.969	553.860.826

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

ALARKO HOLDİNG A.Ş.

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

1. Organization and Principal Activities

Alarko Holding A.S. (the Parent Company) has been established in 1972 and its subsidiaries, affiliates, and jointly controlled entities operate in different fields such as contracting, construction, land development, industry, commerce, tourism, energy, and production and trading of fishery products. In the following sections, Alarko Holding A.S. and its subsidiaries, affiliates and jointly controlled entities whose financial statements are subject to consolidation will be referred to as "Alarko Group/the Group".

The names, principal activities and the direct/indirect shareholdings of subsidiaries, affiliates and jointly controlled entities which are subject to consolidation are as follows:

Name of the Company	Principle Activity	Shareholding of the Group (%)	
		31 December 2006	31 December 2005
Subsidiaries * :			
Alsım Alarko San. Tes. ve Tic. A.Ş. (Turkey)	Contracting and construction	96,41	96,78
Aldem Alarko Konut İnşaat ve Tic. A.Ş. (Turkey)	Building construction	96,31	96,68
Attaş Alarko Turistik Tesisler A.Ş. (Turkey)	Touristic Facility Management	94,66	95,01
Yıltaş Yıldız Turistik Tesisler ve Ticaret A.Ş. (Turkey)**	Building construction	-	67,12
Alarko Fenni Malzeme Satış ve İmalat A.Ş. (Turkey)	Marketing of Industrial Products and After-Sales Services	65,50	65,55
Almüt Alarko Sınai Gereçler İmalat ve Müm. A.Ş. (Turkey)	Production, Marketing and Dealership of Technical Equipment	65,44	65,45
Alamsaş Alarko Ağır Makina Sanayii A.Ş. (Turkey)	Production of Machinery and Equipment for Industrial Investments	52,93	52,97
Alarko Gayrimenkul Yatırım Ort. A.Ş. (Turkey) ****	Purchase and Sales of Real Estates and Market Tools Related to Real Estates	49,19	49,32
Construction of Alsım-Moscow Pediatric Hospital (Russia)	Construction of Oncology Hospital For Children in Moscow-Russia	96,41	96,78
Alsım - Kazakhststan - Astana Branch (Kazakhststan)	Construction Project of Kazakhstan-Astana Airport	96,41	96,78
Alsım - Aktobe Branch (Kazakhststan)	Rehabilitation Project of Roads between Kazakhstan - Western Kazakhstan	96,41	96,78
Construction Project of Alsım-Bishkek Almaty Road (Kazakhststan)	Road Construction Project	96,41	96,78
Alsım - Algeria Arzew Desalination and Power Plant Construction (Algeria)	Algeria-Arzew Desalination Project	96,41	96,78
Rostov Donsky Dabak Cigarette Plant Project (Russia)***	Cigarette Plant Construction	-	96,78
Alsım - TCDD (Turkey)	TCDD Ankara-Eskişehir Railway Rehabilitation Project	96,41	96,78
Alsım-Rosneftgastroj JSC İş Ort. (Turkey)*****	DSİ Melen Water Supply Project Construction	95,93	-
Aktau Atrau Road Construction Project (Kazakhststan)*****	Road Construction Project	96,41	-

* Included in the consolidation by full consolidation method.

** All assets and liabilities of the subsidiaries Yıltaş Yıldız Turistik Tesisler A.Ş. have been transferred to the subsidiary Alsım Alarko Sanayi Tesisleri ve Ticaret A.Ş. as of 31 March 2006.

*** The Rostov Donsky Dabak Tobacco Plant Project has been transferred to the subsidiary Alsım Alarko San. Tes. ve Tic. A.Ş. as of 31 December 2006 upon completion of the Project.

**** Public company listed in the Istanbul Stock Exchange.

***** A joint venture company as of 31 December 2005 which has been included in the consolidation by full consolidation method as of 31 December 2006 due to share transfer.

***** Included in the consolidation as of 31 December 2006 by full consolidation method.

Name of the Company	Principle Activity	Shareholding of the Group (%)	
		31 December 2006	31 December 2005
Jointly Controlled Entities* :			
Alarko Carrier Sanayi ve Ticaret A.Ş. (Turkey) **	Heating, Cooling , Air conditioning Equipment Manufacturing	42,09	42,09
Altek Alarko Elektrik Sant. Tes. İřl. ve Tic. A.Ş. (Turkey)	Power Generation	38,44	38,44
OA0 Mosalarko (Russia)	Russia-Real Estate Project, Construction and Usage	50,00	50,00
Alsim-E.M.İ.T. SpA İř Ort. (Turkey)	İzmit Bay Waste Water Distillation Plant Construction	38,56	38,71
Alsim-Akfen İnřaat Tur. ve Tic. A.Ş. İřl. Ort. (Turkey)	Tüprař İzmit Refinery Sulphur Reduction Project Construction	48,20	48,39
Streicher-Haustad & Timmermann	Bakü-Tiflis- Ceyhan Crude Oil		
Günsayıl-Alsim A.Ş. (Turkey)	Pipe Line Project	48,20	48,39
Garanti Koza Alsim Joint Venture (Turkey)	Underground construction	48,20	48,39
Obrascon Huarte Alsim SA - Alsim Alarko San.Tes. ve Tic. A.Ş. (Spain)	TCDD Ankara - Eskiřehir Railway rehabilitation project	43,38	43,55
Alsim-Rosneftgastroy JSC İř Ort. (Turkey)***	DSİ Melen Water Supply Project Construction	-	77,42
Affiliates ****			
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş. (Turkey)	Production and Marketing of Fishery Products	40,99	40,96
Al-Riva Projesi Arazi Değ. Konut İnř. ve Tic. A.Ş. (Turkey) *****	Residence, Construction	12,11	12,12
Al-Riva Arazi Değ. Konut İnř. ve Tic. A.Ş. (Turkey) *****	Residence, Construction	2,62	2,62
Al-Riva Arazi Değ. Konut İnř., Tur. Tes. Golf İřl. ve Tic. A.Ş. (Turkey) *****	Residence, Construction and Touristic Facility Management	2,28	2,28

* Included in the consolidation by joint control method.

** Public company listed in the Istanbul Stock Exchange.

*** A joint venture company as of 31 December 2005 which has been included in the consolidation by full consolidation method as of 31 December 2006 due to share transfer.

**** Included in the consolidation by equity method.

***** The Parent Company has 40% interest in these affiliates.

The address of the Parent Company's head office is as follows:

Muallim Naci Cad. No : 69 Ortaköy/ İSTANBUL

As of 31 December 2006 and 2005, the shareholding structure of the Parent Company is as follows (TRY):

Name	31 December 2006	31 December 2005
	Shareholding	Shareholding
Anmak Holding A.Ş.	69,40%	69,40%
Other***	30,60%	30,60%
	<u>100,00</u>	<u>100,00</u>

*** Represents shareholdings of less than 10%.

The shares of Alarko Holding A.Ş. are traded in the Istanbul Stock Exchange since 24 May 1989 and 30,50% of the Company shares are offered to public as of 31 December 2006.

Alarko Carrier Sanayi ve Ticaret A.Ş., a jointly controlled entity, is registered at the Capital Markets Board (CMB) and 14,77% of its shares are offered to public. The shares are traded at the Istanbul Stock Exchange since 27 January 1992.

The subsidiary, Alarko Gayrimenkul Yatırım Ortaklığı A.Ş., is registered at the Capital Markets Board (CMB) and 49% of its shares are offered to public. The shares are traded at the Istanbul Stock Exchange since 1996.

The average number of employees during the period with respect to categories is as follows:

	31 December 2006	31 December 2005
Salary earners	1.617	1.456
Wage earners	1.349	1.429
	<u>2.996</u>	<u>2.885</u>

2. Presentation of the Financial Statements

(a) Basis of Presentation:

The Alarko Group maintain their books of account and prepare their statutory financial statements in accordance with the prevailing commercial and financial legislation. As stated below, certain adjustments and reclassifications have been made during the preparation of the accompanying consolidated financial statements in order to comply with the Communiqué nr XI/25. The adjustments reflected to the accompanying consolidated financial statements are summarized in Note 2 (b) and 2 (d).

The functional currencies of the subsidiaries and jointly controlled entities of the Company in Russia, Algeria, and Kazakhstan are Ruble, Dinar and Tenge, respectively. With respect to the CMB Communiqué Nr. XI/25, the balance sheet items are translated into TRY at the foreign exchange rate at the balance sheet date, and income and expenses are translated at the yearly average rate. Profits or losses arising from translation are stated in the "foreign currency translation differences" account under the shareholders' equity.

(b) Adjustment of Financial Statements During Hyper-Inflationary Periods:

Section 15 of the Communiqué Nr XI/25 deals with the effects of inflation on financial statements and requires that financial statements prepared in the currency of a high inflation economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms. As per the resolution of the CMB dated 17 March 2005 Nr 11/367 the application of inflation adjustment of the financial statements has ended in 2005, hence the financial statements are restated at the purchasing value of the Turkish Lira as at 31 December 2004.

The restatement of the accompanying consolidated financial statements in New Turkish Lira is calculated by means of conversion factors derived from the countrywide wholesale price index published by the TSI. Such indices and conversion factors are as follows:

Date	Index	Conversion Factor
31 December 2001	4.951,7	1,70
31 December 2002	6.478,8	1,30
31 December 2003	7.382,1	1,14
31 December 2004	8.403,8	1,00

The following principles have been applied in the preparation of the restated financial statements as of 31 December 2004:

- Financial statements are stated in terms of the measuring unit current at 31 December 2004 and the corresponding figures for the previous periods are restated in the same terms.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities, are restated by applying the relevant conversion factors.
- The effect of general inflation is included in the statements of income as "Net Monetary Gain / (Loss)".

(c) Consolidation Principles:

Consolidation is realized within the Parent Company, Alarko Holding A.Ş. and the direct and indirect shareholdings of the Parent Company within its affiliates, subsidiaries, and jointly controlled entities are as follows:

Subsidiaries*	31 December 2006	31 December 2005
Alsim Alarko San.Tes. ve Tic. A.Ş.	96,41 %	96,78 %
Aldem Alarko Konut İnşaat ve Tic. A.Ş.	96,31 %	96,68 %
Attaş Alarko Turistik Tesisler A.Ş.	94,66 %	95,01 %
Yıltaş Yıldız Turistik Tesisler ve Tic. A.Ş.	-	67,12 %
Alarko Fenni Malzeme Satış ve İmalat A.Ş.	65,50 %	65,55 %
Almüt Alarko Sınai Gereçler İmalat ve Müm. A.Ş.	65,44 %	65,45 %
Alamsaş Alarko Ağır Makina Sanayii A.Ş.	52,93 %	52,97 %

Alarko Gayrimenkul Yatırım Ort. A.Ş.	49,19 %	49,32 %
Alsim-Moskova Pediatric Hospital Construction	96,41 %	96,78 %
Alsim-Kazakistan-Astana Branch	96,41 %	96,78 %
Alsim-Aktobe Branch	96,41 %	96,78 %
Alsim-Bishkek Almaty Road Construction Project	96,41 %	96,78 %
Alsim-Cezayir-Arzew Desalination and Power Plant Construction	96,41 %	96,78 %
Rostov Donsky Dabak Cigarette Plant	-	96,78 %
Alsim TCDD Turkey	96,41 %	96,78 %
Alsim-Rosneftgastroy JSC. İş Ort.	95,93 %	-
Aktau Atrau Road Construction Project	96,41 %	-

Jointly Controlled Entities**

Alarko Carrier Sanayi ve Ticaret A.Ş.	42,09 %	42,09 %
Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş.	38,44 %	38,44 %
OAQ Mosalarko	50,00 %	50,00 %
Alsim-Rosneftgastroy JSC. İş Ort.	-%	77,42 %
Alsim-E.M.İ.T SpA İş Ort.	38,56 %	38,71 %
Alsim-Akfen İnşaat Tur ve Tic. A.Ş. İş Ort.	48,20 %	48,39 %
Obrascon Huarte Lain SA - Alsim Alarko San. Tes. ve Tic. A.Ş. (Spain)	43,38 %	43,55 %
Streicher-Haustad & Timmermann Günsayıl-Alsim A.Ş.	48,20 %	48,39 %
Garanti - Koza - Alsim Joint Venture	48,20 %	48,39 %

Affiliates***

Alfarm Alarko Leröy Su Ürünleri San. ve Tic.A.Ş.	40,99 %	40,96 %
Al-Riva Projesi Arazi Değ. Konut İnş. ve Tic.A.Ş.	12,11 %	12,12 %
Al-Riva Arazi Değ. Konut İnş. ve Tic.A.Ş.	2,62 %	2,62 %
Al-Riva Arazi Değ. Konut İnş. Tur.Tes.		
Golf İşl. ve Tic. A.Ş.	2,28 %	2,28 %

* Included in the accompanying consolidated financial statements by full consolidation method.

** Included in the accompanying consolidated financial statements by joint control method.

*** Included in the consolidated financial statements as per the equity method.

Consolidated financial statements have been prepared on the basis of principles stated below:

Full Consolidation Method:

- All balance sheet items except for the paid in capital of the Parent Company and the subsidiaries as well as their equities at the acquisition date are added, and inter-company balances are eliminated.
- The Parent Company's interest in the subsidiaries; The Long Term Financial Assets account of the Parent Company is reciprocally set off against the Share Capital accounts of the Subsidiaries.
- As of the acquisition date, the Parent Company's shareholding in its subsidiaries is set off against the portion of share capital it owns in the subsidiary's equity for once. The equity of the subsidiary at the acquisition date should be drawn up according to the market value of the subsidiary's net assets at that date. If the cost value of the Parent Company's shareholding in its subsidiary is more than the nominal value of the part of the share capital in the subsidiary's equity, the difference is recorded as positive goodwill in the consolidated balance sheet as a separate item and it is amortised over the useful life of the future economic benefits that are expected to flow to the Parent Company. The amortisation period cannot exceed 20 years. If the cost value of the investment is less than the nominal value of the share capital of the subsidiary, the difference is recorded as the negative goodwill in the assets as a negative item and is also amortised over 20 years at maximum.
- Minority interests are deducted from all equity account group items including the paid in/issued share capital of subsidiaries included in the consolidation and are recognized as "Minority Interests" in the consolidated balance sheet before the equity account group and in the statement of income.
- The purchases and sales among the Parent Company and its Subsidiaries and the profit and losses arising from these transactions are eliminated in the Consolidated Income Statement. Further, profit and losses arising from the purchase or sale of marketable securities, stocks, tangible and intangible assets, long term financial assets and other assets among the consolidated group companies are also eliminated.

Joint Control Method:

- Assets, liabilities, and shareholders' equity as well as income and expenses stated in the financial statements of jointly controlled entities within the scope of consolidation are subject to consolidation in respect of the rate of interest of the Parent Company within these entities and the consolidated financial statements are prepared upon consolidation adjustments made accordingly.
- The Parent Company's shareholding within these entities is set off from Long Term Financial Assets of the Parent Company and the Share Capital account in the jointly controlled entities.

Equity Method:

- Affiliates are stated at the acquisition cost.
- For the period starting as of the date the affiliate is acquired by the Parent Company until the balance sheet date, the Parent Company's share of the increases and decreases in the affiliate's equity are either added to or deducted from the acquisition cost of the affiliate. The increases and decreases corresponding to the equity share in comparison with the acquisition cost are stated in the income statement as profit and loss, respectively. In case where the differences arise from equity items other than profit and loss, adjustments in the relevant items need also to be made in the shareholders' equity of the Parent Company. The dividends received from affiliates are deducted from the related investments.
- As of the acquisition date and the subsequent acquisitions of shares, the positive or negative difference between the acquisition value of the affiliate's shares owned by the Parent Company and the value stated in the shareholders' equity account of the affiliate's balance sheet prepared on the basis of the fair values of such shares is recorded as goodwill for once in the consolidated balance sheet as separate items and amortised as defined in the full consolidation method. Goodwill and amortisation calculations for the affiliates acquired in the prior periods are made, and the results are reflected in the profit and loss of the prior periods.

(d) Adjustments :

The accompanying consolidated financial statements have been prepared in accordance with the Communiqué Nr XI/25 with the below mentioned adjustments which are not stated in the statutory records:

- Provision for doubtful receivables
- Provision for trademark and royalty
- Inventory provision
- Rediscount calculation on maturity cheques, notes receivable, customers, and suppliers
- Discount on loans as per the effective interest method
- Depreciation adjustment
- Termination indemnity adjustment
- Deferred tax adjustment
- Evaluation of listed financial assets as per the market value
- Recognition of contract income as income and expense as per the percentage of completion method
- Elimination of inter group balances and transactions as per the consolidation procedure
- Leasing adjustment
- Provision for guarantee for sales
- Adjustment of income related to future months
- Provision for litigation expenses

(e) Comparative Information and Adjustment of Financial Statements for the Prior Period:

Balance sheets as of 31 December 2006 and 2005 and notes to these balance sheets as well as the statements of income, cash flows and changes in equity for the years then ended have been presented comparatively. In order to comply with the presentation of the current period financial statements, the comparative information is reclassified when deemed necessary.

(f) Offsetting:

Offsetting financial assets and liabilities can only be made under the conditions where the offsetting transaction is legally allowed and the company has an intention in this respect or where the acquisition of assets and fulfillment of liabilities are realized simultaneously.

3. Accounting Techniques and Valuation Procedures Applied**(a) Financial Instruments :**

Financial instruments consist of the financial assets and liabilities stated below :

i. Liquid Assets

Liquid assets consist of cash, bank accounts, cheques received, and other liquid assets.

Cash is composed of New Turkish Lira and foreign currency balances. The New Turkish Lira balances are stated at face values, and the foreign currency balances are translated into New Turkish Lira at the foreign currency purchasing rate issued by the Central Bank as at the balance sheet date.

Bank accounts consist of demand and time deposit accounts and the related interest accrued. New Turkish Lira deposit accounts are stated at face values and foreign currency accounts are translated into New Turkish Lira at the foreign currency purchasing rate issued by the Central Bank as at the balance sheet date.

The cheques received with maturity dates exceeding the balance sheet date are stated in trade receivables and are rediscounted at a rate equivalent to the interest rate of government bonds constituted in stock markets or other organized markets. Cheques denominated in foreign currency are subject to rediscount at Libor, Euribor and Tibor rates.

Fair Value

Fair value is the amount for which a financial instrument could be exchanged between two willing parties in an arm's length transaction. It is primarily considered the same as the quoted value of the financial instrument; however in case there is no quoted value, the purchase or sales value of an instrument is deemed to be the fair value of the financial instrument.

As the foreign currency cash and cash equivalents are translated into New Turkish Lira at the foreign exchange rates valid at the balance sheet date, it is assumed that the fair values of these assets approximate to their book values.

As the deposit accounts, cash and cheques received are converted into cash in very short terms, and as there is no risk of value decrease, their book values are deemed to approximate to their fair values.

ii. Trade Receivables

Trade receivables are financial assets created by the Alarko Group through selling goods and services directly to the customers. Trade receivables are subject to rediscount.

Fair Value

Rediscounted trade receivables and doubtful receivables for which provisions are accrued are assumed to approximate to the fair values of these assets.

iii. Related Parties

The shareholders, board members and administrative personnel such as the general manager, their immediate relatives as well as the related companies, affiliates and partnerships of the Alarko Group are regarded as related parties.

iv. Short and Long Term Bank Loans and Trade Payables

Short and long term bank loans are stated at the value computed through addition of the principal amount and the interest expenses accrued as of the balance sheet date, discounted as per the effective interest method. Trade payables are financial liabilities created by the Alarko Group through purchasing goods and services directly from the suppliers and are stated at their discounted values.

Fair Value

The fair value of the short and long term bank loans are assumed to be equivalent to the recorded values computed by adding the accrued interest liabilities calculated over the prevailing interest rate as of the balance sheet dates on the cost of the mentioned financial debts. Similarly, discounted values of trade payables are considered to be equivalent to their fair values.

(b) Financial Risk Management:

i. Interest Risk

The financial loan agreements of Alarko Group are based on USD, Euro and JPY and the interest rate is fixed. It is assumed that the reference interest rate will not change substantially as the payments are made in foreign currency and for that reason, the interest rate is presumed to stay at a negligible level.

ii. Foreign Currency Risk

Balances of foreign currency transactions of Alarko Group arising from the operations, investment and financial activities as of the reporting date are stated in note 28. Alarko Group may be exposed to foreign currency risk in relation to the receivables and payables in foreign

currency. The said foreign currency risk is followed up and kept under controlled limits through continuous analysis of foreign currency position and by hedging method.

iii. Doubtful Receivables Risk

Alarko Group has made provisions for doubtful receivables occurred until the reporting date.

iv. Liquidity Risk

The excess portion of the liquid assets (current assets - stocks) over the short term payables of the Alarko Group is stated below in relation to the corresponding periods (TRY):

31 December 2006	364.787.050
31 December 2005	282.129.212

(c) Inventories:

Inventories are stated at the lower of cost and net realizable value. Cost is determined by using the weighted average cost method for the raw material, supplies, semi finished products, finished products, merchandise and other stocks.

Accordingly, real estates held of trading in inventories are stated at cost adjusted as per the inflationary effects. However, the expertise value which constitutes the basis of fair value of real estates held for trading in inventories is compared with the adjusted acquisition costs, and in the event that the expertise value is lower than the adjusted value, provision is made for value decrease as per the provisions stated in the "Impairment of Assets" section. Such impairment is determined and applied for all real estates held for trading in inventories separately.

(d) Marketable Securities:

Alarko Group has classified its marketable securities as financial assets held for trading and financial assets held to maturity. Financial assets held for trading are those that are acquired for the purpose of generating profit through fluctuations in price or similar elements created in the market within short term, or those that are a part of a portfolio aimed to generate profit in short term, regardless of any reason for acquisition. Financial assets held for trading are initially reflected to the balance sheet at their cost values including the transaction costs and at their market value in the succeeding periods. In the event that the prices providing basis for the market value are not realized under the prevailing market conditions, it is affirmed that the market value cannot be determined reliably, and the values calculated by using the determinant prices issued by the Turkish Central Bank are considered as the market values. The realized and unrealized gains and losses are recognized in the statement of income.

Financial assets held for trading consist of private sector marketable securities investment fund participation documents and they are valued over the acquisition price issued by the related investment fund at the balance sheet date.

Government bonds with fixed or predetermined payment conditions and fixed maturities which are meant to be held until the maturity date for which the necessary conditions including the funding capacity are fulfilled in order to be held until the maturity date are classified as financial assets to be retained until the maturity date. The initial recording of the investments to be retained until maturity is stated at cost. Investments to be held until the maturity are stated at their values discounted by using the effective interest rate method.

(e) Financial Assets :

Alarko Group has classified its financial assets as financial assets available for sale.

Financial assets available for sale are those assets other than the loans and receivables, held-to-maturity investments and held for trading investments. Financial assets available for sale are valued at their fair value in the periods subsequent to the initial recognition.

Financial assets available for sale representing shareholdings in which the direct and indirect votes of the Group is below 20% or with insignificant influence even if above 20%, or those that do not have material effect on financial statements, or are not traded in the active markets or whose fair values cannot be determined reliably, are reflected in the financial statements as of 31 December 2004 at their restated cost values, less provision for value decrease, if any (except for those stated by the equity method). Financial assets available for sale which are traded at stock markets and whose fair values can be calculated reliably are recognized in the financial statements at their fair values.

Profits and losses originating from changes in the fair value of financial assets available for sale are stated in the financial assets value increase fund account within the statement of shareholders' equity.

(f) Tangible Assets :

Tangible assets are stated at cost less their accumulated depreciation. Tangible assets have been restated using the measuring unit current at 31 December 2004 based on the dates of acquisition. Depreciation of tangible assets is made over the inflation-adjusted amounts on a straight-line basis based on the estimated useful lives of these assets. The depreciation periods which approximate to the economic useful lives of the assets are as follows:

Buildings	3-50 years
Land improvements	4-50 years
Machinery, plant and equipment	2-40 years
Motor vehicles	2-40 years
Furniture and fixtures	2-25 years
Other tangible assets	3-30 years

(g) Intangible Assets :

Intangible assets are stated at cost less their accumulated amortization. Intangible assets have been restated using the measuring unit current at 31 December 2004 based on the dates of acquisition. Amortization of intangible assets is made over the totals adjusted with respect to inflation accounting, considering the approximate useful lives of the assets as stated in the following:

Rights	2-19 years
Special costs	2-19 years
Other intangible assets	5 years

(h) Leased Assets and Leasing Liabilities :

The Alarko Group recognizes assets acquired through financial leasing at the lower of the fair value of the related assets in the consolidated balance sheet and the current value of the minimum lease payments as at the balance sheet date. In the calculation of the current value of the minimum lease payments as at the balance sheet date, the valid interest rate in the financial leasing transaction is used in discounting the lease payment related to future periods. As of the balance sheet date, leasing liabilities related to the principal amount are stated in the balance sheet as short and long term with respect to their maturities and the interest expenses related to the current period are attributed to the statement of income.

Assets acquired through financial leasing are included in the related tangible assets in the consolidated balance sheet and are subject to depreciation as per the lower of their economical life and the leasing period.

(i) Assets and Liabilities in Foreign Currency :

Assets and liabilities in foreign currency are translated into New Turkish Lira at foreign currency purchasing rates and selling rates respectively as announced by the Turkish Central Bank as at the balance sheet dates. Transactions in foreign currencies during the period are translated into New Turkish Lira at the actual rates applicable on the transaction date. Exchange gains and losses resulting from such translations are included in the statements of income. The Central Bank foreign exchange rates used by the Alarko Group in translating foreign exchange balances into New Turkish Liras as at the balance sheet dates are as follows:

	31 December 2006		31 December 2005	
	Purchasing	Selling	Purchasing	Selling
USD	1,4056	1,4124	1,3418	1,3483
EURO	1,8515	1,8604	1,5875	1,5952
CHF	1,1503	1,1577	1,0188	1,0254
GBP	2,7569	2,7713	2,3121	2,3242
JPY	0,0118	0,0119	0,0114	0,0115
SEK	0,20355	0,20567	0,1678	0,1696
SAR	0,37592	0,37660	0,35885	0,35950
AUD	1,10860	1,11590	0,9823	0,9887

(j) Impairment of Assets :

In case where the book value of an asset exceeds its recoverable value, a provision for impairment loss is taken so as to bring the book value of the asset down to the level of its fair value and the amount of the provision is recorded in the income statement as an expense.

On the other hand, the recoverable value of cash generating assets is deemed to be the higher of net selling price and the value in use.

The value in use of those assets represents the net present value of net cash inflows to be acquired through continuous usage and sales of the assets, discounted at a reasonable discount rate.

(k) Investment Properties :

Investment properties are recognized in the financial statements after the accumulated depreciation and value decrease is deducted from the adjusted acquisition cost.

The expertise values taken as the basis for the fair value of investment properties are compared with the adjusted acquisition costs and in the event that the expertise value is lower than the adjusted acquisition cost, provision is made as per the conditions stated in the section on impairment. Such impairment is determined and applied separately for each investment property.

Depreciation is calculated as per the economical lives of investment properties by straight-line method on pro rata basis. The depreciation rates determined and applied as per the economical lives of the investment properties are as follows:

Buildings	5%
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(l) Construction Contracts :

The construction contracts related to the deferred construction works undertaken as contractor are accounted by the percentage of completion method. The contract income and expenses are recognized as income and expense items in the event that a reliable assumption is made for the value of returns on the construction contract. The comparison of the total contract expenses incurred at the end of the related accounting period with respect to the total forecast contract costs represents the percentage of completion. This rate is utilized in the recognition of contract income for the current period in the financial statements.

If a reliable forecast cannot be made on the outcome of the construction contracts, the total contract costs for the period of undertaking is recognized in the financial statements, whereas in regard to the construction proceeds, only the portion corresponding to the recoverable volume of the undertaken contract costs are recognized.

If the total contract costs are likely to exceed the total contract proceeds, the expected loss is recognized as expense in the financial statements.

(m) Borrowing Costs:

Borrowing costs are recognized as expense. Borrowing costs related to the qualifying assets are included directly in the cost of the related qualifying asset. Upon completion of the necessary operations to make the qualifying asset ready for use or sale, the capitalization of the borrowing costs are discontinued. The net balance of TRY 232.883 (31 December 2005- TRY 904.979) remaining after the deduction of foreign exchange differences from the interest expenses directly related to the investments in progress is included in the cost of the related asset.

(n) Deferred Taxes :

Deferred taxes are calculated on the temporary differences that arise between the deductible tax base and the book values of assets and liabilities, by using the liability method. The primary temporary differences arise from the income and expense items that are reported in different periods with respect to the Communiqué Nr XI/25 and the tax legislation. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated with the assumption that the Alarko Group will have taxable income during the future periods.

An enterprise should offset current tax assets and current tax liabilities if the enterprise has a legally enforceable right to set off the recognised amounts, provided that the tax assets and tax liabilities are subject to the tax legislation of the same jurisdiction.

(o) Income Taxes :

2006

Corporate earnings are subject to corporation tax at a rate of 20%. In case investment allowance is deducted in the calculation of taxable income, same as with other profits exempted from corporation tax, no withholding calculation is required in cases where such earnings are not distributed. However in case the investment allowance used is based on the supplementary articles 1 and 6 of the Income Tax Law (ITL) which have been annulled by Law nr 4842, income tax withholding, whether distributed or not, is calculated at a rate of 19,8% according to the Provisional Article 61 and 69 of ITL. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax withholding at a rate of 15% (10% before 23 July 2006). However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to

the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19,8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings. On the other hand, no withholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 20% on the profits declared for interim periods to be deducted from the corporation tax.

For those benefiting from investment allowance according to the provisionary article 69 of the Income Tax Law, the corporation tax and corporate provisionary tax rate is 30%.

With respect to the article 298 (bis) of the Tax Procedural Law amended by Law 5024, the inflation adjustment application which started in 2004 has ended as the increase in the wholesale price indices for the last 36 months and the last 12 months ended March 2005 are below 100% and 10%, respectively. As the criteria of 100% and 10% has not been realized simultaneously in the June, September and December 2005 accounting periods, inflation accounting application has not been started. For that reason no inflation adjustment is made in relation to 2005. Also, in the 31 December 2006 accounting period, the criteria of 100% and 10% have not been realized simultaneously in the Producers Price Index and for that reason no inflation adjustment has been applied.

2005

Corporate earnings are subject to corporation tax at a rate of 30%. In case investment allowance is deducted in the calculation of taxable income, same as with other profits exempted from corporation tax, no withholding calculation is required in cases where such earnings are not distributed. However in case the investment allowance used is based on the supplementary articles 1 and 6 of the Income Tax Law (ITL) which have been annulled by Law nr 4842, income tax withholding, whether distributed or not, is calculated at a rate of 19.8% according to the Provisional Article 61 of ITL. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax withholding at a rate of 10%. However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19.8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings. On the other hand, no withholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 30% on the profits declared for interim periods to be deducted from the corporation tax.

With respect to the article 298 (bis) of the Tax Procedural Law amended by Law 5024, the inflation adjustment application which started in 2004 has ended as the increase in the wholesale price indices for the last 36 months and the last 12 months ended March 2005 are below 100% and 10%, respectively. As the criteria of 100% and 10% has not been realized simultaneously in the June, September and December 2005 accounting periods, inflation accounting application has not been started. For that reason no inflation adjustment is made in relation to 2005.

As per the Turkish tax system, financial losses can be offset against the financial profits (taxbase) within the following five years, however they cannot be offset against the prior year profits.

As of 31 December 2006 and 2005 income tax provisions have been made in accordance with the prevailing tax legislation.

(p) Provision for Termination Indemnity :

Under Turkish Labour Law Article 25/II, the Company is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service. This entitlement is limited to TRY 1.857,44 in respect of each year of service as of 31 December 2006 (31 December 2005 - TRY 1.727,15).

Alarko Group has determined the termination indemnity liability stated in the accompanying consolidated financial statements as per the recognition and valuation principles stated in "Employee Benefits" section 29 of the Communiqué Nr XI/25. As the characteristics of the termination indemnity liabilities are similar to the "Post Employment Benefit Plans" stated in this section, these liabilities are calculated and stated in the financial statements on the basis of below mentioned "Proposed Unit Loan Method" and other various assumptions.

- The dates that the employees will gain their pension rights are determined with respect to the prevailing social security laws with consideration to their past employment durations.

- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current salaries and wages or the value of the termination indemnity upper limit determined by the Labour Law for 31 December 2006 and 2005 to remain constant for restatement purposes, and later on, this value is reduced by the actual discount rate of 5,71% (31 December 2005- 5,45%) calculated upon the assumption that the expected annual inflation rate will be 5 % (31 December 2005 - 10%) and the expected discount rate will be 11% (31 December 2005 - 16%) which represents the proposed average interest rate per annum of the government bonds, in order to determine the current net value of the termination indemnity liability at the balance sheet date.
- Actuarial calculation is needed to determine the ratio of the employees to gain their right for receiving termination indemnity to the total number of employees. This calculation is made through determining the ratio of former Company personnel who received their termination indemnity rights to the total number of personnel.

(r) Revenues and Expenses :

The accrual basis of accounting is applied for the recognition of revenues and expenses. The accrual concept requires that revenue, income and profits should be matched with costs, expenses and losses belonging to the same period.

(s) Earnings / (Loss) per Share :

Earnings/(loss) per share is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Companies in Turkey can increase their share capital through distributing shares (bonus shares) from retained earnings and differences arising from inflation adjustment of shareholders' equity to their current shareholders on a pro rata basis. When calculating profit/(loss) per share, these bonus shares are recognized as issued shares. Therefore, the weighted average of shares used in the calculation of profit/(loss) per share is derived through retroactive application with respect to bonus shares.

(t) Accounting Estimates :

During the preparation of financial statements in accordance with the Communiqué Nr XI/25, the Management is required to disclose the balance sheet value of the assets and liabilities stated in the financial statements as of the balance sheet date and explanations regarding off balance sheet liabilities, and to provide assumptions that might affect the totals of income and expense realized during the period. However, actual results may vary from these results.

(u) Subsequent Events:

If the Group receive information after the balance sheet date about conditions that existed at the balance sheet date, they update the financial statements that relate to those conditions, in the light of the new information. If non-adjusting events after the balance sheet date are material, the Group disclose them during the related period.

(v) Conditional Assets and Liabilities:

Assets and liabilities that originate from past incidents and whose presence is not fully under the company management control as it can only be confirmed through the realization of one or more indefinite incidents to take place in the future are not included in the financial statements and are deemed as conditional liabilities and assets.

(y) Segment Reporting :

The activities of Alarko Group are classified under seven sectors, namely, holding, tourism, industry and commerce, energy, contracting, land development and fishery products(*).

(*) Fishery products groups is included in the consolidation as per the equity method.

4. Liquid Assets

Liquid assets consist of the following (TRY) :

	31 December 2006	31 December 2005
Cash	232.774	186.301
Banks	227.682.689	184.053.959
TRY demand deposit	487.215	722.461
Foreign currency demand deposit	1.479.947	2.613.003
TRY time deposit	45.397.235	23.783.183
Foreign currency time deposit	179.237.701	155.788.841
Blocked time deposit accounts	1.080.591	1.146.471
Cheques received	1.321.255	1.397.335
Other liquid assets	80.247	44.325
	<u>229.316.965</u>	<u>185.681.920</u>

5. Marketable Securities

Marketable securities consist of the following (TRY) :

	31 December 2006	31 December 2005
Financial Assets Held for Trading		
- Investment Funds	42.064.923	107.489.796
Financial Assets to be Retained		
Until Maturity		
- Public Sector Notes and Bonds	57.808.797	10.645.230
	<u>99.873.720</u>	<u>118.135.026</u>

The interest rates of financial assets to be retained until maturity vary between 2,75 %- 6,01 % (31 December 2005 - 2,13% - 4,25%)

6. Financial Liabilities

Financial liabilities consist of the following (TRY) :

	31 December 2006	31 December 2005
Short Term Bank Loans	51.803.211	57.047.592
Principal and Interest Payments of		
Long Term Loans	6.560.969	6.279.311
Long Term Bank Loans	23.994.306	23.915.212
Short Term Other Financial Liabilities	498.321	524.473
Long Term Other Financial Liabilities	776.747	642.605
	<u>83.633.554</u>	<u>88.409.193</u>

The maturities of short and long term loans vary between 04.01.2007 and 14.12.2012.

7. Trade Receivables and Payables

Short term trade receivables consist of the following (TRY) :

	31 December 2006	31 December 2005
Customers	150.998.166	106.789.306
Due from related parties	27.320.627	23.358.031
Rediscount an on due from related parties (-)	(19.897)	(18.508)
Notes receivable	30.289.683	29.886.093
Rediscount on receivables (-)		
Notes receivable	(537.368)	(416.373)
Post dated cheques	(512.372)	(349.833)
Customers	(596.976)	(299.347)
Deposits and guarantees given	54.907.104	35.831.173
Other short term receivables	14.739.772	1.547.152
Doubtful trade receivables	2.416.921	2.252.412
Provision for doubtful trade receivables(-)	(2.416.921)	(2.252.412)
	<u>276.588.739</u>	<u>196.327.694</u>

Long term trade receivables consist of the following (TRY) :

	31 December 2006	31 December 2005
Customers	9.316	16.952
Notes receivable	212.129	192.664
Rediscount on receivable (-)		
Notes receivable	(37.364)	(33.725)
Customers	-	(1.340)
Deposits and guarantees given	536.379	559.963
	<u>720.460</u>	<u>734.514</u>

Trade payables consist of the following (TRY) :

	31 December 2006	31 December 2005
Suppliers	97.891.895	84.909.866
Due to related parties	8.904.393	3.509.886
Rediscount on payables(-)		
Suppliers	(974.549)	(800.472)
Related parties	(28.125)	-
Deposits and guarantees received	26.120.757	15.390.005
Other trade payables	49.691.444	26.759.057
	<u>181.605.815</u>	<u>129.768.342</u>

8. Financial Lease Assets and Liabilities

Liabilities arising from short and long term financial lease transactions consist of the following (TRY):

	31 December 2006	31 December 2005
Total financial lease liabilities	1.933.544	1.237.935
Interest payable(-)	(277.908)	(175.644)
	<u>1.655.636</u>	<u>1.062.291</u>
Financial lease liabilities with maturities extending to 1 year	1.080.003	475.657
Financial lease liabilities with maturities exceeding 1 year	575.633	586.634
	<u>1.655.636</u>	<u>1.062.291</u>

9. Due From and To Related Parties and Transactions

Balances due from related parties consist of the following (TRY):

	31 December 2006	31 December 2005
E.M.I.T. S.p.A.	124.354	75.317
Max Streicher GmbH Co	2.991.829	2.796.872
Obrascon Huarte Lain SA-(OHL)	1.337	-
OHL-Alsim Alarko GYO Joint Venture Project	321.244	234.767
	<u>3.438.764</u>	<u>3.106.956</u>

Balances due to related parties consist of the following (TRY):

	31 December 2006	31 December 2005
Dividends payable to shareholders	6.367	5.814
Obrascon Huarte Lain SA-(OHL)	200.718	172.271
	<u>207.085</u>	<u>178.085</u>

Sales to related parties consist of the following (TRY):

	31 December 2006	31 December 2005
Anmak Holding A.S.	19.987	23.006
Alsim A.S.-Wacon Hillwater Terrasan	7.239	9.648
Saret Sanayi Taah. ve Tic. A.Ş.	-	247

Sansal İnşaat Tesisat San. ve Tic. A.Ş.	-	360
Al-Riva Proje Ar.Değ. Konut Ins. Tic. A.Ş.	650.842	4.841
Al-Riva Arazi Değ. Konut Ins. ve Tic. A.Ş.	1.790	2.732
Al-Riva Ar. Değ. Kon. Ins. Tur. Tes. Golf A.Ş.	4.870	7.843
Tüm Tesisat ve İnşaat A.Ş.	1.686	1.692
Alfarm Alarko Leröy Su Ürünleri San. ve Tic. A.Ş.	90.446	64.373
Alsim Alarko A.Ş-Rana Int. Ltd.	2.419	-
Alsim A.Ş.-Akfen A.Ş. Çarşamba Airport	1.874	2.430

Total	<u>781.153</u>	<u>117.172</u>
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Purchases from related parties consist of the following (TRY):

	31 December 2006	31 December 2005
Al-Riva Arazi Değ. Konut Ins. ve Tic. A.Ş.	31.987	-
Alfarm Alarko Leröy Su Ürün. San. ve Tic. A.Ş.	5.114	3.979

Total	<u>37.101</u>	<u>3.979</u>
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10. Other Receivables and Liabilities

Short term other receivables consist of the following (TRY):

	31 December 2006	31 December 2005
Other miscellaneous receivables	1.155.309	822.135
Due from T.C. Ministry of Foreign Affairs	11.312.665	-
Due from personnel	4.013	5.244
Other doubtful receivables	6.099	6.099
Provision for other doubtful receivables (-)	(6.099)	(6.099)

	<u>12.471.987</u>	<u>827.379</u>
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Short term other liabilities consist of the following (TRY):

	31 December 2006	31 December 2005
Due to personnel	9.236	17.424
Due to Turkish State Railways	9.200.655	-
Due to Turkish Petroleum Refineries Corporation		6.806.583
Other miscellaneous liabilities	151.195	262.750
Premium accrual related to hedge contract	-	7.011.809
Expense accruals	1.521.676	430.569
Income related to future months	1.129.461	701.137
Taxes, duties, and other withholdings payable	5.265.153	4.246.963
Social security premiums payable	1.750.497	1.246.548
Other Special Consumption Tax	34.424	226.249
VAT calculated	221.641	383.646
Other VAT	235.940	807.942

	<u>26.326.461</u>	<u>15.335.037</u>
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Long term other liabilities consist of the following (TRY):

	31 December 2006	31 December 2005
Income related to future years	189.385	32.353

	<u>189.385</u>	<u>32.353</u>
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11. Biological Assets

None (2005 : None).

12. Inventories

Inventories consist of the following (TRY):

	31 December 2006	31 December 2005
Raw materials and supplies	43.897.466	41.060.200
Semi finished products	1.923.261	1.480.660
Finished products	5.179.324	2.888.956
Merchandise (*)	54.498.287	33.102.161
Other inventories	777	-

Inventory provision (-)	(911.381)	(844.686)
Order advances given	15.838.454	11.496.521

120.426.188

89.183.812

(*) As of 31 December 2006, a portion of the merchandise inventory corresponding to a net amount of TRY 45.692.837 consists of real estates held for trading. (31 December 2005 - TRY 27.811.187). Details as of 31 December 2006 and 2005 are presented below.

As of 31 December 2006 and 2005, details of real estates held for trading consist of the following (TRY):

Real Estate Project	31 December 2006			31 December 2005		
	Adjusted Book Value	Expertise Value	Expertise Date	Adjusted Book Value	Expertise Value	Expertise Date
Land share (1 Parcel)	914.353	5.119.000	15.12.2006	1.167.215	6.024.000	19.10.2005
Project cost	24.281.037	56.496.000	15.12.2006	6.226.525	53.245.000	19.10.2005
Total	25.195.390	61.615.000		7.393.740	59.269.000	
Land in Büyükçekmece						
Cost of land (5 Parcels)	4.321.594	7.100.000	15.12.2006	4.321.594	6.646.500	15.12.2005
Alkent İstanbul 2000 - 1 Villa						
Cost	1.344.261	1.070.000	15.12.2006	1.342.861	990.000	15.12.2005
Impairment loss (-)	[274.261]	-		[352.861]	-	
Total	1.070.000	1.070.000		990.000	990.000	
Land in Maslak						
Cost of land	15.105.853	28.445.000	15.12.2006	15.105.853	23.700.000	15.12.2005
Total	45.692.837	98.230.000		27.811.187	90.605.500	

Real Estate Project: The construction license of 63 villas and 1 social facility constructed on an area of 239.466 m² on section 106, parcel 18 in Büyükçekmece Eskice District included in the investment properties portfolio is received on 21 October 2005 and the sales transactions have started. As of 31 December 2006, sales contracts are made for 18 villas.

Land in Büyükçekmece: There are 5 parcels of land with a total area of 819.272 m².

Land in Maslak: It is planned to construct a mall on an area of 18.962 m² in Maslak, İstanbul.

The total insurance on inventories as of 31 December 2006 and 2005 amount to TRY 898.856 and TRY 769.318, respectively. Furthermore, the All Risk on Construction and Employer's Financial Accountability insurance totals for the Real Estate Project amount to TRY 35.983.360.

13. Balances Due From Ongoing Construction Contract and Contract Income

Costs and forecast earnings related to the ongoing construction contracts are as follows (TRY):

	31 December 2006	31 December 2005
Costs related to the ongoing contract construction	1.653.740.543	1.225.895.108
Forecast earnings	235.863.570	205.308.210
Less: Total contract income billed as of the period end	(1.788.594.219)	(1.388.050.842)
	101.009.894	43.152.476

The net balance stated above is classified in the accompanying consolidated balance sheets as follows (TRY):

	31 December 2006	31 December 2005
Due from Ongoing Construction Contracts (net)	183.377.698	155.852.673
Ongoing Construction Contract Income	(82.367.804)	(112.700.197)
	101.009.894	43.152.476

14. Deferred Tax Assets and Liabilities

Temporary differences creating a basis for deferred tax calculations and deferred tax assets/liabilities and deferred tax income/expenses are as follows (TRY):

Temporary Income / (Expense) Differences

	31 December 2006	31 December 2005
Difference between the book value of inventories and their tax bases, net	(43.923)	(157.864)
Prior year losses	-	147.969
Valuation difference in deferred construction costs	309.166.459	112.083.198
Valuation difference in deferred construction contract income	(322.067.908)	(114.722.567)
Financial expense not subject to depreciation	56.320	84.479
Inventory provision	631.962	491.825
Provision for other doubtful receivables	141.375	198.666
Royalty provision	91.159	65.367
Litigation expense	1.225.950	-
Provision for guarantee	287.804	-
Adjustment on rediscount on customers and notes receivable	(294.584)	(494.864)
Adjustment related to rediscount on suppliers and notes payable	(361.521)	(60.574)
Valuation difference in financial instruments	388.290	487.201
Termination indemnity	5.663.977	4.769.825
Valuation difference related to non-monetary accounts	(21.732.033)	(3.845.680)
Net difference between the book values of tangible and intangible assets and the tax bases	(12.807.119)	(11.202.626)
Investment allowance	5.008.437	31.254.331
Total Temporary Income/(Expense) Differences	(34.645.355)	19.098.686
Deferred Tax Assets	8.654.823	5.314.546

The tax rate used for companies with investment allowance and that for other companies is 30% and 20%, respectively. As per the current tax legislation, the deferred tax rate calculated over the valuation differences in construction contract income is 15% and the tax rate used in deferred tax calculation for the joint venture company OAO Mosalarko (Russia) is 24%. Furthermore, deferred tax is calculated over the investment allowance with and without incentives at 10,2% and 30%, respectively.

	31 December 2006	31 December 2005
Current period deferred tax assets / (liabilities)	8.654.823	5.314.546
Reversal of prior period deferred tax liabilities/assets	(5.314.546)	(5.411.381)
Effect of consolidation rate exchange	(385.301)	-
Deferred tax income / (expense) (Note 42)	<u>2.954.976</u>	<u>(96.835)</u>

15. Other Current/Non-current Assets and Short/Long Term Liabilities

Other current/short term assets consist of the following (TRY):

	31 December 2006	31 December 2005
Expenses related to future months	1.619.648	2.731.733
Accrual of hedge contract	-	3.363.842
Income accruals	2.508.736	2.950.479
Deferred VAT	10.312.313	5.293.753
Other VAT	235.729	807.729
Job advances	12.012	13.764
Personnel advances	2.150	217
VAT deductible	-	576
Prepaid taxes and funds	8.035.901	4.471.936
Special consumption tax	34.424	226.249
Inventory shortages	10.617	-
Other miscellaneous current assets	78.068	174.905
	<u>22.849.598</u>	<u>20.035.183</u>

Other non-current/long term assets consist of the following (TRY):

	31 December 2006	31 December 2005
Expenses related to future year	636.595	349.122
Accrual of hedge contract	-	1.681.921
Prepaid taxes and funds	31.284.260	12.879.516
Other miscellaneous long term assets	180	180
	<u>31.921.035</u>	<u>14.910.739</u>

16. Financial Assets

Affiliates ;	31 December 2006		31 December 2005	
	Participation Rate %	Participation Amount	Participation Rate %	Participation Amount
Al-Riva Proje Ar. Değ. Konut İnş. ve Tic. A.Ş.	12,11	4.785.083	12,12	4.965.252
Al-Riva Arazi Ar. Değ. Konut İnş. ve Tic. A.Ş.	2,62	161.405	2,62	436.964
Al-Riva Arazi Değ. Konut İnş. Turistik Tes. Golf İşl. ve Tic. A.Ş.	2,28	1.175.972	2,28	1.256.956
Nevsky Investment Ltd. [*]**	-	-	29,60	1.034.870
Isı Sanayi Araştırma ve Geliştirme A.Ş.	2,65	7.348	2,65	7.348
San-Bir San. Hiz. İşl. ve Tic. A.Ş.	1,18	2.643	1,18	2.643
Alfarm Alarko Leröy Su Ürün. San. ve Tic. A.Ş.	40,99	2.450.094	40,96	2.011.645
Other [***]	-	303.227	-	306.281
		<u>8.885.772</u>		<u>10.021.959</u>
Subsidiaries ;				
Tüm Tesisat ve İnşaat A.Ş. [*]	1,38	12.565	1,38	12.565
Temzet Elektrik Üretim İletim A.Ş. [*]	50,00	5.561.576	50,00	5.561.576
Alarko SA [*]	41,25	48.852	41,25	48.852
Alsim Alarko KZ [****]	100,00	7.033	-	-
		<u>5.630.026</u>		<u>5.622.993</u>
Total		<u>14.515.798</u>		<u>15.644.952</u>

(*) The related companies are not included in the consolidation as the volume of their activities is low and they do not have a significant effect on the consolidated financial statements.

(**) The partnership of the subsidiary Alsim Alarko San. Tes. ve Tic. A.S. in Nevsky Investment L.P. has been terminated by acknowledgment and undertaking document dated 14 July 2006.

(***) Less than 1%.

(****) Alsim Alarko KZ has been established as a limited liability company in Kazakhstan and registered by official institutions as at 4 August 2006.

17. Positive/Negative Goodwill

As of 31 December 2006, the negative goodwill amounting to TRY 821.312 as stated in the consolidated financial statements (31 December 2005 - TRY 881.339) originates from the acquisition of the Aldem Alarko Konut İnşaat ve Tic. A.S. shares by Alsim Alarko San. Tes. ve Tic. A.S., and the goodwill calculated as of the transaction date and the accumulated amortisation as of the balance sheet date are as follows (TRY):

As of 31 December 2006;

Date of transaction	Goodwill (Gross)	Accumulated Amortisation	Negative Goodwill, net
31 January 2002	855.251	(295.727)	559.524
11 March 2002	345.277	(83.489)	261.788
	<u>1.200.528</u>	<u>(379.216)</u>	<u>821.312</u>

As of 31 December 2005;

Date of transaction	Accumuladet Goodwill (Gross)	Amortisation	Negative Goodwill, net
31 January 2002	855.251	(252.965)	602.286
11 March 2002	345.277	(66.224)	279.053
	<u>1.200.528</u>	<u>(319.189)</u>	<u>881.339</u>

18. Investment Property

	31 December 2006	31 December 2005
1 January 2005	2.824.993	2.681.000
Acquisitions	11.483	36.600
Accumulated depreciation	(771.008)	(670.644)
Before value increase, net	2.065.468	2.046.956
Value increase	73.418	107.393
After value increase, net	<u>2.138.886</u>	<u>2.154.349</u>

As of 31 December 2006 and 2005, the insurance total on investment properties are TRY 44.489.776 and TRY 36.353.345, respectively.

As of 31 December 2006, comparison between the restated cost values of investment properties and their market values is as follows (TRY):

Name of Property	31 December 2006		
	Expertise Report Date	Market Value	Cost Value, Net
İstanbul Şişhane İş Merkezi	15.12.2006	1.135.000	1.304
İstanbul Karaköy İş Merkezi	15.12.2006	935.000	874.587
Ankara Çankaya İş Merkezi	15.12.2006	2.175.000	1.262.995
		<u>4.245.000</u>	<u>2.138.886</u>

As of 31 December 2005, the comparison of restated cost values of investment properties with their market values is as follows (TRY):

Name of Property	31 December 2005		
	Expertise Report Date	Market Value	Cost Value, Net
İstanbul Şişhane İş Merkezi	15.12.2005	1.065.000	1.341
İstanbul Karaköy İş Merkezi	15.12.2005	860.000	860.000
Ankara Çankaya İş Merkezi	15.12.2005	2.015.000	1.293.008
		<u>3.940.000</u>	<u>2.154.349</u>

As of 31 December 2006, there aren't any provision that should be made for impairment of İstanbul Karaköy İş Merkezi. As of 31 December 2005, provision is made for an amount of TRY 73.418 through deduction from cost value as stated in the accompanying consolidated financial statement, and for that reason, as of 31 December 2006, the impairment is reversed through deduction of TRY 73.418 from the general administration expenses for İstanbul Karaköy İş Merkezi.

19. Tangible Assets

Tangible assets consist of the following (TRY):

	Opening 1 January 2006	Effect of Rate Chance	Additions	Capitalized Borrowing Costs and Foreign Exchange Difference	Transfers Disposals	Exclusions from Consolidation	Elimination Entries	After Elimination Entries 31 December 2006
Land	7.016.205	(8)	3.468.016	-	(1.027.602)	(3.398.711)	856.260	6.914.160
Land improvements	28.679.458	(48)	199.348	-	24.388	-	-	28.903.146
Buildings	151.324.121	50.699	2.029.160	676.942	2.754.011	-	(20.206)	156.814.727
Plant, machinery, and equipment	181.912.223	87.142	9.670.721	3.682.606	(43.560.219)	-	(327)	151.792.146
Motor vehicles	13.922.752	(13.915)	2.639.833	662.449	(9.496.149)	-	-	7.714.970
Furniture and fixtures	50.588.577	92.277	4.270.085	773.832	(9.488.847)	(219.512)	303.100	46.319.512
Other tangible assets	7.398.860	3.549	265.700	25.961	70.007	(130.340)	-	7.633.737
Investments in progress	8.074.406	(287)	3.386.117	232.883	(9.400.695)	-	-	2.292.424
Order advances given	2.308.301	(13)	420.735	-	(486.584)	-	-	2.242.439
Total	<u>451.224.903</u>	<u>219.396</u>	<u>26.349.715</u>	<u>6.054.673</u>	<u>(70.611.690)</u>	<u>(3.748.563)</u>	<u>1.138.827</u>	<u>410.627.261</u>

	Opening 1 January 2006	Effect of Rate Chance	Depreciation Expense for the Period	Foreign Exchange Difference	Sales Depreciation	Exclusions from Consolidation	31 December 2006	Elimination Entries	After Elimination Entries 31 December 2006
Accumulated Depreciation									
Land improvements	27.701.167	(18)	103.616	-	-	-	27.804.765	-	27.804.765
Buildings	70.643.777	33.619	2.250.731	144.247	(988.640)	-	72.083.734	1.218.267	73.302.001
Plant, machinery and equipment	86.199.154	50.910	12.390.842	499.228	(15.444.903)	-	83.695.230	4.385	83.699.615
Motor vehicles	3.733.959	(3.848)	2.358.697	101.441	(3.170.163)	-	3.020.086	-	3.020.086
Furniture and fixtures	34.250.386	62.358	3.667.567	153.470	(2.940.358)	(96.506)	35.096.917	54.851	35.151.768
Other tangible assets	5.590.772	1.605	363.772	7.731	(34.791)	(38.818)	5.890.271	-	5.890.271
Total accumulated depreciation	<u>228.119.215</u>	<u>144.626</u>	<u>21.135.224</u>	<u>906.117</u>	<u>(22.578.855)</u>	<u>(135.324)</u>	<u>227.591.003</u>	<u>1.277.503</u>	<u>228.868.506</u>
Tangible Assets, Net	<u>223.105.688</u>								<u>181.758.755</u>

Fixed assets acquired by financial leasing are included in the plant, machinery and equipment and consist of the following (TRY):

	31 December 2006	31 December 2005
Plant, machinery, and equipment	2.300.731	1.032.798
Accumulated depreciation (-)	(287.890)	(44.034)
	<u>2.012.841</u>	<u>988.764</u>

	Opening 1 January 2005	Effect of Rate Chance	Capitalized Borrowing Costs and Foreign			Elimination Entries	After Elimination Entries 31 December 2005
			Additions	Exchange Difference	Transfers Disposals		
Land	7,004,211	-	12,005	-	-	(11)	7,016,205
Land improvements	28,452,728	-	4,299	-	222,431	-	28,679,458
Buildings	145,994,997	1,333,923	2,916,578	(95,115)	1,173,738	-	151,324,121
Plant, machinery, and equipment	117,722,239	1,041,461	19,775,118	(729,143)	44,435,917	(333,369)	181,912,223
Motor vehicles	6,556,286	2,169,693	5,993,812	(119,234)	(675,919)	(1,886)	13,922,752
Furniture and fixtures	46,842,626	2,341,769	6,819,824	(188,239)	(5,126,445)	(100,958)	50,588,577
Other tangible assets	6,019,796	87,558	127,059	(2,040)	1,166,487	-	7,398,860
Investments in progress	55,119,619	-	7,590,158	904,979	(53,370,326)	(2,170,024)	8,074,406
Order advances given	2,333,632	-	2,856,402	-	(2,881,733)	-	2,308,301
Total	<u>416,046,134</u>	<u>6,974,404</u>	<u>46,095,255</u>	<u>(228,792)</u>	<u>(15,055,850)</u>	<u>(2,606,248)</u>	<u>451,224,903</u>

Tangible assets consist of the following (TRY):

	Opening 1 January 2005	Effect of Rate Chance	Depreciation Expense for the Period	Foreign Exchange Difference	Sales Depreciation	31 December 2005	Elimination Entries	After Elimination Entries
								31 December 2005
Accumulated depreciation								
Land								
improvements	27,592,467	-	108,700	-	-	27,701,167	-	27,701,167
Buildings	67,451,291	125,788	2,219,692	(22,105)	(352,555)	69,422,111	1,221,666	70,643,777
Plant, machinery and equipment	81,311,646	116,220	8,381,404	(86,785)	(3,527,763)	86,194,722	4,432	86,199,154
Motor vehicles	2,237,405	373,308	1,373,287	(20,835)	(229,206)	3,733,959	-	3,733,959
Furniture and fixtures	33,508,146	343,785	3,795,083	(33,841)	(3,437,092)	34,176,081	74,305	34,250,386
Other tangible assets	5,143,555	17,570	438,722	(409)	(8,666)	5,590,772	-	5,590,772
Total Accumulated Depreciation	<u>217,244,510</u>	<u>976,671</u>	<u>16,316,888</u>	<u>(163,975)</u>	<u>(7,555,282)</u>	<u>226,818,812</u>	<u>1,300,403</u>	<u>228,119,215</u>
Tangible Assets, net	<u>198,801,624</u>							<u>223,105,688</u>

20. Intangible Assets

Intangible assets consist of the following:

Cost	Rights	Special Costs	Other Intangible Assets	Order Advances Given	Total
As of 1 January 2005	3,316,024	11,159,883	324	-	14,476,231
Effect of rate change	61,135	-	-	-	61,135
Additions	75,188	929,884	-	6,547	1,011,619
Transfers	25,161	-	-	7,926	33,087
Disposals	(5,390)	(16,354)	(23)	(12,158)	(33,925)
Exchange rate differences	(3,193)	-	-	-	(3,193)
As of 31 December 2005	3,468,925	12,073,413	301	2,315	15,544,954
Elimination Entries	-	-	-	-	-
Total After 31 December 2005					
Elimination Entries	<u>3,468,925</u>	<u>12,073,413</u>	<u>301</u>	<u>2,315</u>	<u>15,544,954</u>
Effect of rate change	(522)	22,790	-	-	22,268
Additions	333,437	115,327	148,673	12,584	610,021
Transfers	-	223,818	-	(3,012)	220,806
Disposals	(1,861)	(101,007)	-	-	(102,868)
Exchange rate differences	4,781	-	-	-	4,781
As of 31 December 2006	3,804,760	12,334,341	148,974	11,887	16,299,962
Elimination Entries	-	-	-	-	-
Total after 31 December 2006					
Elimination Entries	<u>3,804,760</u>	<u>12,334,341</u>	<u>148,974</u>	<u>11,887</u>	<u>16,299,962</u>

Accumulated Amortisation	Rights	Special Costs	Other Intangible Assets	Total
As of 1 January 2005	2.322.801	5.797.285	88	8.120.174
Effect of rate change	22.517	-	-	22.517
Charged for current year	350.837	1.333.626	76	1.684.539
Disposals	(1.944)	-	-	(1.944)
Exchange rate difference	(590)	-	-	(590)
Elimination entries	-	95.386	-	95.386
Total after 31 December 2006				
Elimination entries	<u>2.693.621</u>	<u>7.226.297</u>	<u>164</u>	<u>9.920.082</u>
Effect of rate change	(272)	10.061	-	9.789
Charged for current year	378.628	1.328.243	19.895	1.726.766
Disposals	(1.861)	(53.870)	-	(55.731)
Exchange rate difference	1.380	-	-	1.380
Elimination entries	-	95.101	-	95.101
Total after 31 December 2006				
Elimination entries	<u>3.071.496</u>	<u>8.605.832</u>	<u>20.059</u>	<u>11.697.387</u>
Net Book Value				
As of 31 December 2005				<u>5.624.872</u>
As of 31 December 2006				<u>4.602.575</u>

21. Advances Received

Advances received consist of the following (TRY):

	31 December 2006	31 December 2005
Short term order advances received	84.886.023	59.927.342
Long term order advances received	39.584.854	5.936.644
	<u>124.470.877</u>	<u>65.863.986</u>

22. Pension Plans

As of 31 December 2006 and 2005 there are no pension plans.

23. Provisions for Debts

Provisions for short term debts consist of the following (TRY):

	31 December 2006	31 December 2005
2005 tax provision	2.230.932*	7.531.564
2006 current period tax provision (Note 42)	7.031.827	-
Prepaid taxes and funds	(1.882.711)	(2.183.717)
Provision for cost expenses (Note 32)	795.981	2.024.230
Other debt provisions (Note 32)	19.618.700	8.229.506
	<u>27.794.729</u>	<u>15.601.583</u>

* Total tax provision made in 2005 as per the local legislation related to subsidiaries operating in Kazakhstan.

Long term debt provisions consist of the following (TRY):

	31 December 2006	31 December 2005
Provision for termination indemnity	8.919.720	7.797.553
Other debt provisions (Note 32)	4.450.345	4.264.655
	<u>13.370.065</u>	<u>12.062.208</u>
Provision for termination indemnity at the beginning of the period	7.797.553	6.118.144
Current period effect	1.122.167	1.679.409
Provision for termination indemnity at the end of the period	<u>8.919.720</u>	<u>7.797.553</u>

24. Minority Interest

Minority interest consists of the following (TRY):

	31 December 2006	31 December 2005
Share capital	47.126.560	51.874.875
Share premium	546.952	545.569
Financial assets value increase fund	1.519.932	3.011.267
Legal reserves	2.339.022	2.099.929
Extraordinary reserves	43.639.788	41.219.009
Translation differences	75.204	1.443
Accumulated losses	(3.042.188)	(10.670.089)
Profit for the period	4.147.172	5.622.759
	<u>96.352.442</u>	<u>93.704.762</u>

25. Share Capital / Adjustment For Cross-Shareholding

The capital adjustment made in relation to the subsidiaries bearing interest in the Parent Company's share capital is as follows (TRY):

	31 December 2006	31 December 2005
Parent Company's share capital	176.880.000	16.080.000
Parent Company's nominal shares acquired by the Subsidiary (-)	(555.126)	(983.605)
Total Share Capital	<u>176.324.874</u>	<u>15.096.395</u>

26. Share Capital

As of 31 December 2006 and 2005, the Parent Company's share capital consists of the following (TRY):

As of 31 December 2006,				Total Adjusted Capital
Name	Shareholding	Book Value*	Capital Adjustment	
Anmak Holding A.S.	69,40 %	122.754.720	-	122.754.720
Other **	30,60 %	54.125.280	224.754	54.350.034
	<u>100 %</u>	<u>176.880.000</u>	<u>224.754</u>	<u>177.104.754</u>
As of 31 December 2005,				Total Adjusted Capital
Name	Shareholding	Book Value*	Capital Adjustment	
Anmak Holding A.S.	69,40 %	11.160.295	111.127.605	122.287.900
Other **	30,60 %	4.919.705	48.999.744	53.919.449
	<u>100,00 %</u>	<u>16.080.000</u>	<u>160.127.349</u>	<u>176.207.349</u>

* The Parent Company share capital amounting to TRY 16.080.000 as of 31 December 2005 has been increased by TRY 160.800.000 to reach a total of TRY 176.880.000 as of 27 June 2006. TRY 897.405 of the increase has been provided from inflation adjustment difference in reserves account and the balance of TRY 159.902.595 has been provided from inflation adjustment difference in share capital. The said capital increase is lower than the internal resources stated in the legal records as well as the internal resources calculated as per the CMB accounting standards.

** Represents shareholdings of less than 10% and the Parent Company shares acquired by Alarko Gayrimenkul Yatırım Ortaklığı A.S. in 2003 (Total adjusted with respect to the purchasing value of Turkish Lira as at 31 December 2004 - TRY 1.208.359) amounting to TRY 555.126 (31 December 2005 - TRY 983.605) have been recognized through deduction from share capital account in the consolidated balances sheets as of 31 December 2006 and 2005.

27. Capital Reserves

"Capital, Share Premium, Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves" recognised among shareholders' equity items in the financial statements prepared subsequent to the first-time inflation adjustment are stated at their book values. The differences arising from the inflation adjustment of the related shareholders' equity items are stated in the "Differences Arising from Inflation Adjustment of Shareholders' Equity" account. The "Differences Arising from Inflation Adjustment of Shareholders' Equity" will only be used in offsetting bonus share increase or in offsetting losses.

The differences arising from inflation adjustment in shareholders' equity originating from restatement of share capital, legal and extraordinary reserves as of 31 December 2006 and 2005 are as follows (TRY):

	31 December 2006	31 December 2005
Inflation adjustment related to share capital*	-	159.902.595
Inflation adjustment related to reserves	129.722.854	130.620.259
Differences arising from inflation adjustment in Shareholders' Equity	<u>129.722.854</u>	<u>290.522.854</u>

* Inflation adjustment related to the share capital is recognized after deduction of inflation adjustment related to the Subsidiary's share in the Parent Company amounting to TRY 224.754.

28. Foreign Currency Position

As of 31 December 2006, the assets and liabilities denominated in foreign currencies which do not bear guaranteed rates of exchange, and, foreign currency amounts stated in the assets, are as follows:

31 December 2006	USD	Euro	GBP	JPY	CHF	KZT	DNR	RBL	SEK
Liquid Assets	74.998.085	38.717.342	170.201	-	-	299.633.603	1.574.013	496.888	-
Marketable Securities	32.818.162	4.234.097	-	-	-	-	-	-	-
Short Term Trade Receivables	72.995.942	27.150.777	108.082	1.767.316	-	1.114.077.123	20.583.256	2.070.283	-
Short Term Deposits and Guarantees Given	10.825.255	19.921.547	-	-	-	29.176.517	-	-	-
Other Short Term Receivables	263.105	1.652.773	-	-	-	-	-	-	-
Advances Given to Sub-Contractors	6.418.160	3.153.381	-	-	-	116.370.093	-	-	-
Contract Expenditures	6.914.399	361.229	-	-	-	-	-	-	-
Short Term Order Advances Given	2.576.212	3.851.831	5.932	-	-	107.735.124	-	264.389	-
Other Current Assets	247.902	825.543	-	-	-	312.709.411	7.745.513	9.014.195	-
Long Term Trade Receivables	700	4.500	-	-	-	-	-	-	-
Long Term Deposits and Guarantees Given	2.300	-	-	-	-	-	-	-	-
Long Term Order Advances Given	196.613	-	-	-	-	-	-	-	-
Financial Debts	(38.784.374)	(1.802.767)	-	(39.823.248)	-	-	-	-	-
Short Term Trade Payables	(26.495.104)	(18.607.278)	(45.570)	(4.506.703)	(2.783)	(598.672.884)	(6.798.568)	(40.247)	(528)
Other Short Term Payables	(6.529.617)	(5.083.607)	-	-	-	-	-	-	-
Deposits and Guarantees Received	(2.808.647)	(7.703.124)	(1.135)	-	-	(327.738.565)	(6.113.926)	-	-
Short Term Order Advances Received	(14.082.785)	(6.129.176)	(666)	(841.793)	-	(1.652.624.085)	-	(18.129.526)	-
Deferred Construction and Maintenance Contract Income	(1.793.733)	-	-	-	-	(93.657.260)	-	-	-
Provisions for Short Term Debts and Expenses	(7.172.179)	(4.896.443)	-	-	-	(250.505.078)	-	(8.917.004)	-
Short term Other Liabilities	(830.737)	(37.094)	-	-	-	(679.831)	(11.205.005)	(1.354.426)	-
Provisions for Long Term Debts and Expenses	(3.150.910)	-	-	-	-	-	-	-	-
Long Term Financial Debts	(17.182.745)	-	-	(42.285.719)	-	-	-	-	-
Long Term Order Advances Received	(27.404.788)	-	-	-	-	-	-	-	-
Net Foreign Currency Position	62.021.216	55.613.531	236.844	(85.690.147)	(2.783)	(944.175.832)	5.785.283	(16.595.447)	(528)

31 December 2005	USD	EURO	GBP	JPY	CHF	KZT	DNR	RBL	SEK
Liquid Assets	67.806.575	40.555.766	944.969	761.148	-	74.490.550	4.968.447	2.302.539	-
Marketable Securities	3.082.486	4.100.252	-	-	-	-	-	-	-
Short Term Trade Receivables	58.118.642	26.221.988	162.828	-	113.388	576.035.116	24.673.725	1.637.526	-
Short Term Deposits and Guarantees Given	12.762.249	9.910.694	-	-	-	246.299.806	-	-	-
Other Short Term Receivables	379.637	1.627.222	-	-	-	-	-	-	-
Advances Given to Sub-Contractors	2.939.369	5.625.187	-	-	-	607.717.434	-	-	-
Contract Expenditures	-	1.358.929	-	-	-	-	-	-	-
Short Term Order Advances Given	2.925.535	3.116.796	-	-	-	30.997.663	-	66.066	-
Other Current Assets	2.753.866	3.044.360	-	-	-	249.841.808	7.658.461	382.874	-
Long Term Trade Receivables	700	5.935	-	-	-	-	-	-	-
Other Long Term Assets	1.253.481	-	-	-	-	-	-	-	-
Long Term Deposits and Guarantees Given	4.100	594	-	-	-	-	-	-	-
Long Term Order Advances Given	20.327	7.279	-	-	-	-	-	-	-
Financial Debts	(40.456.202)	(3.966.302)	-	(54.663.589)	-	-	-	-	-
Short Term Trade Payables	(33.319.704)	(14.409.520)	(21.874)	(6.842.091)	(52.063)	(1.932.539.770)	(27.188.220)	(473.988)	(30.865)
Other Short Term Payables	(5.289.092)	(91.435)	-	-	-	-	-	-	-
Deposits and Guarantees Received	(4.874.338)	(3.097.867)	-	-	-	(228.346.843)	(6.014.321)	-	-
Short Term Order Advances Received	(14.986.356)	(13.806.402)	(816)	-	(275)	(140.000.000)	-	(14.549.127)	-
Deferred Construction and Maintenance Contract Income	(16.679.313)	-	-	-	-	(663.982.966)	-	(823.940)	-
Provisions for Short Term Debts and Expenses	(2.637.032)	(1.694.818)	-	-	-	(200.601.538)	-	(287.985)	-
Short term Other Liabilities	(30.197)	(75.548)	-	-	-	(63.941.578)	(15.282.068)	(3.563.583)	-
Provisions for Long Term Debts and Expenses	(3.162.987)	-	-	-	-	-	-	-	-
Long Term Financial Debts	(17.674.042)	-	-	(63.428.576)	-	-	-	-	-
Long Term Order Advances Received	(4.403.059)	-	-	-	-	-	-	-	-
Net Foreign Currency Position	8.534.645	58.433.110	1.085.107	(124.173.108)	61.050	(1.444.030.318)	(11.183.976)	(15.309.618)	(30.865)

As of 31 December 2006, and 2005 the TRY equals of the assets and liabilities denominated in foreign currencies which do not bear guaranteed rates of exchange, are as follows:

	31 December 2006	31 December 2005
Foreign currency position of total assets	501.576.876	377.220.791
Foreign currency position of total liabilities	(324.576.338)	(288.652.977)
Total net foreign currency position	<u>177.000.538</u>	<u>88.567.814</u>

29. Profit Reserves

Legal reserves, which are divided as First Legal Reserve and Second Legal Reserve as per the Turkish Commercial Code, are appropriated as below:

- (a) First Legal Reserve: Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.
- (b) Second Legal Reserve: Appropriated out of net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividends.

Legal reserves which do not exceed one half of share capital may only be used to absorb losses or for purposes of continuity of the business in times of business difficulties and to prevent unemployment or lessen its effects

30. Retained Earnings / (Accumulated Losses)

Retained earnings / (accumulated losses) consist of the following (TRY):

	31 December 2006	31 December 2005
Retained earnings	116.753.206	140.301.320
Transfer of 2005 year profit	60.238.872	-
Capital Increase	(428.479)	-
Effect of consolidation by equity method	408.249	(535.411)
Value increase/decrease in financial assets	1.490.475	(2.122.413)
Transfer to reserves	(15.904.998)	(5.725.851)
Effect of companies included in consolidation	-	214.650
Effect consolidation of rate change	(98.375)	(15.379.089)
Dividend payment	(1.125.600)	-
Retained Earnings	<u>161.333.350</u>	<u>116.753.206</u>

31. Government Incentives and Aids

None (2005 : None).

32. Provisions, Conditional Assets and Liabilities

a) Mortgages on Assets

As of 31 December 2006 and 2005, two parcels of the land in Eskice District in Büyükcçekmece Village stated in the inventories and fixed assets accounts of the subsidiary Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. regarded as Greenfield site is expropriated on behalf of ISKI due to the reason that this piece of land is under unconditional preservation as per the provisions of the communiqué related to protection of land bearing tap water and drinking water resources against contamination; and there is a life annuity commentary in the name of Nelly Rose in relation to 1/2 a share of Karaköy İş Merkezi; there is a right of easement in relation to the stores in Etiler Alkent Sitesi in Beşiktaş District dated 14 October 1987 nr. 6430 to be utilized on behalf of the real estate of the Company on section 1411, parcel 1 and against that on section 1408, parcel 1 for benefiting from the central heating. Furthermore, there is a personal right of easement for the owners of the property on section 1410 parcel 1 to benefit from the unused parking lot as stated in the project against the same parcel by voucher dated 26 February 1992 nr 784.

b) The subsidiary Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. has entered into two foreign currency forward contracts against foreign currency risk on 21 October 2005 amounting to USD 20.000.000 and USD 18.000.000 with maturity dates 30 March 2006 and 28 April 2006, respectively, under the conditions stated below. This contract includes the maturity date, spot exchange rate to be applied on the maturity date, the foreign currency subject to forward trading and its amount, and the TRY equivalent of the foreign currency amount at the same maturity date. As per the provisions of the contract, in the event that the transaction price of the USD at the stated dates are below the spot exchange rate to be applied on the maturity date, the Company is obliged to compensate the banks for the difference between the transaction price and the prevailing USD transaction rate. In the event that the transaction price of the USD is above the spot exchange rate to be applied on the maturity date, the banks are obliged to compensate the Company for the balance.

Bank	Contract Date	Foreign Currency	Currency Amount	Date	Exchange Rate Applied to forward transaction (USD/TRY)
Turkey İş Bankası	21.10.2005	USD	18.000.000	28.04.2006	1,4339
Turkey İş Bankası	21.10.2005	USD	20.000.000	30.03.2006	1,4250

As of 31 December 2005, a total of TRY 1.498.968 is written as expense in relation to the contracts during the year 2005.

- c) The mortgages on assets as of 31 December 2006 amount to TRY 2.713.310 (31 December 2005 - TRY 2.622.000).
- d) As of 31 December 2006, contingent liabilities amount to TRY 720.559.654 (31 December 2005 - TRY 659.881.464).
- e) As of 31 December 2006, guarantee received for short term trade receivables amounts to TRY 212.522.823 (31 December 2005 - TRY 199.900.877).
- f) As of 31 December 2003, tariff adjustment invoices amounting to a total of TRY 2.3 million related to 2001 and 2002 years has been prepared by Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAS) to the joint venture company Altek Alarko Elektrik Santralları Tesis İşletme ve Ticaret A.Ş.. Although the said invoices have been recognized as sales deductions in 2003, the Company has made an appeal through the Ministry of Energy and Natural Resources related to the calculation basis of these invoices and claimed amendment. Upon failing to receive any response from the Ministry, the Company has filed for a case against the Ministry with the claim to annul the invoices in 2004 and the legal proceedings have been ongoing as of the reporting date. As there are no tariff adjustment claim by the Ministry related to 2004, 2005 and 2006, no provision has been made in the accompanying financial statements for tariff adjustments in the sales realized in the said years.
- g) The joint venture company Altek Alarko Elektrik Santralları Tesis İşletme ve Ticaret A.Ş. has filed for a number of cases against the Directorate of Energy Works of the Ministry of Energy and Natural Resources for annulment of request for accrual and payment by the Company of additional fees on monthly system utilization, operation and transmission related to Hasanlar Hidroelektrik Santrali and for suspension of execution. In this respect, the Company returns the monthly Distribution Service Fee invoices prepared and issued by Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) back to SEDAŞ through the Notary. As of 31 December 2006 the said invoices which have been returned by the Company without being recorded and without making any provisions amount to a total of TRY 486.424 + VAT.
- h) As of 31 December 2006, the overdue receivables and the related provisions amount to TRY 2.423.020 (31 December 2005 - TRY 2.258.511).
- i) As of 31 December 2006 and 2005, the debt provisions of the Company consist of the following (TRY):

	31 December 2006	31 December 2005
Provisions for Short Term Liabilities;		
Undocumented payables related to goods and services	17.850.285	5.979.998
Provision for interest	-	1.475.125
Provision for litigation	1.480.611	750.087
Provision for guarantee	287.804	-
Rent expenses	555.515	466.328
Provision for contribution in central expenses	-	882
Communication expense payable	10.466	3.900
Electricity expense payable	128.734	22.888
Provision for maintenance and repair expenses	800	165
Provision for premiums	2.184	4.644
Contractual expenses	73.812	1.499.161
Water expense payable	6.305	18.629
Fuel expense payable	18.104	-
Provision for tender expenses	-	3
Bonus expenses	-	7.042
Provisions for other expenses	61	24.884
Total (Note 23)	<u>20.414.681</u>	<u>10.253.736</u>
	31 December 2006	31 December 2005
Provisions for other long term liabilities;		
Loss provisions (Note 23)	<u>4.450.345</u>	<u>4.264.655</u>

33. Segment Reporting

Segment reporting consists of the following (TRY):

31 December 2006

ASSETS	Industry and Commerce			Contracting and Land		Elimination	Total
	Holding	Tourism	Commerce	Energy	Development		
Current / Short Term Assets							
Liquid Assets	77.723.750	17.561.622	13.206.958	416.538	120.408.097	-	229.316.965
Marketable Securities (net)	38.712.155	-	589.737	126	60.571.702	-	99.873.720
Trade Receivables (net)	361.807	1.224.604	37.804.639	261.134	490.162.163	(253.225.608)	276.588.739
Leasing Receivables (net)	-	-	-	-	-	-	-
Due From Related Parties (net)	-	-	-	-	14.686.515	(11.247.751)	3.438.764
Other Receivables (net)	116.128	-	51.530	-	12.304.329	-	12.471.987
Biological Assets (net)	-	-	-	-	-	-	-
Inventories (net)	3.940	739.574	21.281.489	552.102	108.998.058	(11.148.975)	120.426.188
Receivables from Ongoing Construction Contracts (net)	-	-	-	-	36.270.924	147.106.774	183.377.698
Deferred Tax Assets	-	-	-	-	-	-	-
Other Current/Short Term Assets	2.640.402	823.290	1.080.071	2.675.579	15.630.256	-	22.849.598
Non-current / Long Term Assets							
Trade Receivables (net)	-	82.818	204.265	2.766	430.611	-	720.460
Leasing Receivables (net)	-	-	-	-	-	-	-
Due From Related Parties (net)	-	-	-	-	-	-	-
Other Receivables (net)	-	-	-	-	-	-	-
Financial Assets (net)	225.541.557	57.679	4.352.083	-	67.227.140	(282.662.661)	14.515.798
Positive/Negative Goodwill (net)	-	-	-	-	-	(821.312)	(821.312)
Investment Properties (net)	-	-	-	-	38.877.651	(36.738.765)	2.138.886
Real Estate Held For Trading (net)	-	-	-	-	-	-	-
Tangible Assets (net)	565.644	13.942.698	26.758.688	56.267.733	48.616.268	35.607.724	181.758.755
Intangible Assets (net)	157.157	3.430.537	272.781	31.463	509.149	201.488	4.602.575
Deferred Tax Assets	92.394	1.323.901	976.701	461.425	64.083.228	(58.282.826)	8.654.823
Other Non-current / Long Term Assets	8	169.619	115	-	31.751.293	-	31.921.035
Total Assets	345.914.942	39.356.342	106.579.057	60.668.866	1.110.527.384	(471.211.912)	1.191.834.679
LIABILITIES							
Short Term Liabilities							
Financial Debts (net)	-	-	5.185.900	-	46.617.311	-	51.803.211
Short Term Portion of Long Term							
Financial Debts (net)	-	260.558	-	6.102.635	197.776	-	6.560.969
Leasing Payables (net)	-	-	-	-	1.080.003	-	1.080.003
Other Financial Liabilities (net)	-	-	-	498.321	-	-	498.321
Trade Payables (net)	7.347	8.560.912	7.956.971	2.002.065	269.197.354	(106.118.834)	181.605.815
Due to Related Parties (net)	5.675	-	562	-	11.448.600	(11.247.752)	207.085
Advances Received	-	4.100.458	5.341.069	-	73.061.577	2.382.919	84.886.023
Contract Income Related to Ongoing Construction Contracts (net)							
Construction Contracts (net)	-	-	-	-	82.367.804	-	82.367.804
Debt Provisions	1.724.727	483.215	1.155.710	88.377	24.342.700	-	27.794.729
Deferred Tax Liability	-	-	-	-	-	-	0
Other Liabilities (net)	265.986	1.433.900	1.231.127	1.224.944	24.553.423	(2.382.919)	26.326.461
Long term liabilities							
Financial Debts (net)	-	502.143	-	19.219.653	4.272.510	-	23.994.306
Leasing Payables (net)	-	-	-	-	575.633	-	575.633
Other Financial Liabilities (net)	-	-	-	776.747	-	-	776.747
Trade Payables (net)	-	-	-	-	-	-	-
Due to Related Parties (net)	-	-	-	-	-	-	-
Advances Received	-	-	-	-	39.584.854	-	39.584.854
Debt Provisions	457.593	1.251.409	3.530.158	172.783	7.958.122	-	13.370.065
Deferred Tax Liability	63.527	768.408	398.265	2.010.978	55.045.022	(58.286.200)	-
Other Liabilities (net)	-	189.385	-	-	-	-	189.385
MINORITY INTEREST	-	-	-	-	-	96.352.442	96.352.442
SHAREHOLDERS' EQUITY							
Share Capital	177.104.754	5.907.067	44.401.899	6.361.242	145.423.366	(202.318.328)	176.880.000
Adjustment for Cross Shareholding	-	-	-	-	-	(555.126)	(555.126)
Capital Reserves	77.260.586	-	170.329	-	32.522.525	19.650.498	129.603.938
Profit Reserves	67.206.662	2.316.450	48.142.342	17.483.700	99.995.598	(196.858.057)	38.286.695
Net Profit / (Loss) for the Period	21.752.878	1.959.568	9.020.243	(8.149.209)	41.809.628	(18.081.139)	48.311.969
Retained Earnings / (Accumulated Losses)	65.207	11.622.869	(19.955.518)	12.876.630	150.473.578	6.250.584	161.333.350
Total Liabilities and Shareholders' Equity	345.914.942	39.356.342	106.579.057	60.668.866	1.110.527.384	(471.211.912)	1.191.834.679

31 December 2006

	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Elimination	Total
INCOME FROM PRINCIPAL ACTIVITIES							
Sales Income (net)	3.978.587	44.022.410	105.230.529	19.449.181	494.065.622	(32.108.502)	634.637.827
Cost of Sales (-)	(4.186.470)	(24.111.676)	(78.228.115)	(20.330.108)	(496.678.752)	27.762.239	(595.772.882)
Service Income(net)	-	-	-	-	-	-	-
Other Income From Principal Activities/interest+dividend+rent (net)	-	-	-	-	-	-	-
GROSS PROFIT / (LOSS) FROM OPERATING ACTIVITIES							
Operating Expenses (-)	(207.883)	19.910.734	27.002.414	(880.927)	(2.613.130)	(4.346.263)	38.864.945
NET PROFIT / (LOSS) FROM OPERATING ACTIVITIES							
Income and Profits from Other Operations	40.804.451	4.274.746	11.475.238	5.432.627	158.570.539	(14.973.772)	205.583.829
Expenses and Losses from Other Operations (-)	(14.792.153)	(3.283.807)	(4.670.641)	(190.379)	(93.449.220)	(429.579)	(116.815.779)
Financial Expenses (-)	-	(490.170)	(2.334.852)	(7.399.457)	(11.460.780)	-	(21.685.259)
OPERATING PROFIT/(LOSS)							
Net Monetary Profit / (Loss)	-	-	-	-	-	-	-
MINORITY INTEREST							
	-	-	-	-	-	(4.147.172)	(4.147.172)
PROFIT/(LOSS) BEFORE TAX							
Taxes	(1.708.897)	(349.872)	(2.231.872)	(2.442.244)	2.652.656	3.378	(4.076.851)
NET PROFIT/(LOSS) FOR THE PERIOD							
	21.752.878	1.959.568	9.020.243	(8.149.209)	41.809.628	(18.081.139)	48.311.969

31 December 2005

ASSETS	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Elimination	Total
Current / Short Term Assets							
Liquid Assets	58.854.846	13.621.935	11.257.174	786.460	101.161.505	-	185.681.920
Marketable Securities (net)	36.358.856	22.976	2.693.840	3.545	79.055.809	-	118.135.026
Trade Receivables (net)	2.038.586	1.296.438	34.195.584	1.110.574	359.619.715	(201.933.203)	196.327.694
Leasing Receivables (net)	-	-	-	-	-	-	-
Due From Related Parties (net)	-	-	-	-	10.488.929	(7.381.973)	3.106.956
Other Receivables (net)	69.408	-	17.848	-	740.123	-	827.379
Biological Assets (net)	-	-	-	-	-	-	-
Inventories (net)	4.111	671.765	15.469.583	577.205	73.629.556	(1.168.408)	89.183.812
Receivables from Ongoing Construction Contracts (net)	-	-	-	-	39.390.173	116.462.500	155.852.673
Deferred Tax Assets	-	-	-	-	-	-	-
Other Current/Short Term Assets	712.644	674.064	1.302.011	534.138	16.812.326	-	20.035.183
Non-current / Long Term Assets							
Trade Receivables (net)	-	84.687	195.906	2.824	451.097	-	734.514
Leasing Receivables (net)	-	-	-	-	-	-	-
Due From Related Parties (net)	-	-	-	-	-	-	-
Other Receivables (net)	-	-	-	-	-	-	-
Financial Assets (net)	234.125.034	57.679	4.481.895	-	111.424.897	(334.444.553)	15.644.952
Positive/Negative Goodwill (net)	-	-	-	-	-	(881.339)	(881.339)
Investment Properties (net)	-	-	-	-	40.344.378	(38.190.029)	2.154.349
Real Estate Held For Trading (net)	-	-	-	-	-	-	-
Tangible Assets (net)	1.447.445	13.943.908	27.565.798	59.123.140	85.278.997	35.746.400	223.105.688
Intangible Assets (net)	230.549	4.334.109	258.006	36.039	469.580	296.589	5.624.872
Deferred Tax Assets	124.766	1.056.364	1.271.529	3.178.871	33.571.192	(33.888.176)	5.314.546
Other Non-current / Long Term Assets	10	186	208	-	14.910.335	-	14.910.739
Total Assets	333.966.255	35.764.111	98.709.382	65.352.796	967.348.612	(465.382.192)	1.035.758.964

31 December 2005

LIABILITIES	31 December 2005						
	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Elimination	Total
Short Term Liabilities							
Financial Debts (net)	-	153.165	5.836.122	-	51.058.305	-	57.047.592
Short Term Portion of Long Term Financial Debts (net)	-	254.878	-	5.503.341	521.092	-	6.279.311
Leasing Payables (net)	-	-	-	-	475.657	-	475.657
Other Financial Liabilities (net)	-	-	-	524.473	-	-	524.473
Trade Payables (net)	13.094	8.129.231	6.772.431	1.477.846	198.846.442	(85.470.702)	129.768.342
Due to Related Parties (net)	5.203	-	472	-	7.554.382	(7.381.972)	178.085
Advances Received	-	3.913.038	3.619.040	-	53.457.129	(1.061.865)	59.927.342
Contract Income Related to Ongoing Construction Contracts (net)	-	-	-	-	112.700.197	-	112.700.197
Debt Provisions	1.183.850	57.030	825.594	882	13.534.227	-	15.601.583
Deferred Tax Liability	-	-	-	-	-	-	-
Other Liabilities (net)	305.129	653.169	2.261.961	78.593	12.036.185	-	15.335.037
Long Term Liabilities							
Financial Debts (net)	-	727.906	-	17.962.643	5.224.663	-	23.915.212
Leasing Payables (net)	-	-	-	-	586.634	-	586.634
Other Financial Liabilities (net)	-	-	-	642.605	-	-	642.605
Trade Payables (net)	-	-	-	-	-	-	-
Due to Related Parties (net)	-	-	-	-	-	-	-
Advances Received	-	-	-	-	5.936.644	-	5.936.644
Debt Provisions	415.632	676.852	3.356.102	149.503	7.464.119	-	12.062.208
Deferred Tax Liability	110.964	790.104	827.680	2.286.055	29.873.374	(33.888.177)	-
Other Liabilities (net)	-	32.353	-	-	-	-	32.353
MINORITY INTEREST	-	-	-	-	-	93.704.762	93.704.762
SHAREHOLDERS' EQUITY							
Share Capital	176.207.349	5.907.067	44.401.953	6.362.157	158.959.337	(375.757.863)	16.080.000
Adjustment for Cross Shareholding	-	-	-	-	-	(983.605)	(983.605)
Capital Reserves	86.430.158	-	302.724	-	69.175.576	134.507.146	290.415.604
Profit Reserves	61.005.390	1.724.226	42.304.517	17.486.215	91.232.644	(195.216.142)	18.536.850
Net Profit / (Loss) for the Period	10.035.529	705.247	7.761.749	(1.645.514)	55.945.551	(12.563.690)	60.238.872
Retained Earnings / (Accumulated Losses)	(1.746.043)	12.039.845	(19.560.963)	14.523.997	92.766.454	18.729.916	116.753.206
Total Liabilities and Shareholders' Equity	333.966.255	35.764.111	98.709.382	65.352.796	967.348.612	(465.382.192)	1.035.758.964
	31 December 2005						
	Holding	Tourism	Industry and Commerce	Energy	Contracting and Land Development	Elimination	Total
INCOME FROM PRINCIPAL ACTIVITIES							
Sales Income (net)	4.662.697	37.739.676	96.208.448	3.060.179	441.090.943	(13.010.306)	569.751.637
Cost of Sales (-)	(4.031.895)	(22.955.772)	(72.418.144)	(2.466.952)	(399.756.788)	5.764.875	(495.864.676)
Service Income (net)	-	-	-	-	-	-	-
Other Income From Principal Activities/interest+dividend+rent (net)	-	-	-	-	-	-	-
GROSS PROFIT /(LOSS) FROM OPERATING ACTIVITIES	630.802	14.783.904	23.790.304	593.227	41.334.155	(7.245.431)	73.886.961
Operating Expenses (-)	(1.249.953)	(15.152.400)	(18.133.285)	(1.049.795)	(19.823.899)	5.792.436	(49.616.896)
NET PROFIT /(LOSS) FROM OPERATING ACTIVITIES	(619.151)	(368.496)	5.657.019	(456.568)	21.510.256	(1.452.995)	24.270.065
Income and Profits from Other Operations	23.991.502	3.502.069	8.745.321	343.449	68.507.192	(5.549.020)	99.540.513
Expenses and Losses from Other Operations (-)	(10.768.578)	(2.003.954)	(3.932.407)	(89.389)	(29.402.953)	61.084	(46.136.197)
Financial Expenses (-)	-	(309.111)	(678.794)	(364.923)	(2.831.523)	-	(4.184.351)
OPERATING PROFIT/(LOSS)	12.603.773	820.508	9.791.139	(567.431)	57.782.972	(6.940.931)	73.490.030
Net Monetary Profit /(Loss)	-	-	-	-	-	-	-
MINORITY INTEREST	-	-	-	-	-	(5.622.759)	(5.622.759)
PROFIT/(LOSS) BEFORE TAX	12.603.773	820.508	9.791.139	(567.431)	57.782.972	(12.563.690)	67.867.271
Taxes	(2.568.244)	(115.261)	(2.029.390)	(1.078.083)	(1.837.421)	-	(7.628.399)
NET PROFIT/(LOSS) FOR THE PERIOD	10.035.529	705.247	7.761.749	(1.645.514)	55.945.551	(12.563.690)	60.238.872

34. Mergers

All assets and liabilities of the subsidiary Yıltaş Yıldız Turistik Tesisleri A.Ş. have been transferred to the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. as of 31 March 2006. Issues related to the said transfer operation has been published in the Turkish Trade Registry Gazette dated 12 May 2006 nr. 6555. The subsidiary Rostov Donsky Dabak Tobacco Plant Project has transferred all of its equity constituted as of 31 December 2006 to the subsidiary Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. The merger realized between the said companies is legal hence no positive or negative goodwill has been calculated.

35. Subsequent Events

a) The termination indemnity upper limit which stood at TRY 1.857,44 as of 31 December 2006 has been increased to TRY 1.960,69 with effect from 1 January 2007 [31 December 2005 - TRY 1.727,15].

b) As per the Board Resolution dated 19 March 2007 nr 584 of the joint venture company Alarko Carrier Sanayi ve Ticaret A.Ş., the net distributable profit subsequent to making provisions for tax and legal reserves amounting to TRY 4.673.519 and TRY 661.200 respectively, from the profit before tax of TRY 24.567.873 in 2006 financials amounts to TRY 19.233.154. As per the same Board Resolution, decision is made to make provisions from the net distributable profit for dividends, second legal reserves and extraordinary legal reserves in the amount of TRY 3.996.000, TRY 345.600, and TRY 14.891.554, respectively. TRY 1.387.192 of the dividends to be distributed to the shareholders totaling TRY 3.996.000 has been provided from profits on sales of investment properties; hence, as per the same Board Resolution, decision is made to place the portion of this total that corresponds to the 2006 vouchers of dividends held by Carrier HVACR Investments B.V. under the ownership of Alarko Holding A.Ş. with respect to the Share Certificate Purchase Agreement entered into with Carrier.

c) As per the Board Resolution dated 16 March 2007 nr 202 of the subsidiary Alarko Gayrimenkul Yatırım Ortaklığı A.Ş., the net distributable profit subsequent to making provisions for legal reserves amounting to TRY 175.597 from the net profit for the period of TRY 4.916.479 in 2006 financials amounts to TRY 4.740.882. As per the same Board Resolution, decision is made to make provisions from the net distributable profit for dividends, second legal reserves and extraordinary legal reserves in the amount of TRY 988.218, TRY 71.371, and TRY 3.681.293 respectively.

36. Discontinued Operations

As of 31 December 2006 and 2005, there are no discontinued operations.

37. Income from Principal Activities

Income on sales, net, consists of the following (TRY):

	31 December 2006	31 December 2005
Domestic sales	526.259.707	302.906.045
Export sales	109.850.860	260.172.774
Other sales	2.617.200	10.022.702
Return on sales (-)	(1.387.633)	(872.408)
Sales discounts (-)	(2.680.371)	(2.477.476)
Other discounts (-)	(21.936)	-
	<u>634.637.827</u>	<u>569.751.637</u>

Cost of sales consist of the following (TRY) :

	31 December 2006	31 December 2005
Cost of finished goods sold	34.701.327	32.735.066
Cost of trade goods sold	65.333.685	91.509.793
Cost of services sold	493.143.702	369.817.864
Cost of semi-finished goods sold	608.821	580.812
Cost of other sales	1.985.347	1.221.141
	<u>595.772.882</u>	<u>495.864.676</u>

38. Operating Expenses

Operating expenses consist of the following (TRY):

	31 December 2006	31 December 2005
Research and development expenses	819.902	578.977
Marketing, sales, and distribution expenses	15.229.604	11.826.618
General administration expenses	33.362.238	37.211.301
	<u>49.411.744</u>	<u>49.616.896</u>

39. Income/Expense and Profit/Loss from Other Operations

Income and profits from other operations consist of the following (TRY):

	31 December 2006	31 December 2005
Dividend income	1.631.753	61.116
Interest income	14.196.714	9.544.626
Commission income	36.969	150.214
Provisions no longer required	2.848.124	3.131.117
Profit on sales of marketable securities	5.383.608	17.362.055
Foreign exchange gains	124.219.629	52.182.250
Rediscount interest income	2.230.612	1.547.665
Other income and profits related to operations	23.251.324	13.102.312
Prior period income and profits	3.352	3.050
Profit on sales of fixed assets	18.601.161	-
Damages received	11.945.407	-
Other extraordinary income and profits	1.235.176	2.456.108
	<u>205.583.829</u>	<u>99.540.513</u>

Expenses and losses from other operations consist of the following (TRY):

	31 December 2006	31 December 2005
Commission expense	75.001	107.071
Provision expense	15.677	14.212
Loss on sales of marketable securities	1.757.996	-
Foreign exchange losses	60.415.066	38.642.855
Rediscount interest expense	2.585.542	1.155.021
Other ordinary expenses and losses	9.117.574	5.593.897
Prior period expenses and losses	698	55.018
Loss on sales of fixed assets	42.632.313	-
Other extraordinary expenses and losses	215.912	568.123
	<u>116.815.779</u>	<u>46.136.197</u>

40. Financial Expenses

Financial expenses consist of the following (TRY) :

	31 December 2006	31 December 2005
Short term borrowing expenses	21.152.364	3.417.621
Long term borrowing expenses	532.895	766.730
	<u>21.685.259</u>	<u>4.184.351</u>

41. Net Monetary Profit/Loss

CMB has declared that the high inflation period has come to an end. Therefore as of 31 December 2006 and 2005, the financial statements are no longer subject to inflation adjustments, hence monetary loss/gain is not reflected to the statement of income.

42. Income Taxes

The corporation tax rate for 2006 is 20% in Turkey (2005 - 30%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

The Group's taxes for the current period is as follows:

	31 December 2006	31 December 2005
Current period tax (Note 23)	7.031.827	7.531.564
Deferred tax expense (Note 14)	(2.954.976)	96.835
Total tax expense	<u>4.076.851</u>	<u>7.628.399</u>

43. Earnings Per Share

Earnings per share is calculated as follows:

	31 December 2006	31 December 2005
Profit for the period (TRY)	48.311.969	60.238.872
Weighted average number of ordinary shares at the beginning of the period*	16.080.000	16.080.000
Number of shares arising from bonus share sales realized on 27 June 2006*	160.800.000	160.800.000
Cross shareholding adjustment*	(555.126)	(983.605)
Weighted average number of revised shares *	176.324.874	175.896.395
Earnings per share (TRY)		
- Ordinary	0,274	3,990
- Revised	0,274	0,342

* Per share of TRY 1 nominal value.

The Company Management has declared that the distributable profit as per the accompanying consolidated financial statements is lower than that stated in the legal books, hence the accompanying consolidated financial statements is taken as basis in profit distribution.

44. Statement of Cash Flows

Cash flows realized in the current period are as follows (TRY):

	31 December 2006	31 December 2005
Net cash inflows/outflows from principal activities	(12.597.461)	1.679.056
Net cash inflows/outflows from investment activities	53.259.190	(69.992.337)
Net cash inflows/outflows from financial activities	2.973.316	21.810.426

45. Other Issues Materially Affecting the Financial Statements or Requiring Disclosure for a Proper Interpretation and Understanding of the Financial Statements

a) Insurance totals of assets with respect to the periods are as follows (TRY);

31 December 2006	1.512.096.551
31 December 2005	1.285.256.887

b) As of 31 December 2006, remuneration provided to top executives such as the CEO and members of the Board of Directors amount to TRY 7.175.593 (31 December 2005 - TRY 6.979.102).

c) In the letter sent by the Competition Authority to Alarko Carrier Sanayi ve Ticaret A.S. (Company) dated 05 May 2006, it is stated that a judicial inquiry is set up for the purpose of determining whether the agreements entered into between the Company and its authorized dealers and services include competitive restrictions. As a result of the investigation made upon the said letter, it has been communicated to the Company on 8 March 2007 that an administrative penalty of TRY 225.274,43 has been inflicted on the Company by the final resolution nr.142-45 made at the Competition Authority meeting held on 21.2.2007 nr 07-15. Subsequent to the submission of the reasoned resolution to the Company, the Company will file for suspension of execution followed by an application for rejection of resolution to the State Council.

d) In relation to Kırklareli Kombine Çevrim Doğal Gaz Santrali (Natural Gas Plant) operating within the frame of Law nr 4628, one of the joint ventures of the company, namely, Altek Alarko Elektrik Santralleri Tesis İşletme ve Ticaret A.Ş. has resolved to terminate operations of the said Natural Gas Plant as of 31.07.2006 by the Board resolution dated 29.06.2006 nr 238 with the reasoning that the increase in natural gas prices is excessive while electrical power prices stay stable, that the "fuel+fixed expenses" of electrical power produced by natural gas combustion exceed the electricity sales price of the free market, and has communicated the resolution to the Turkish Energy Markets Regulatory Board by act dated 29.06.2006. The application made by the Company to the EMRB related to discontinuing production operations has been rejected with the reason that the period of time required as per the provisions of the Electricity Market License Regulation and the production license have not been taken into consideration by the Company, and as a result of the subsequent correspondence and in response to the Company's letter dated 18.08.2006, EMRB has approved discontinuing the production operations at the Plant during the period 31.10.2006 - 31.12.2007. Subsequently, the Company has evaluated the positive developments observed in the electricity market conditions within the scope of "Stabilization and Reconciliation System" regulated by the "Electricity Market Stabilization and Reconciliation Regulation" published in the Official Gazette dated 21.12.2004 nr 25677, the implementation of which has started as of 1 August 2006, and the Company, as a result of this evaluation, has made the Board resolution dated 10.10.2006 nr 240 for continuing production operations at the Plant with no interruption. The said resolution has been communicated to the EMRB through the writing dated 12.10.2006 and the EMRB has withdrawn the Board resolution dated 31.08.2006 taken in relation to discontinuing Plant production by Board resolution dated 26.10.2006 and approved continuation of production operations.

e) At the Extraordinary General Assembly of Alarko Holding A.Ş. held on 22 December 2006, resolution has been made to increase the Company's registered share capital from TRY 176.880.000 to TRY 500.000.000, to merge with Anmak Holding A.Ş. through transferring entire assets and liabilities of Anmak Holding A.Ş. to Alarko Holding A.Ş., realize the merger based on the balance sheets as of 31 December 2006 in accordance with the provisions of the Corporate Tax Law Articles 19-20 and the Turkish Commercial Code Article 451 and accordingly to fulfill a merger contract with Anmak Holding A.Ş., to entitle the Board of Directors with full authorization to fulfill all other legal conditions.

PROFIT DISTRIBUTION RECOMMENDATION

Pursuant to the Capital Market Legislation, Company's Articles of Association and other applicable laws, we propose to be distributed TRY 2.898.216 the amount representing the distributable profit to remain after setting aside TRY 562.066 as first order legal reserves and deducting the amount of TRY 44.851.687 the net profit of affiliates and subsidiaries that are not subject to distribution out of TRY 48.311.969 representing the net profit for the year 2006 as in the consolidated financial statements for the period.

- Distributing TRY 1.509.297 (gross) corresponding to 51,99 % of TRY 2.902.846 which consists of donations of TRY 4.630 added to the net distributable profit for the period to the shareholders as dividend as of 30 July 2007,
- Setting aside the applicable tax on the dividend that is subject to taxes,
- Balance to be retained as extraordinary reserves.

Board of Directors

STATUTORY AUDITORS' REPORT

TO THE ANNUAL GENERAL MEETING OF ALARKO HOLDİNG A.Ş.

THE COMPANY'S

- * **NAME** : ALARKO HOLDING A.Ş.
- * **HEADQUARTERS** : Muallim Naci Cad. No: 69 34347 Ortaköy - İstanbul
- * **CAPITAL** : Registered : TRY 500.000.000
Issued : TRY 176.880.000
- * **PRINCIPLE BUSINESS ACTIVITY** : As indicated in the articles of incorporation

NAMES, TERMS OF OFFICE AND SHAREHOLDER/EMPLOYEE STATUS OF THE STATUTORY AUDITORS:

1. MUSTAFA AYDIN AYSAN (Term of office: 16.05.2006 - 24.07.2007 He is not a company shareholder or employee.)
2. AHMET ZEYYAT HATİPOĞLU (Term of office: 16.05.2006 - 24.07.2007 He is not a company shareholder or employee.)
3. HALİL KEMAL KAFALI (Term of office: 16.05.2006 - 24.07.2007 He is not a company shareholder or employee.)

NUMBER OF BOARD OF DIRECTORS MEETINGS PARTICIPATED IN AND BOARD OF STATUTORY AUDITORS MEETINGS HELD:

Three Board of Directors' meetings were participated in and two Board of Statutory Auditors' meetings were held.

SCOPE OF EXAMINATIONS PERFORMED ON COMPANY ACCOUNTS, BOOKS AND DOCUMENTS; DATES OF EXAMINATIONS; CONCLUSIONS REACHED:

The company's legal books of accounts and documents were examined twice for compliance with the provisions of the Turkish Commercial Code, of laws and regulations, of the company's articles of incorporation and of the general assembly and board of director regulations. The first examination occurred on July 27-28, 2006 for the first six months of the year, and the second on January 30-31, 2007 for the second six months. The results of both inspections appeared to be satisfactory.

NUMBER OF COUNTS MADE AT THE COMPANY'S CASH OFFICE AS REQUIRED BY ARTICLE 353 PARAGRAPH 1 SUBPARAGRAPH 3 OF THE TURKISH COMMERCIAL CODE AND THE CONCLUSIONS REACHED:

The company's cash office was inspected and a count made four times.

DATES OF INSPECTIONS PERFORMED AS REQUIRED BY ARTICLE 353 PARAGRAPH 1 SUBPARAGRAPH 4 OF THE TURKISH COMMERCIAL CODE AND THE CONCLUSIONS REACHED:

The company's records were checked every month to see whether or not the instruments referred to in the Turkish Commercial Code Article 353/1-4 were present. The instruments were observed to be in accordance with the records.

COMPLAINTS AND IRREGULARITIES REFERRED TO THE STATUTORY AUDITORS AND ACTION TAKEN CONCERNING THEM:

No complaints or irregularities were referred to the statutory auditors from 16.05.2006, the date they assumed their duties, to the present. We have examined the accounts and transactions of the firm Alarko Holding A.Ş. for the period January 1, 2006 to December 31, 2006 in light of the requirements of the Turkish Commercial Code, the company's articles of incorporation and other laws and regulations as well as of generally accepted accounting principles and standards.

It is our opinion that the attached balance sheet issued as of December 31, 2006, the contents of which we approve, realistically and accurately reflects the financial standing of the company on that date; that the income statement for the period January 1, 2006 to December 31, 2006 similarly reflects the results of its activities for the same period and that the proposal for profit distribution is in compliance with laws and the company's articles of incorporation.

We recommend a vote for the approval of the balance sheet and income statement and for the acquittal of the Board of Directors.

THE BOARD OF AUDITORS

Prof. Dr. Mustafa Aydın Aysan Prof. Dr. Ahmet Zeyyat Hatipoğlu Prof. Dr. Halil Kemal Kafalı

CONCLUSION

Esteemed Shareholders,

In the previous sections of our Annual Report we have summarized our activities of 2006. As customary, we made it a point to include all relevant details regarding our group of companies.

Under difficult economic conditions, we have aimed at improving and developing our group in a sound way without losing our competitive power. We are certain that we can attain our objective thanks to the assiduous, successful and result focused efforts of our employees.

We would like to thank all our esteemed shareholders who have always given us support in everything we do and will do in order to attain our goal, and wish you all a healthy and successful year.

Board of Directors