

DOĐAN ŐİRKETLER GRUBU HOLDİNG A.Ő.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2005
TOGETHER WITH AUDITOR'S REPORT**

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

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

**INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2005**

To the Board of Doğan Şirketler Grubu Holding A.Ş

1. We have audited the accompanying consolidated balance sheet of Doğan Şirketler Grubu Holding A.Ş ("Doğan Holding") at 31 December 2005 and the related consolidated statement of income for the year then ended. Our examination was made in accordance with the auditing principles issued by the Capital Market Board ("CMB") and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.
2. In our opinion, the consolidated financial statements, present fairly, in all material respects, the consolidated financial position of Doğan Holding at 31 December 2005 and the results of its operations for the year then ended in accordance with the accounting principles issued by the CMB (Note 2).

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

3. As discussed in Notes 2.7 and 45, subsequent to the issuance of financial statements of Türk Dış Ticaret Bankası A.Ş. ("Dışbank"), a Subsidiary of Doğan Holding acquired by Fortis Bank as of 4 July 2005, adjustments have been made to the provision for loan losses related to the credit cards after issuance of financial statements at 31 December 2004. The effect of these adjustments pertaining to 2004 financial year was to reduce the retained earnings by YTL16.871 thousand and was reflected to consolidated financial statements by a reduction in the 2005 opening retained earnings.
4. As discussed in Note 2.7, subsequent to the issuance of financial statements of Petrol Ofisi A.Ş. ("POAŞ") at 31 December 2004, which was a Joint Venture at 31 December 2004 and became a Subsidiary with Doğan Holding's current year acquisitions, adjustments were made to the acquisition costs of certain fixed assets for the application of Tax Law No.5024. The effect of these adjustments pertaining to 2004 financial year which were realized after the issuance of 31 December 2004 consolidated financial statements amounted to YTL 44.877 thousand (YTL 19.770 thousand with the Doğan Holding's ownership interest) and were reflected to the consolidated financial statements through reductions in 2005 opening retained earnings and deferred tax assets.

5. The consolidated financial statements include the accounts of Doğan Holding, its Subsidiaries and Joint Ventures (Note 2). Subsidiaries are companies in which Doğan Holding has the power to control the financial and operating policies for the benefit of Doğan Holding through the exercise of voting power relating to shares held by Doğan Holding and its Subsidiaries together with voting power which Doğan Holding effectively exercises relating to shares held by Doğan family members (the “control basis”) or through the actual exercise of dominant influence. Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Doğan Holding and its Subsidiaries and one or more other parties. In effect the Doğan family members allow Doğan Holding to exercise the voting power in respect of their shares held in these companies. In the consolidated financial statements the shares held by Doğan family members are treated as minority interest.

6. Additional paragraph for convenience translation into English:

As of 31 December 2005, the accounting principles described in Note 2 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board mainly with respect to the application of inflation accounting, presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

7. As explained in Note 2.4 to the consolidated financial statements, US dollar (“USD”) amounts shown in the accompanying consolidated financial statements have been included solely for the convenience of the reader and are translated from New Turkish lira (“YTL”), as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official TL exchange rate of $YTL1,3418=USD1,00$ for purchases of USD on 31 December 2005. Thus, US dollar amounts do not form a part of the consolidated financial statements prepared in accordance with generally accepted accounting standards issued by the CMB as at 31 December 2005. Such translations should not be construed as a representation that the YTL amounts have been or could be converted into USD at this or any other rate.

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

Haluk Yalçın, SMMM

İstanbul, 13 April 2006

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2005 AND 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated.)

	Notes	2005 USD(*)	2005	Restated 2004
ASSETS				
Current assets		2.363.376.510	3.171.178.602	6.970.111.826
Cash and cash equivalents	4	670.222.020	899.303.906	1.487.663.422
Marketable securities, net	5	43.799.817	58.770.595	1.323.019.288
Originated loans	45	-	-	2.864.985.006
Derivative financial instruments	46	-	-	22.346.175
Trade receivables, net	7	1.048.062.255	1.406.289.934	721.427.975
Leasing receivables, net	8	-	-	80.612.000
Due from related parties, net	9	4.793.856	6.432.396	4.442.645
Other receivables, net	10	56.259.906	75.489.542	68.111.272
Biological assets, net	11	60.358	80.988	167.027
Inventories, net	12	475.586.277	638.141.667	297.836.605
Construction contract receivables, net	13	-	-	-
Deferred tax assets	14	-	-	-
Other current assets	15	64.592.021	86.669.574	99.500.411
Non-current assets		3.603.918.585	4.835.737.955	4.775.318.930
Trade receivables, net	7	10.777.181	14.460.822	8.055.329
Leasing receivables, net	8	-	-	69.565.304
Due from related parties, net	9	-	-	-
Other receivables, net	10	6.827.395	9.160.998	3.365.330
Inventories	12	14.136.982	18.969.002	5.963.500
Originated loans	45	-	-	486.974.450
Financial assets, net	16	3.709.360	4.977.219	1.172.087.736
Goodwill/negative goodwill, net	17	2.093.412.748	2.808.941.225	1.389.003.111
Investment properties, net	18	32.257.487	43.283.096	56.994.746
Property, plant and equipment, net	19	1.179.994.220	1.583.316.244	1.299.929.230
Intangible assets, net	20	155.093.312	208.104.206	83.138.320
Deferred tax assets	14	97.926.181	131.397.349	189.535.584
Other non-current assets	15	9.783.719	13.127.794	10.706.290
Total assets		5.967.295.095	8.006.916.557	11.745.430.756

The consolidated financial statements for the year ended at 31 December 2005, have been approved by the Board of Directors at 13 April 2006 and have been signed on behalf of the Board of Directors.

(*) As explained in the Note 2.4 to the consolidated financial statements, USD amounts shown in these consolidated financial statements have been included solely for the convenience of the reader and are translated from YTL, as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official YTL exchange rate. Thus, USD amounts do not form a part of the consolidated financial statements prepared in accordance with generally accepted accounting standards issued by the CMB as at 31 December 2005.

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

**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2005 AND 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated.)

	Notes	2005 USD(*)	2005	Restated 2004
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities		1.923.400.409	2.580.818.667	7.684.581.673
Short-term borrowings, net	6	253.479.126	340.118.291	1.963.236.710
Current portion of long-term borrowings, net	6	249.293.993	334.502.680	137.359.921
Banking and customer deposits	47	-	-	4.378.172.582
Derivative financial instruments	46	-	-	13.344.723
Leasing payables, net	8	6.177.155	8.288.506	3.085.749
Other financial liabilities, net	10	535.913.536	719.088.782	494.351.028
Trade payables, net	7	727.700.701	976.428.801	520.021.832
Due to related parties, net	9	3.465.621	4.650.170	5.532.388
Insurance technical reserves	48	85.252.874	114.392.306	80.359.109
Advances received	21	3.180.331	4.267.368	6.240.902
Construction progress billings, net	13	-	-	-
Provisions	23,41	39.474.254	52.966.554	43.458.354
Deferred tax liabilities	14	-	-	-
Other current liabilities, net	15	19.462.818	26.115.209	39.418.375
Non-current liabilities		1.507.502.968	2.022.767.483	1.115.412.551
Long-term borrowings, net	6	983.047.644	1.319.053.329	899.857.009
Banking and customer deposits	47	-	-	44.574.000
Leasing payables, net	8	10.803.924	14.496.705	5.508.190
Other financial liabilities, net	10	102.033.421	136.908.444	1.893.478
Trade payables, net	7	270.088.108	362.404.223	44.395.171
Due to related parties, net	9	-	-	-
Insurance technical reserves	48	-	-	26.628.076
Advances received	21	30.452.954	40.861.774	18.509.562
Provisions	23	20.211.072	27.119.217	30.054.866
Deferred tax liabilities	14	90.865.845	121.923.791	43.992.199
Total liabilities		3.430.903.377	4.603.586.150	8.799.994.224
Minority interest	24	590.041.053	791.717.085	974.366.277
Doğan family members	24,33	53.956.043	72.398.218	80.406.163
Other	24,33	536.085.010	719.318.867	893.960.114
SHAREHOLDERS' EQUITY		1.946.350.665	2.611.613.322	1.971.070.255
Share capital	25	547.986.442	735.288.208	735.288.208
Treasury shares	25	-	-	-
Capital reserves	26	841.280.367	1.128.829.996	1.152.641.449
Share premium		469.724	630.275	630.275
Share cancellation gains		-	-	-
Revaluation fund		-	-	-
Financial assets fair value reserve		-	-	23.811.453
Inflation adjustment to shareholders' equity		840.810.643	1.128.199.721	1.128.199.721
Profit reserves	27	68.576.749	92.016.282	53.956.568
Legal reserves		5.898.860	7.915.090	7.915.090
Statutory reserves		-	-	-
Extraordinary reserves		61.761.786	82.871.964	82.871.964
Special reserves		4.164.065	5.587.343	5.587.343
Investment and property sales income to be added to the capital		-	-	-
Translation reserve		(3.247.962)	(4.358.115)	(42.417.829)
Current year profit		474.255.856	636.356.508	263.023.110
Accumulated deficit	28	14.251.251	19.122.328	(233.839.080)
Total liabilities and shareholders' equity		5.967.295.095	8.006.916.557	11.745.430.756

Commitments and contingent liabilities 31

(*) As explained in the Note 2.4 to the consolidated financial statements, USD amounts shown in these consolidated financial statements have been included solely for the convenience of the reader and are translated from YTL, as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official YTL exchange rate. Thus, USD amounts do not form a part of the consolidated financial statements prepared in accordance with generally accepted accounting standards issued by the CMB as at 31 December 2005.

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

**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated.)

	Notes	2005 USD(*)	2005	(Restated) 2004
Operating income				
Sales (net)	36	7.306.847.067	9.804.327.395	6.519.655.101
Cost of sales (-)		(6.685.712.720)	(8.970.889.328)	(5.860.367.262)
Gross operating profit		621.134.347	833.438.067	659.287.839
Operating expenses (-)	37	(408.908.463)	(548.673.375)	(395.351.421)
Net operating profit		212.225.884	284.764.692	263.936.418
Other income and profits	38	460.417.916	617.788.760	196.391.559
Other expenses and losses (-)	38	(140.067.172)	(187.942.131)	(201.596.949)
Financial (expenses)/income - net	39	(4.324.545)	(5.802.674)	(21.212.655)
Operating profit		528.252.083	708.808.647	237.518.373
Net monetary position gain	40	-	-	124.599.096
Income before taxes and minority interests		528.252.083	708.808.647	362.117.469
Minority interests	24	(23.365.969)	(31.352.457)	(33.841.249)
Income before taxes		504.886.114	677.456.190	328.276.220
Taxes on income	41	(83.020.335)	(111.396.685)	(121.940.253)
Net income from continuing operations		421.865.779	566.059.505	206.335.967
Net income from discontinued operations before minority interests	35	60.056.053	80.583.212	72.175.115
Minority interests related to discontinued operations	24	(7.665.978)	(10.286.209)	(15.487.972)
Net income		474.255.854	636.356.508	263.023.110
Weighted average number of shares with face value of YTL 1 each		735.288.208	735.288.208	735.288.208
Basic and diluted earnings/(loss) per share (USD)/(YTL)	42	0,64	0,87	0,36
- continuing operations		0,57	0,77	0,28
- discontinuing operations		0,07	0,10	0,08

(*) As explained in the Note 2.4 to the consolidated financial statements, USD amounts shown in these consolidated financial statements have been included solely for the convenience of the reader and are translated from YTL, as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official YTL exchange rate. Thus, USD amounts do not form a part of the consolidated financial statements prepared in accordance with generally accepted accounting standards issued by the CMB as at 31 December 2005.

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

**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated.)

	Share capital	Share premium	Inflation adjustment to shareholders' equity	Translation reserve	Financial assets fair value reserve	Legal reserves	Extra ordinary reserves	Other reserves	Cost increase fund	Net income for the period	Retained earnings/ Accumulated deficit	Total shareholders' equity
Balances at 31 December 2003												
- as previously reported	588.230.567	1.056.658	1.166.730.387	(23.668.533)	-	7.915.090	94.233.648	11.257.445	108.306	436.380.362	(531.710.184)	1.750.533.746
Change in accounting policy (Note 2.7)	-	-	-	-	47.548.758	-	-	-	-	(66.851.468)	19.302.710	-
Balances at 31 December 2003												
- as restated	588.230.567	1.056.658	1.166.730.387	(23.668.533)	47.548.758	7.915.090	94.233.648	11.257.445	108.306	369.528.894	(512.407.474)	1.750.533.746
Currency translation differences	-	-	-	(18.749.296)	-	-	-	-	-	-	-	(18.749.296)
Transfers	147.057.641	(426.383)	(38.530.666)	-	-	-	(11.361.684)	(5.670.102)	(108.306)	(369.528.894)	278.568.394	-
Financial assets fair value losses	-	-	-	-	(23.737.305)	-	-	-	-	-	-	(23.737.305)
Net income for the period	-	-	-	-	-	-	-	-	-	263.023.110	-	263.023.110
Balances at 31 December 2004	735.288.208	630.275	1.128.199.721	(42.417.829)	23.811.453	7.915.090	82.871.964	5.587.343	-	263.023.110	(233.839.080)	1.971.070.255
Balances at 31 December 2004												
- as previously reported	735.288.208	630.275	1.128.199.721	(42.417.829)	-	7.915.090	82.871.964	5.587.343	-	239.285.805	(186.290.322)	1.971.070.255
Change in accounting policy (Note 2.7)	-	-	-	-	23.811.453	-	-	-	-	23.737.305	(47.548.758)	-
Balances at 31 December 2004												
- as restated	735.288.208	630.275	1.128.199.721	(42.417.829)	23.811.453	7.915.090	82.871.964	5.587.343	-	263.023.110	(233.839.080)	1.971.070.255
Effect of corrections (Note 2.7)	-	-	-	-	-	-	-	-	-	-	(36.640.403)	(36.640.403)
Application of IFRS 3- correction of opening negative goodwill (Notes 2.7 and 17)	-	-	-	-	-	-	-	-	-	-	6.322.111	6.322.111
Balances at 1 January 2005	735.288.208	630.275	1.128.199.721	(42.417.829)	23.811.453	7.915.090	82.871.964	5.587.343	-	263.023.110	(264.157.372)	1.940.751.963
Currency translation differences	-	-	-	(252.142)	-	-	-	-	-	-	-	(252.142)
Effects of sale of subsidiary on translation reserve	-	-	-	38.311.856	-	-	-	-	-	-	-	38.311.856
Effects of sale of subsidiary on financial assets fair value reserve	-	-	-	-	(23.811.453)	-	-	-	-	(23.737.305)	47.548.758	-
Transfers	-	-	-	-	-	-	-	-	-	(239.285.805)	239.285.805	-
Financial assets fair value losses	-	-	-	-	-	-	-	-	-	-	(3.554.863)	(3.554.863)
Net income for the period	-	-	-	-	-	-	-	-	-	636.356.508	-	636.356.508
Balances at 31 December 2005	735.288.208	630.275	1.128.199.721	(4.358.115)	-	7.915.090	82.871.964	5.587.343	-	636.356.508	19.122.328	2.611.613.322

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

**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2005 AND 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Doğan Şirketler Grubu Holding A.Ş. (“Doğan Holding” or the “Holding”) was established on 22 October 1980 as a corporation to coordinate the activities of and liaise between companies operating in different fields including media, energy, telecommunications, tourism, manufacturing and marketing and is registered in Turkey. Doğan Holding also provides financial and managerial advisory and internal audit services to its Subsidiaries and Joint Ventures operating in these fields.

Doğan Holding is registered with the Capital Markets Board (“CMB”) and its shares have been quoted on the Istanbul Stock Exchange (“ISE”) since 21 June 1993. At 31 December 2005, the shares quoted on the ISE represent 34,29% of the total shares. At 31 December 2005, the principal shareholders and their respective shareholdings in Doğan Holding are as follows (Note 25):

	%
Doğan family and companies owned by Doğan family	65,52
Listed on ISE	34,29
Aydın Doğan Vakfi	0,19
	100,00

The address of the registered office is as follows:

Altunizade, Oymacı Sokak No: 51
Üsküdar 34662 İstanbul

The majority of Doğan Holding is organized in Turkey, and its continuing operations are in three main business segments:

- Media
- Energy
- Other

Other operations mainly comprise of trade, tourism, telecommunications, manufacturing, insurance and construction, none of which is of a sufficient size to be reported separately.

As explained in Note 35, Doğan Holding signed an agreement to sell its Subsidiaries in finance segment, which is disclosed as a main business segment as of 31 December 2004 and before. These Subsidiaries are disclosed as discontinued operations (“Discontinued operations” or “Finance Segment”). Share transfer of related Subsidiaries was finalised at 4 July 2005.

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2005 AND 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

Continuing operations:

<u>Name</u>	<u>Nature of business</u>	<u>Segment</u>
Hürriyet Gazetecilik ve Matbaacılık A.Ş. ("Hürriyet")	Newspaper publishing	Media
Doğan Gazetecilik A.Ş. ("Doğan Gazetecilik")	Newspaper publishing	Media
Yaysat Yayın Satış Pazarlama ve Dağıtım A.Ş. ("Yaysat")	Distribution	Media
DYG İlan ve Reklam Hizmetleri A.Ş. ("DYG İlan")	Advertising	Media
Doğan Ofset Yayıncılık ve Matbaacılık A.Ş. ("Doğan Ofset")	Printing services	Media
Doğan Kitapçılık A.Ş. ("AD Kitapçılık")	Book publishing	Media
Doğan Haber Ajansı A.Ş. ("DHA")	News agency	Media
Doğan Basım ve Dağıtım İşleri A.Ş. ("Doğan Basım")	Administrative services	Media
Milliyet Haber Ajansı A.Ş. ("Milha")	News agency	Media
GPS Film Prodüksiyon A.Ş. ("GPS Film")	TV broadcasting	Media
Doğan Prodüksiyon ve Ticaret A.Ş. ("Doğan Prodüksiyon")	TV broadcasting	Media
D Yapım Yayıncılık ve Reklamcılık A.Ş. ("D Yapım")	Movie/TV Production	Media
Doğan İletişim Telekomünikasyon Elektronik Servis Hizmetleri Turizm ve Yayıncılık A.Ş. ("Doğan Online")	Internet service provider	Media
Doğan Media International GmbH ("DMG")	Newspaper publishing	Media
D Finans İnternet Bilgi Hizmetleri ve Ticaret A.Ş. ("D Finans")	Internet services	Media
Doğan Müzik Yapım ve Ticaret A.Ş. ("DMC")	Music and entertainment	Media
D Market Elektronik Hizmetler ve Ticaret A.Ş. ("D Market")	Internet services	Media
Hürriyet Gazetecilik ve Matbaacılık A.Ş. Zweigniederlassung Deutchland ("Hürriyet Zweigniederlassung")	Newspaper printing	Media
Doğan Daily News Gazetecilik ve Matbaacılık A.Ş. ("Doğan Daily News")	Newspaper publishing	Media
Doğan Dağıtım Satış ve Pazarlama A.Ş. ("Doğan Dağıtım")	Distribution	Media
Milliyet İnternet Hizmetleri ve Ticaret A.Ş. ("Milliyet İnternet")	Internet services	Media
Milliyet Verlags und Handels GmbH ("Milliyet Verlags")	Newspaper publishing	Media
DTV Haber ve Görsel Yayıncılık A.Ş. ("Kanal D")	TV broadcasting	Media
Doğan TV ve Radyo Yayıncılık A.Ş. ("Doğan TV")	Investment	Media
Hür-Bim Görsel Yayıncılık A.Ş. ("Hürbim")	Information technology	Media
Alp Görsel Yayıncılık A.Ş. ("Alp Görsel")	TV broadcasting	Media
Bravo Televizyon Yayıncılık Yapımcılık Sanayi ve Ticaret A.Ş. ("Bravo TV")	TV broadcasting	Media
Fun Televizyon Yayıncılık Yapımcılık Sanayi ve Ticaret A.Ş. ("Fun TV")	TV broadcasting	Media
Galaksi Radyo Televizyon Yayıncılık Yapımcılık Sanayi ve Ticaret A.Ş. ("Galaksi Radyo")	Radio broadcasting	Media
Foreks Yayıncılık ve Reklamcılık A.Ş. ("Hür FM")	TV broadcasting	Media
İşıl Televizyon Yayıncılık Yapımcılık Sanayi ve Ticaret A.Ş. ("İşıl TV")	TV broadcasting	Media
Kanalspor Televizyon ve Radyo Yayıncılık A.Ş. ("Kanalspor")	TV broadcasting	Media
Milenyum Televizyon Yayıncılık ve Yapımcılık A.Ş. ("Milenyum TV")	TV broadcasting	Media
Radyo Kulübü Uluslararası Programlar A.Ş. ("D Radyo")	Radio broadcasting	Media
Hürriyet Radyo Prodüksiyon ve Yayın A.Ş. ("Radyo Foreks")	Radio broadcasting	Media
Tempo Televizyon Yayıncılık Yapımcılık Sanayi ve Ticaret A.Ş. ("Tempo TV")	TV broadcasting	Media
TV 2000 Televizyon Yayıncılık Yapımcılık Sanayi ve Ticaret A.Ş. ("TV 2000")	TV broadcasting	Media
DS Servis İdari Hizmetler ve Ticaret A.Ş. ("DS Servis")	Administrative service	Media

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Continuing operations (Continued):

<u>Name</u>	<u>Nature of business</u>	<u>Segment</u>
Yenibir İnsan Kaynakları Hizmetleri ve Danışmanlık A.Ş. ("Yenibir")	Internet services	Media
Egeser Servis ve İdari Hizmetler Ticaret A.Ş. ("Egeser")	Administrative service	Media
Hür Servis Sosyal Hizmetler ve Ticaret A.Ş. ("Hürservis")	Administrative service	Media
Hür Medya İlançılık ve Reklamcılık Ticaret A.Ş. ("Hürmedya")	Administrative service	Media
Medyanet İletişim Reklam Pazarlama ve Turizm A.Ş. ("Medyanet A.Ş.")	Marketing	Media
Katalog Yayın ve Tanıtım Hizmetleri A.Ş. ("Katalog")	Guide Publishing	Media
Altın Kanal Televizyon ve Radyo Yayıncılık A.Ş. ("Altın TV")	TV broadcasting	Media
Doğa Televizyon ve Yayıncılık A.Ş. ("Doğa TV")	TV broadcasting	Media
Popüler Televizyon ve Radyo Yayıncılık A.Ş. ("Popüler TV")	TV broadcasting	Media
Doğan Müzik Kitap Mağazacılık Pazarlama A.Ş. ("DMK")	Retail	Media
Birleşik Birleşik Televizyon Reklam Pazarlama A.Ş. ("Birleşik")	Advertising	Media
Birpa Birleşik Reklam Pazarlama A.Ş. ("Birpa")	Retail	Media
Medyanet İletişim Reklam Pazarlama ve Ticaret Ltd. Şti. ("Medyanet Ltd.")	Marketing	Media
Doğan Telekomünikasyon Hizmetleri Satış ve Pazarlama A.Ş. ("Doğan Telekom")	Telecommunications	Media
Doğan Faktoring Hizmetleri A.Ş. ("Doğan Faktoring")	Factoring	Media
Doğan Elektronik Müzik Eğlence Dağıtım A.Ş. ("Doğan Elektronik Müzik")	Music and entertainment	Media
Doğan Elektronik Turizm Satış Pazarlama Hizmetleri ve Yayıncılık A.Ş. ("Doğan Elektronik Turizm")	Marketing	Media
Dipar Müzik Yapımcılığı Turizm Gıda Sanayi ve Ticaret A.Ş. ("Dipar Müzik")	Music and entertainment	Media
Milpa Ticari ve Sınai Ürünler Pazarlama Sanayi ve Ticaret A.Ş. ("Milpa")	Trading	Other
Hürriyet Ticari ve Sınai Ürünler Pazarlama Sanayi ve Ticaret A.Ş. ("Hürriyet Pazarlama")	Marketing	Other
Milanur İnşaat Pazarlama Turizm Sanayi ve Ticaret Limited Şirketi ("Milanur")	Construction	Other
Doğan Otomobilcilik Ticaret ve Sanayi A.Ş. ("Doğan Oto")	Trading	Other
Doğan Havacılık Sanayi ve Ticaret A.Ş. ("Doğan Havacılık")	Aviation	Other
Doğan Yayın Holding A.Ş. ("Doğan Yayın")	Investment	Other
Çelik Halat ve Tel Sanayi A.Ş. ("Çelik Halat")	Production	Other
Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. ("Ditaş Doğan")	Production	Other
Milta Turizm İşletmeleri A.Ş. ("Milta Turizm")	Tourism	Other
D Telekomünikasyon Yatırımları A.Ş. ("D Telekomünikasyon")	Telecommunications	Other
Enteralle Handels GmbH ("Enteralle Handels")	Trading	Other
Doğan Organik Ürünler Sanayi ve Ticaret A.Ş. ("Doğan Organik")	Agriculture	Other
Doğan Elektronik Aracılık Hizmetleri Satış Pazarlama ve Yayıncılık A.Ş. ("Doğan Elektronik")	Marketing	Other
Satış Noktaları A.Ş. ("Satış Noktaları")	Distribution and marketing	Other
Doğan Müzayedecilik Satış ve Pazarlama A.Ş. ("Doğan Müzayedecilik")	Marketing	Other
Doğan Dış Ticaret ve Müessellik A.Ş. ("Doğan Dış Ticaret")	Importation and exportation	Other
Orta Anadolu Otomotiv A.Ş. ("Orta Anadolu Otomotiv")	Automotive	Other
D-Tes Elektrik Enerjisi Toptan Satış A.Ş. ("D Tes")	Electricity Distribution	Other
İşıl İthalat İhracat Müessellik A.Ş. ("İşıl İthalat İhracat")	Foreign Trade	Other
Ray Sigorta A.Ş. ("Ray Sigorta")	Insurance	Other
Zigana Elektrik Dağıtım Sanayi ve Ticaret A.Ş. ("Zigana")	Energy	Energy
Çelik Enerji Üretim A.Ş. ("Çelik Enerji")	Energy	Energy
Petrol Ofisi A.Ş. ("POAŞ") (*)	Distribution of petroleum products	Energy

(*) POAŞ has a %52 share in Kıbrıs Türk Petrolleri Ltd. ("Kipet"), a 100% share in Petrol Ofisi International Oil Trading Ltd. ("PO International"), a 100% share in PO Petrofinance N.V. ("Petrofinance") a %100 share in PO Oil Financing Ltd. ("PO Oil Financing"), a 99,96% share in Erk Petrol Yatırımları A.Ş. ("Erk Petrol"), a 99,83% share in Petrol Ofisi Alternatif Yakıtlar Toptan Satış A.Ş. ("PO Alternatif Yakıt") and a 99,5% share in Petrol Ofisi Gaz İletim A.Ş. ("PO Gaz İletim"), a 100% share in Petrol Ofisi UK Limited ("P.O. UK"). Doğan Holding classified POAŞ as a Subsidiary as the Holding increased its share in POAŞ to 92,98% as at 31 October 2005, as explained in Note 32.

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Discontinued operations:

<u>Name</u>	<u>Nature of business</u>	<u>Segment</u>
Türk Dış Ticaret Bankası A.Ş. ("Dışbank")	Banking	Finance
Dış Ticaret Faktoring A.Ş. ("Dış Faktoring")	Factoring	Finance
Dış Ticaret Finansal Kiralama A.Ş. ("Dış Leasing")	Leasing	Finance
Dış Yatırım Menkul Değerler A.Ş. ("Dış Yatırım")	Brokerage and fund management	Finance
Dış Portföy Yönetimi ("Dış Portföy")	Portfolio management	Finance
Dış Holding Malta Limited ("Dış Holding Malta")	Banking	Finance
Dışbank Malta Ltd. ("Dışbank Malta")	Banking	Finance
Dış Globus Malta ("Dış Globus")	Banking	Finance
Doğan Emeklilik A.Ş. ("Doğan Emeklilik")	Insurance	Finance
Dış Holding Niderland B.V. ("Dış Holding B.V.")	Banking	Finance
3D Güvenlik Sistemleri ve Organizasyon Ticaret A.Ş. ("3D Güvenlik")	Service	Other

The number of employees of the Holding at 31 December 2005 is 11.666 (31 December 2004: 14.694).

For the purposes of the segmental information in these consolidated financial statements, Doğan Holding's separate financial statements have been included in the "other" segment (Note 33).

All the Subsidiaries are registered in Turkey except for Hürriyet Zweigunderlassung, Milliyet Verlags, Entralle Handels, Doğan Media in Germany, Kipet in KKTC, PO International in Bahama Islands, Petrofinance in Holland, PO Oil Financing in Cayman Islands and P.O. UK Limited in U.K.

However, as the sales and the purchases of the Group are made and the assets of the Group are located mainly in Turkey, no geographic segmental information is considered necessary.

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

<u>Name</u>	<u>Nature of business</u>	<u>Segment</u>	<u>Joint venture partner</u>
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda")	Magazine publishing	Media	Burda GmbH
Doğan ve Egmont Yayıncılık ve Yapımcılık Ticaret A.Ş. ("Doğan Egmont")	Book Publishing	Media	Egmont
Ultra Kablolu Televizyon ve Telekomünikasyon Sanayi ve Ticaret A.Ş. ("Ultra Kablolu")	Telecommunications	Media	Koç Holding A.Ş.
Süper Kanal Televizyon Video Radyo Basın Yapım Yayın Tanıtım ve Haber Hizmetleri A.Ş. ("Süper Kanal")	TV broadcasting	Media	Erler Film A.Ş.
Eko Televizyon Yayıncılık A.Ş. ("CNN Türk")	TV broadcasting	Media	Turner Broadcasting Int.
Dergi Pazarlama Planlama ve Ticaret A.Ş. ("DPP")	Advertising	Media	Burda RCS Int. GmbH
İsedaş İstanbul Elektrik Dağıtım Sanayi ve Ticaret A.Ş. ("İsedaş")	Energy	Energy	Tekfen İnşaat A.Ş. and Çukurova Holding A.Ş.
Çağdaş Pazarlama Sistemleri A.Ş. in liquidation ("T.H. Çağdaş Pazarlama")	Trade	Other	RT. Exports LLC- LBO Acquisitions 2001 Ltd.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting standards

The financial statements of Doğan Holding have been prepared in accordance with the accounting and reporting principles published by the Capital Markets Board ("CMB"), namely "CMB Accounting Standards". The CMB published a comprehensive set of accounting principles in Communiqué No: XI-25 "The Accounting Standards in the Capital Markets". In the aforementioned communiqué, it has been stated that applying the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") is accepted as an alternative to conform with the CMB Accounting Standards. With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, the Holding did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by IASB in its consolidated financial statements for the accounting periods starting 1 January 2005. The consolidated financial statements of the Holding presented for the comparison purposes are expressed in the purchasing power of YTL at 31 December 2004. These consolidated financial statements and the related notes have been presented in accordance with the formats required by the CMB with the announcement dated 10 December 2004.

Doğan Holding and its Subsidiaries and Joint Ventures registered in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with the principles and obligations published by the CMB, Turkish Commercial Code (the "TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign Subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

2.2 Financial reporting in hyperinflationary periods

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

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS").

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

Indices and conversion factors used to restate the consolidated financial statements as of 31 December 2004 are given below:

Date	Index	Conversion factor	Cumulative 3-year inflation rates
31 December 2004	8.403,8	1,000	%69,7
31 December 2003	7.382,1	1,138	%181,1

The main procedures for the aforementioned restatement and the effects of ceasing inflation accounting are as follows:

- As the hyperinflationary period ceases, the current year consolidated financial statements are not restated and financial information related to previous reporting periods are expressed in terms of purchasing power of the last reporting period in which inflation adjustment was applied.
- As the hyperinflationary period ceases, the restated amount of the non-monetary assets, liabilities and equity which are expressed in terms of purchasing power at the last balance sheet date; are accepted as the opening balances of such items at 1 January 2005.
- The consolidated financial statements of the previous reporting periods are expressed in the purchasing power at the last balance sheet date in which inflation adjustment was applied.
- Inflation effect on the net monetary liability position of Doğan Holding, its Subsidiaries and Joint Ventures is reflected to consolidated statement of income as net monetary position gain in hyperinflationary periods.

2.3 New Turkish Lira

Through the enactment of the Law numbered 5083 concerning the “Currency of the Republic of Turkey” in the Official Gazette dated 30 January 2004, New Turkish lira (“YTL”) and the New Kuruş (“YKr”) have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The hundredth part of the YTL is the YKr (1 YTL=100YKr). When the prior currency, Turkish lira (“TL”), values are converted into the YTL, one million TL is equivalent to one YTL (1 YTL). Accordingly, the currency of the Republic of Turkey is simplified by removing 6 zeroes from the TL.

All references made to Turkish lira or lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to YTL at the conversion rate indicated as above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in keeping and presenting of the books, accounts and financial statements.

As stated in the announcement of CMB dated 30 November 2004, consolidated financial statements for the period ended 31 December 2005, including the prior period financial data which will be used for comparison purposes, are presented in YTL.

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

2.4 US dollar convenience translation

US dollar (“USD”) amounts shown in these consolidated financial statements have been included solely for the convenience of the reader and are translated from New Turkish lira (“YTL”), as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official YTL exchange rate of YTL 1,3418=USD 1,00 for purchases of USD on 31 December 2005. Thus, US dollar amounts do not form a part of the consolidated financial statements prepared in accordance with generally accepted accounting standards issued by the CMB as at 31 December 2005. Such translations should not be construed as a representation that the YTL amounts have been or could be converted into USD at this or any other rate.

2.5 Translation of foreign Subsidiaries’ financial statements

Financial statements of the foreign Subsidiaries are maintained in accordance with the laws and regulations in force in the countries in which they are registered, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with IFRS. The assets and liabilities of foreign Subsidiaries and associated companies are translated into New Turkish lira using the relevant foreign exchange rates prevailing at the period-end. The results of the foreign Subsidiaries and Associates are translated into New Turkish lira using average exchange rate for the period and then restated in accordance with IFRS for the transactions before 1 January 2005. Exchange differences arising on retranslation of the opening net assets of foreign Subsidiaries and Associates arising from using period-end and average exchange rates are included in the shareholders’ equity as translation reserve.

2.6 Group accounting

- (i) These consolidated financial statements include the accounts of the parent company, Doğan Holding, its Subsidiaries and its Joint Ventures (collectively referred to as the “Group”) on the basis set out in sections (i) to (v) below. The financial statements of the companies included in the consolidation are based on the accounting principles and presentation basis applied by the Group in accordance with CMB Accounting Standards.
- (ii) Subsidiaries are companies in which Doğan Holding has the power to control the financial and operating policies for the benefit of Doğan Holding either (a) through the power to exercise more than 50% of voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or by certain Doğan family members and companies whereby Doğan Holding exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them; or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies. Proportion of ownership interest represents the effective shareholding of the Group through the shares held directly by Doğan Holding and indirectly by its Subsidiaries.

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

The table below sets out all Subsidiaries included in the scope of consolidation and shows their shareholding structure at 31 December 2005 and 2004:

Company name	Proportion of voting power held by Doğan Holding and its Subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interest (%)	
	2005	2004	2005	2004	2005	2004	2005	2004
Dışbank (1)	-	62,37	-	9,11	-	71,48	-	62,37
Dış Faktoring (1)	-	100,00	-	-	-	100,00	-	61,35
Dış Leasing (1)	-	100,00	-	-	-	100,00	-	62,36
Dış Yatırım (1)	-	100,00	-	-	-	100,00	-	62,37
Dış Portföy (1)	-	100,00	-	-	-	100,00	-	62,37
Dış Holding Malta (1)	-	100,00	-	-	-	100,00	-	62,37
Dışbank Malta (1)	-	100,00	-	-	-	100,00	-	62,37
Dış Globus (1)	-	99,93	-	-	-	99,93	-	62,37
Doğan Emeklilik (1)	-	100,00	-	-	-	100,00	-	58,80
Dış Holding B.V. (1)	-	100,00	-	-	-	100,00	-	62,37
3D Güvenlik (1,3)	-	99,00	-	-	-	99,00	-	61,75
Hürriyet	60,00	60,00	-	-	60,00	60,00	39,94	40,08
Doğan Gazetecilik	79,76	79,76	0,67	0,67	80,43	80,43	53,10	53,28
Yaysat	75,00	75,00	-	-	75,00	75,00	43,27	43,42
DYG İlan	100,00	100,00	-	-	100,00	100,00	54,51	54,70
Doğan Ofset	99,89	99,89	-	-	99,89	99,89	51,89	52,07
AD Kitapçılık	99,90	99,90	0,10	0,10	100,00	100,00	53,48	53,67
DHA	90,61	90,61	-	-	90,61	90,61	47,06	47,21
Doğan Basım	100,00	100,00	-	-	100,00	100,00	39,94	40,08
Milha	100,00	100,00	-	-	100,00	100,00	58,96	59,13
GPS Film	100,00	100,00	-	-	100,00	100,00	66,57	40,08
Doğan Prodüksiyon (2)	-	63,00	-	-	-	63,00	-	29,36
D Yapım	100,00	70,00	-	-	100,00	70,00	66,57	46,76
Doğan Online	60,00	60,00	40,00	40,00	100,00	100,00	39,94	40,08
DMG	97,66	97,66	2,34	2,34	100,00	100,00	53,32	53,50
D Finans	99,92	99,92	0,08	0,08	100,00	100,00	39,91	40,05
DMC	99,17	99,17	0,02	0,02	99,19	99,19	66,02	66,25
D Market	52,63	89,97	37,33	-	89,96	89,97	21,02	36,06
Hürriyet								
Zweigniederlassung	100,00	100,00	-	-	100,00	100,00	39,94	40,08
Doğan Daily News	94,25	94,25	-	-	94,25	94,25	62,74	62,96
Doğan Dağıtım	100,00	100,00	-	-	100,00	100,00	66,55	66,79
Milliyet İnternet (3)	100,00	100,00	-	-	100,00	100,00	54,05	54,22
Milliyet Verlags	99,03	99,03	0,97	0,97	100,00	100,00	64,31	64,44
D Turizm İşletmeleri A.Ş. ("D Turizm") (1)	-	96,00	100,00	4,00	100,00	100,00	-	58,48
Kanal D	94,81	93,76	-	-	94,81	93,76	63,11	62,63
Doğan TV	100,00	100,00	-	-	100,00	100,00	66,57	66,80
Hürbim	99,92	99,92	-	-	99,92	99,92	66,52	66,75
Alp Görsel	100,00	100,00	-	-	100,00	100,00	66,57	66,80
Bravo TV	99,60	99,60	-	-	99,60	99,60	66,30	66,54
Fun TV	99,07	99,07	-	-	99,07	99,07	65,95	66,18
Galaksi Radyo	99,07	99,07	-	-	99,07	99,07	65,95	66,18
Hür FM	95,60	100,00	-	-	95,60	100,00	63,64	66,75
Işıl TV	100,00	99,06	-	-	100,00	99,06	66,57	66,18
Kanalspor	99,06	99,06	-	-	99,06	99,06	65,95	66,18
Milenyum TV	99,94	99,94	-	-	99,94	99,94	66,53	66,76
D Radyo	99,89	99,89	-	-	99,89	99,89	66,50	66,73
Radyo Foreks	99,89	99,89	-	-	99,89	99,89	66,50	66,73
Tempo TV	99,06	99,06	-	-	99,06	99,06	65,95	66,18
TV 2000	99,06	99,06	-	-	99,06	99,06	65,95	66,18
DS Servis	100,00	100,00	-	-	100,00	100,00	39,94	40,08
Yenibir	100,00	100,00	-	-	100,00	100,00	39,94	40,08
Egeser	100,00	100,00	-	-	100,00	100,00	39,94	40,08

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

Company name	Proportion of voting power held by Doğan Holding and its Subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interest (%)	
	2005	2004	2005	2004	2005	2004	2005	2004
Hürservis	100,00	100,00	-	-	100,00	100,00	39,94	40,08
Hürmedya	100,00	100,00	-	-	100,00	100,00	39,94	40,08
Medyanet A.Ş. (4)	100,00	-	-	-	100,00	-	39,94	-
Katalog (4)	100,00	-	-	-	100,00	-	66,57	-
Altın Kanal (4)	100,00	-	-	-	100,00	-	66,57	-
Doğa TV (4)	100,00	-	-	-	100,00	-	66,57	-
Popüler TV (4)	99,99	-	-	-	99,99	-	66,57	-
DMK	99,98	99,98	-	-	99,98	99,98	66,56	66,79
Birmaş	100,00	100,00	-	-	100,00	100,00	66,46	66,70
Birpa	96,50	64,94	3,50	35,06	100,00	100,00	64,24	43,38
Medyanet Ltd.	97,00	97,00	-	-	97,00	97,00	38,74	56,58
Doğan Telekom (4)	100,00	-	-	-	100,00	-	39,94	-
Doğan Faktoring	100,00	100,00	-	-	100,00	100,00	65,54	65,79
Doğan Elektronik Müzik (4)	99,99	-	0,01	-	100,00	-	39,94	-
Doğan Elektronik Turizm (4)	100,00	-	-	-	100,00	-	39,94	-
Dipar Müzik (5)	99,96	-	-	-	99,96	-	63,90	-
Milpa	65,00	65,00	0,50	0,50	65,50	65,50	65,00	65,00
Hürriyet Pazarlama	97,43	96,14	2,57	3,86	100,00	100,00	38,91	38,55
Milanur	99,99	100,00	0,01	-	100,00	100,00	65,00	65,00
Doğan Oto	99,76	99,76	0,24	0,24	100,00	100,00	99,76	99,76
Doğan Havacılık	100,00	100,00	-	-	100,00	100,00	84,48	82,29
Doğan Yayın	66,57	66,80	3,14	3,14	69,71	69,94	66,57	66,80
Çelik Halat	62,44	62,44	-	-	62,44	62,44	57,53	57,53
Ditaş Doğan	50,94	50,94	-	-	50,94	50,94	50,94	50,94
Milta Turizm	95,46	95,46	2,34	2,34	97,80	97,80	95,46	95,46
D Telekomünikasyon (3)	65,00	65,00	35,00	35,00	100,00	100,00	65,00	65,00
Enteralle Handels (3)	95,48	95,48	4,52	4,52	100,00	100,00	62,06	62,06
Doğan Organik	99,00	100,00	1,00	-	100,00	100,00	98,98	99,48
Doğan Elektronik	96,00	96,00	-	-	96,00	96,00	38,34	38,48
Satış Noktaları	100,00	67,00	-	-	100,00	67,00	66,56	44,76
Doğan Müzayedecilik	96,00	96,00	-	-	96,00	96,00	38,34	38,48
Doğan Dış Ticaret	100,00	100,00	-	-	100,00	100,00	66,10	66,34
Orta Anadolu Otomotiv	85,00	85,00	-	-	85,00	85,00	33,08	32,77
CH Investment B.V. (6)	-	100,00	-	-	-	100,00	-	57,53
CH UK Limited (6)	-	100,00	-	-	-	100,00	-	57,53
CH Bulgaria (6)	-	100,00	-	-	-	100,00	-	57,53
D Tes (3)	99,60	99,60	-	-	99,60	99,60	64,74	64,74
İşıl İthalat İhracat (5)	96,70	-	-	-	96,70	-	63,92	-
Ray Sigorta	78,20	67,32	-	-	78,20	67,32	78,20	41,99
Zigana	65,00	65,00	4,99	4,99	69,99	69,99	65,00	65,00
Çelik Enerji	99,75	99,75	-	-	99,75	99,75	57,49	57,49
POAŞ (7)	92,98	47,42	-	-	92,98	47,42	92,98	47,42

(1) Group has sold these Subsidiaries in 2005 (Note 35).

(2) This Subsidiary of the Group merged with CNN Türk and all assets and liabilities were transferred to CNN Türk.

(3) These Subsidiaries have been excluded from the scope of consolidation on the grounds of materiality.

(4) These Subsidiaries of the Group were established in 2005.

(5) This Subsidiary of the Group was acquired in 2005.

(6) These Subsidiaries of the Group were liquidated in 2005.

(7) POAŞ, which was a Joint Venture at 31 December 2004, became a Subsidiary resulting from Group's current year acquisitions.

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

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

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

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

The table below sets out all Joint Ventures included in the scope of consolidation and shows their shareholding structure at 31 December 2005 and 2004:

Company name	Proportion of voting power held by Doğan Holding and its Subsidiaries (%)		Proportion of voting power held by Doğan family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interest (%)	
	2005	2004	2005	2004	2005	2004	2005	2004
Doğan Burda	40,72	40,72	-	2,02	40,72	42,74	27,11	27,20
Doğan Egmont	50,00	50,00	-	-	50,00	50,00	33,29	33,40
Ultra Kabloolu	50,00	50,00	-	-	50,00	50,00	33,29	33,40
Digital Hizmetler (*)	-	50,00	-	-	-	50,00	-	27,23
Süper Kanal	49,00	49,00	-	-	49,00	49,00	32,62	32,73
CNN Türk	75,04	78,03	-	-	75,04	78,03	49,96	52,12
DPP	46,00	46,00	10,00	10,00	56,00	56,00	21,30	21,38
İsedaş	40,00	40,00	5,00	5,00	45,00	45,00	40,00	40,00
T.H. Çağdaş Pazarlama (**)	50,00	50,00	-	-	50,00	50,00	32,54	32,54

(*) This Joint Venture of Doğan Holding was sold in 2005.

(**) This Joint Venture of Doğan Holding has been excluded from the scope of consolidation on the grounds of materiality.

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

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

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

- (v) Results of Subsidiaries are included or excluded from their effective dates of acquisition and disposal, respectively.

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

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

2.7 Comparative information, changes in accounting policies and restatement of prior period financial statements

Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current year so that the reclassification will result in a more appropriate presentation of events or transactions.

As discussed in Notes 14 and 28, subsequent to the issuance of the financial statements of POAŞ at 31 December 2004 and became a subsidiary with Doğan Holding's current year acquisitions, adjustments have been made to the acquisition costs of certain fixed assets for the application of Tax Law No. 5024. The effect of these adjustments pertaining to 2004 financial year which were realised after the issuance of 31 December 2004 consolidated financial statements, amounted to YTL 44.877.447 (YTL 19.769.703 with the Holding's ownership interest) and were reflected to the consolidated financial statements through reductions in 2005 opening retained earnings and deferred tax assets.

Subsequent to the issuance of financial statements of Dışbank, a Subsidiary of Doğan Holding acquired by Fortis Bank as of 4 July 2005, adjustments have been made to the provision for loan losses related to the credit cards after issuance of financial statements at 31 December 2004. The effect of these adjustments pertaining to 2004 financial year were reflected to the consolidated financial statements by the reductions in the 2005 openings discontinued operations' originated loans, minority interests and retained earnings amounting to YTL 38.500.000, YTL 10.079.300 and YTL 16.870.700 respectively and an increase in 2005 opening discontinued operations' deferred tax assets amounting to YTL 11.550.000.

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

IAS 39 – Financial Instruments: Regulations and Measurement has been revised effective from the annual period beginning on or after 1 January 2005. In accordance with the revised standard, gains and losses on available-for-sale financial assets should be directly recognised in equity until the financial assets is derecognized.

The Group changed its accounting policy on available-for-sale financial assets as required by IAS 39. Accordingly, the Group applied the accounting policy change retrospectively, and the gains and losses recognized on the statements of income until 31 December 2004 are adjusted to statements of equity and restated as if the new accounting policy mentioned above had always been in use.

The Group also excluded the amount of negative goodwill arising from the prior periods' acquisitions from the consolidated financial statements and adjusted in the opening retained earnings according to the International Financial Reporting Standard 3 ("IFRS 3") "Business Combinations".

2.8 Offsetting

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies for Subsidiaries and Joint Ventures have been changed to ensure consistency with the policies adopted by the Group, where necessary. As explained in Note 35, Doğan Holding signed an agreement to sell its Subsidiaries in finance segment and the operations of these Subsidiaries are disclosed as discontinued operations. The significant accounting policies, other than Group accounting which is described in Note 2.6, followed in the preparation of these consolidated financial statements are summarized for continuing and discontinued operations below:

A. Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them and joint ventures are considered and referred to as related parties (Note 9).

B. Marketable securities / Investments

The Group classifies its marketable securities and investments as trading, held-to-maturity and available-for-sale.

"Trading investments" are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit making exists. Trading securities are initially recognized at cost of purchase including the transaction costs. Trading securities are subsequently re-measured at fair value. All related realized and unrealized gains and losses are included in "revenues" for the Subsidiaries in the finance segment and in the "financial income" for companies in non-finance segments. Dividends received are recognized as dividend income in the consolidated statement of income.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt securities with fixed maturity, where management has both the intent and the ability to hold to the maturity excluding the financial assets classified as originated loans and advances to customers, are classified as “held-to-maturity investments”. Held-to-maturity investments are initially recognized at cost and subsequently are carried at amortized cost using the effective yield method.

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or client’s servicing activity are classified as “available-for-sale”. These are included in non-current assets unless management has the intention of holding these investments for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The appropriate classification of investments is determined at the time of the purchase and re-evaluated by management on a regular basis. Available-for-sale investments are initially recognized at cost. Available-for-sale investments are subsequently re-measured at fair value. Unrealized gains and losses arising from the changes in the fair values of available-for-sale investments are accounted directly in shareholders’ equity rather than consolidated statement of income.

Available-for-sale equity investments in which the Group, together with Doğan family members, has an interest below 20%, or above 20% over which the Holding does not exercise a significant influence, or which are immaterial and that do not have quoted market price in active markets and whose fair values cannot be measured reliably, are carried at cost, which includes the restatement of this cost before 1 January 2005 to the equivalent purchasing power at balance sheet day, less any provision for diminution in value.

All purchases and sales of investments for the finance sector are recognized on the delivery date and for all purchases and sales in the other sectors, on the trade date.

C. Sale and repurchase agreements

Finance:

Securities sold subject to linked repurchase agreements (“repo”) in, the finance segment are retained in the financial statements as investments and a counterparty liability is included in amounts due to other banks or customer deposits as appropriate (Note 47). The difference between sales and repurchase prices is treated as interest and amortized over the life of repo agreements using the effective yield method.

Non finance:

Securities purchased under agreements to resell (“reverse repo”) are recorded as due from other banks (Note 4). The difference between sales and repurchase prices is treated as interest and amortized over the life of reverse repo agreements using the effective yield method.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Trade receivables and provision for doubtful receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables that deferred financial income is netted-off and calculated by discounting amounts that will be collected of trade receivables recorded in the original invoice value in the subsequent periods using the effective yield method. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 7).

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

E. Loans and advances to customers originated by the Group and provisions for loan impairment

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

i) Loans and advances to customers

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

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all the amounts due. The amount of the provision for impaired loans and loans under legal follow-up is the difference between the carrying amount and the recoverable amount, being the net present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans (Note 45).

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

The movement in provision is charged against the income for the year. When a loan is deemed uncollectible, it is written-off against the related provision for impairment. The loan is written-off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Subsequent recoveries are credited to the income statement if previously written-off.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) Debt securities

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

F. Factoring receivables

Factoring receivables that are created by way of providing money directly to third parties are recorded net of provisions and are carried at amortized cost. The level of the provision is based on management's evaluation of the portfolio including such factors as the volume and character of receivables, past pattern of losses and general economic conditions. The movement in provision made during the year is charged against the income for the year. Receivables that cannot be recovered are written-off and charged against the provision for losses. These receivables are written-off after all the necessary legal proceedings have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction of the charge for provision for factoring receivables for the year (Note 45).

G. Inventories

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

H. Investment properties

Buildings and land held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, or for administrative purposes or sale in the ordinary course of business, are classified as investment property. Investment properties are carried at cost less accumulated depreciation. Investment properties (except land) are depreciated on a straight-line basis. Depreciation is calculated on the values of investment properties (Note 18). The depreciation periods for investment property, which approximate the economic useful lives of such assets, are 50 years.

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

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation. Property, plant and equipment are depreciated on a straight-line basis (Note 19).

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Land improvements	2 - 50 year
Buildings	4 - 50 year
Machinery and equipment	2 - 28 year
Motor vehicles	2 - 17 year
Furniture and fixtures	2 - 50 year
Leasehold improvements	3 - 25 year
Other fixed assets	1 - 50 year

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

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

J. Leases

i) The Group as the lessee

Financial Lease

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments under "property, plant and equipment"; payables resulting from the financial lease are recorded at "financial lease obligations". Property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset. Financial lease obligations are recorded in the consolidated financial statements at the purchase cost of related property, plant and equipment. Lease payments are treated as comprising capital and interest elements. The capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged to the statement of income.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operational Lease

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

ii) The Group as the lessor

Financial Lease

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

Operational Lease

Under operational leasing, assets subject to leasing agreements are recorded as property, plant and equipment and the income obtained is charged to the consolidated income statement in equal portions over the period of the lease. Leasing income (net of any incentives received from the lessee) is charged to the income statement on a straight-line basis over the period of the lease.

K. Goodwill / (Negative goodwill) and amortization

Goodwill and negative goodwill arising on consolidation, indicating the difference between the purchase price and the attributable share of the Group in the fair value of the underlying net assets of the company acquired, are capitalized and amortized using the straight-line method over the useful life until 31 December 2004, if the acquisition is before 31 March 2004. Within framework of IFRS 3 "Business Combinations", amortisation accounting is not applied for goodwill related to the acquisitions after 31 March 2004, and the carrying value of goodwill is reviewed and adjusted for permanent impairment where it is considered necessary (Note 17). Any negative goodwill arising from the acquisitions after 31 March 2004 is recorded as income in the related period. According to IFRS 3, goodwill associated with the transactions before 31 March 2004 will not be amortized starting from the beginning of the first annual period beginning on or after 31 March 2004 and it will be reviewed annually for impairment. The carrying amount of negative goodwill arising from prior periods' which was presented in the consolidated financial statements are adjusted to retained earnings as of 1 January 2005, in accordance with IFRS 3.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Intangible assets

Intangible Assets comprise territorial and cable broadcasting permissions and licenses, brand name, acquired computer software, intellectual property, trademarks and other identified rights. They are recorded at their acquisition cost and amortised using the straight-line method over their estimated useful lives for a period not exceeding 20 years (except territorial and cable broadcasting permissions and licenses) from the date of acquisition. Territorial and cable broadcasting permissions and licenses are not amortised because of their unlimited useful lives. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount. The right of marina usage held by the Subsidiary, Milta Turizm, is amortized in 49 years in accordance with the agreement signed with Privatization Administration (Note 20).

Costs associated with developing computer software programs and development of the services rendered are generally expensed as incurred. However, cost associated with identifiable and unique products, which will be controlled by the Group and have future economic benefits extending beyond one year, are recognized as an intangible asset. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated economic lives for the period not exceeding 10 years from date of acquisition (Note 20).

Programme rights are initially recognized at acquisition cost or production cost when the Group controls, in substance, the respective assets and the risks and rewards attached to them (Note 20).

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

-Soaps, in-house productions, domestic series, game shows, music shows, children's programmes, sport programmes and other events and documentaries are fully consumed upon the first transmission and the current year charge is included as cost of sales in the consolidated statement of income.

-Foreign movies, foreign series and domestic films are recognized at the acquisition cost of the broadcasting right and they are amortized upon the number of transmissions over the life of the contract.

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

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Programme stocks

Programme stocks comprise internal/external productions that have been produced but not yet broadcasted. Current programme stocks are recognized at acquisition or production cost and they are not subject to amortization. These programmes are charged to income upon the first transmission and included as cost of sales in the consolidated statement of income (Note 15).

N. Deferred income taxes

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

The principal temporary differences arise from the differences between the carrying amount and the tax bases of property, plant and equipment, intangible assets, inventory and leasing receivables, provision for employment termination benefits and tax losses carried forward.

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

Deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and deferred tax assets and liabilities are offset accordingly (Note 14).

O. Provisions

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

P. Borrowings and borrowing costs

Borrowings are recognized initially at proceeds received, net of transaction costs incurred. Bank borrowings are subsequently stated at amortized cost using the effective yield method; any difference between the proceeds and redemption value is recognized in the consolidated statement of income over the period of the borrowings.

R. Eurobonds

Eurobonds are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. Eurobonds are subsequently stated at amortized cost using the effective yield method; any difference between the proceeds and redemption value is recognized in the consolidated income statement over the period of the Eurobonds.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Murabaha syndication

Murabaha syndication, a type of stock purchase on a term basis, is recognized initially at proceeds received, net of transaction costs incurred. Bank borrowings are subsequently stated at amortized cost using the effective yield method; any difference between the proceeds and redemption value is recognized in the consolidated income statement over the period of the Murabaha syndication.

T. Insurance reserves

Life assurance provision

The Subsidiaries dealing in life assurance are required to establish benefit reserves which on aggregate must be sufficient to provide for future guaranteed benefits as they become due. The life assurance provision is based on the level of premiums (as adjusted by commission), and administrative expenses and risk premiums that are computed on the basis of worldwide actuarial mortality assumptions applicable for Turkish insurance companies as approved by the Insurance Supervisory Office. The life assurance provision also takes account of the net rate of return on investments. These provisions are accounted for in the consolidated financial statements based on the approved tariffs. Life mathematical reserves are calculated on the life policies in force at period-end and life profit share reserves are calculated for the collections made from the life insurance policies in the period. Subsidiaries allocate the income generated from the life policies with a saving clause, based on the number of funds and income from the funds.

Claims and claim provisions

The claims provision is the total estimated ultimate cost of settling all claims arising from events which have occurred up to the end of the accounting period. Claims provision is determined in accordance with expert reporting or first evaluation of insure and experts.

Incurred but not reported claims (IBNR) are also provided for under claim provisions.

Unearned premiums reserve

Unearned premiums set aside to provide for the period of risk extending beyond the date of the balance sheets, calculated on accrued premium on a daily basis for the policies in force.

U. Employment termination benefits

Employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law and Press Labour Laws for the companies in the media segment (Note 23).

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Share capital and dividends

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

Y. Revenue recognition

Finance:

Interest income and expenses are recognized in the consolidated income statement on an accrual basis. When loans and advances to customers are considered doubtful of collection by management, they are written down to their recoverable amount, and interest income is thereafter recognized based at the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. Interest income includes coupons earned on fixed income investment securities and amortized discount and premium on treasury bills and government bonds.

Fee and commission income and expenses on banking services are recorded as income or expense at the time of affecting the transactions to which they relate.

Premium income on life insurance services represents premiums on policies written during the year, net of cancellations for the life, health and personal accident branches.

Non-Finance:

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

Premium income on non-life insurance services represents premiums on policies written during the year, net of cancellations.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Z. Research and development costs

Research and development costs are recognized as an expense in the consolidated statement of income in the period in which they are incurred.

i. Barter agreements

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

ii. Cash and cash equivalents

Cash and cash equivalents include cash and amounts due from banks, and highly liquid investments with maturity periods of less than three months.

iii. Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts, currency and interest rate swap instruments and other derivative financial instruments are initially recognized in the balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. All derivative financial instruments are classified as held-for-trading. Certain derivative transactions, while providing effective economic hedges under the Group's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held-for-trading with fair value gains and losses reported in the consolidated statement of income.

Forward foreign exchange contracts and currency swap contracts are valued at quoted market prices or discounted cash flow models as appropriate. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

iv. Financial instruments and financial risk management

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

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

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency risk

Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposures.

Finance:

Market volatility is closely monitored and by preparing scenario analysis, the probable loss which is likely to occur at the time of the realization of the worst scenario is forecasted. Daily currency movements and their impact on the current position are evaluated and presented to the management. Trading portfolio limits are determined on daily basis. Both the daily Value at Risk (“VaR”) reports, and scenario analysis performed at certain periods are used to assess the risks faced. Foreign currency risk is assessed within this framework and monitored for breaches of the pre-determined limits.

Non-finance:

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by the analysis of the foreign currency position.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets.

Finance:

These exposures are managed on a portfolio basis by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Special emphasis is given to providing a balance between the duration of assets and liabilities. Duration, gap and sensitivity analyses are the main methods used to manage the risks. Furthermore, various simulation techniques are employed in order to analyse the effects of market volatilities.

Non-finance:

These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funding risk

Finance:

To minimize this risk, cash flows on specific dates are identified. Hence, the risk is determined and precautions are held. Therefore, periodic gap reports and flows in maturities are used as a reference to keep the specified liquidity risks within a pre-specified range.

Non-finance:

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

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements.

Finance:

Customers' financial structure, morality, credit reports, credit needs, Bank's lending policies and economic conjuncture are taken into consideration in credit limit allocation. The loans extended to debtor companies and Groups are monitored on a weekly basis based on the following dimensions: New Turkish lira/Foreign Currency; Cash/Non-cash; Line of Business (corporate, commercial, SME, Consumer); Financial (Banks and Subsidiaries)/Non-financial; sector; maturity; rating; concentration; and loan type.

Non-finance:

These risks are monitored by limiting the aggregate risk to any individual counterparty. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases.

Fair value of financial instruments

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

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

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

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Monetary assets

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

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

Originated loans are carried at amortized cost, less any provision for loan losses. The fair values of originated loans are considered to approximate their amortized cost calculated based on the market interest rates.

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

The values of trading securities, available-for-sale securities and held-to-maturity securities, which have been determined by reference to market value, are considered to approximate fair values.

Monetary liabilities

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

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

v. (Loss)/Earnings per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares in existence during the year has been adjusted in respect of bonus share issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year, as if the event had occurred at the beginning of the earliest period reported (Note 42).

vi. Discontinued operations

Discontinued operations are the part of a Group which either are classified as held-for-sale or have been disposed of and whose activities and cash flows can be treated separable from the Group's whole activities and cash flows. Discontinued operations; represent separate business or geographical segment, are parts of the plans to sell or dispose thereof, or is a subsidiary acquired for selling. The Group's discontinued operations have been valued with the lower of the book values of related asset and liabilities of the discontinued operations, or market values thereof net of costs incurred to dispose of them (Note 35).

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NOTE 4 - CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents at 31 December 2005 and 2004 are as follows:

	2005			2004		
	Finance	Other	Total	Finance	Other	Total
Cash	-	1.557.622	1.557.622	60.721.480	1.056.876	61.778.356
Banks						
- demand deposits	-	69.127.762	69.127.762	4.760.576	17.322.062	22.082.638
- time deposits	-	815.940.615	815.940.615	9.537.088	184.908.119	194.445.207
- blocked bank accounts	-	12.027.157	12.027.157	216.346.872	2.002.289	218.349.161
- reverse repurchase agreements	-	650.750	650.750	13.230.000	2.543.490	15.773.490
Placements with banks	-	-	-	513.184.598	-	513.184.598
Reserve deposits with the Central Bank of Turkey	-	-	-	462.049.972	-	462.049.972
	-	899.303.906	899.303.906	1.279.830.586	207.832.836	1.487.663.422

At 31 December 2005, interest rates for local currency time deposits are between 10% and 19% (31 December 2004: 17%-29%), and interest rates for foreign currency time deposits are between 1% and 5% (31 December 2004: 1%-7%). At 31 December 2005, the amount of reverse repurchase agreements is YTL 650.750 (31 December 2004: YTL 15.773.490). These are all short-term with periods of less than three months with interest rates between 13% and 15% (31 December 2004: 18%-25%).

At 31 December 2005, YTL 11.884.467 (31 December 2004: YTL 2.000.988) of the deposits have been provided to collateralise the bank borrowings obtained by the Group and the related parties. YTL 46.020 (31 December 2004: YTL 1.301) of the deposits have been provided to collateralise the remittance commission obtained from the Group's campaign owners.

At 31 December 2005, subsidiaries in the insurance sector have deposit investments amounting to YTL 96.670 (31 December 2004: YTL 7.096.872) in a blocked account with a state bank in favour of the Undersecretariat of Treasury as required by Insurance Supervisory Law.

Cash and cash equivalents included in the consolidated statements of cash flows for the year ended 31 December 2005, 2004 and 2003 are as follows:

	2005	2004	2003
Cash and amounts due from banks (excluding accrued interest) (Note 43)	777.152.948	737.720.976	1.034.448.435

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NOTE 5 - MARKETABLE SECURITIES

a) Trading Securities

The breakdown of trading securities at 31 December 2005 and 2004 is as follows:

	2005			2004		
	Finance	Other	Total	Finance	Other	Total
Government bonds	-	17.725.328	17.725.328	230.894.736	25.092.672	255.987.408
Eurobonds	-	-	-	39.970.938	2.769.948	42.740.886
Treasury bills	-	-	-	83.016.333	31.470.388	114.486.721
Equity stocks	-	7.370.899	7.370.899	1.514.069	6.470.157	7.984.226
Corporate bonds	-	-	-	2.154.402	-	2.154.402
Other	-	1.567.732	1.567.732	7.757.551	-	7.757.551
	-	26.663.959	26.663.959	365.308.029	65.803.165	431.111.194

At 31 December 2005, the Group holds trading securities amounting to YTL 26.663.959 in local currency (31 December 2004: YTL 336.697.308 in local currency and YTL 94.413.886 in foreign currency).

The interest rates for government bonds held at 31 December 2005 for local currency are between 14% and 15% (31 December 2004: the interest rates for treasury bills and government bonds for local currency 17%-29%, the interest rates for treasury bills and government bonds for foreign currency 3%-11%).

Equity stocks of the Subsidiaries and Joint Ventures held by the Group classified under trading securities at 31 December 2005 and 2004 are as follows:

	2005	2004
POAŞ	6.672.589	3.860.174
Dışbank	-	3.219.383
Ray Sigorta	250.390	136.030
	6.922.979	7.215.587

b) Securities available-for-sale

Debt Securities:

	2005			2004		
	Finance	Other	Total	Finance	Other	Total
Government bonds	-	-	-	408.098.375	-	408.098.375
Treasury bills	-	-	-	155.919.117	-	155.919.117
Corporate bonds	-	-	-	12.781.000	-	12.781.000
Other	-	-	-	1.195.601	-	1.195.601
	-	-	-	577.994.093	-	577.994.093

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NOTE 5 - MARKETABLE SECURITIES (Continued)

c) Securities held-to-maturity

The breakdown of securities held-to-maturity at 31 December 2005 and 2004 is as follows:

	2005			2004		
	Finance	Other	Total	Finance	Other	Total
Government bonds	-	16.133.252	16.133.252	291.119.947	-	291.119.947
Treasury bills	-	15.973.384	15.973.384	9.923.054	-	9.923.054
Corporate bonds	-	-	-	12.871.000	-	12.871.000
	-	32.106.636	32.106.636	313.914.001	-	313.914.001

At 31 December 2005, investment securities held-to-maturity amounting to YTL 21.224.684 (31 December 2004: YTL 17.539.848) have been pledged by a government bank in favour of the Undersecretariat of the Treasury for the legal requirements of the Group's insurance companies.

The interest rates for government bonds and treasury bills held to maturity at 31 December 2005 varies between 14% and 18% (31 December 2004: 24%-26%).

At 31 December 2005, the net unrealised gain on investment securities held-to-maturity amounts to YTL 1.785.829 (31 December 2004: YTL 41.227.000).

The breakdown of debt securities, classified as investment securities available-for-sale and held-to-maturity, as per their maturities at 31 December 2005 and 2004 are as follows:

	2005	2004
1-30 days	9.925.751	13.847.034
31-90 days	-	8.445.175
91 days - 1 year	22.180.885	869.615.885
	32.106.636	891.908.094

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NOTE 6 - BORROWINGS (Continued)

The redemption schedules of long-term borrowings at 31 December 2005 and 2004 are summarised below:

	2005			2004		
	Finance	Other	Total	Finance	Other	Total
2006	-	-	-	115.076.888	306.556.753	421.633.641
2007	-	180.026.033	180.026.033	15.493.454	202.171.448	217.664.902
2008 and after	-	1.139.027.296	1.139.027.296	32.541.122	228.017.344	260.558.466
	-	1.319.053.329	1.319.053.329	163.111.464	736.745.545	899.857.009

As of 31 December 2005, interest rates for local currency bank borrowings are between 0% and 24% (31 December 2004: 0%-32%), and for foreign currency bank borrowings 3% to 9% (31 December 2004: 3%-13%).

Eurobond

The issue and sale procedures of Eurobond performed by PO Oil Financing Limited, a subsidiary of POAŞ, were completed by 22 July 2004 and the Eurobond issued with a nominal value of USD 175.000.000 are registered at Luxembourg Stock Exchange. The Eurobond issued has a maturity of five years; beginning on 22 July 2004 and maturing on 22 July 2009. The Eurobond has a fixed interest rate of 9,75% and the interest will be paid semi-annually. At 31 December 2005, the short-term and the long-term amortized cost of the bonds held outside the Group calculated using the effective yield method amounts to YTL 22.217.056 and YTL 220.344.759 respectively.

Murabaha syndication

POAŞ signed a murabaha syndication agreement at 15 July 2004 for an amount of USD 92.500.000, at which Citi Islamic Bank E.C, and Kuveyt Türk Evkaf Finans Kurumu A.Ş. participated and Citi Islamic Investment Bank E.C was also the agent. The murabaha syndication has a fixed interest rate and a maturity date of 14 July 2006. The effective fixed interest rate is 6,89%. At 31 December 2005, the total amount of murabaha syndication YTL 96.957.790 is short-term.

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	2005	2004
<u>Short-term trade receivables</u>		
Trade receivables - net of unearned finance income	980.028.298	549.971.018
Notes receivables - net of unearned finance income	507.442.752	216.693.638
Deposits and guarantees given	4.900.348	1.646.009
Other	592.391	5.961.232
	1.492.963.789	774.271.897
Less: Provision for doubtful receivables	(86.673.855)	(52.843.922)
	1.406.289.934	721.427.975
<u>Long-term trade receivables</u>		
Trade receivables - net of unearned finance income	7.444.782	3.307.464
Notes receivables - net of unearned finance income	5.659.740	4.321.777
Deposits and guarantees given	1.356.300	426.088
	14.460.822	8.055.329
Movement of the provisions for doubtful receivables in 2005 and 2004 is as follows:		
	2005	2004
1 January	52.843.922	29.530.838
Increase in provision	26.913.462	29.603.162
Monetary gain	-	(3.607.594)
Acquisition of Subsidiaries	13.291.698	-
Collections	(5.577.461)	(2.682.484)
Decrease in Joint Venture ownership rate	(797.766)	-
31 December	86.673.855	52.843.922
<u>Short-term trade payables:</u>		
	2005	2004
Trade accounts payable - net of unincurred credit finance charges	964.442.597	508.647.446
Notes payable - net of unincurred credit finance charges	9.757.563	8.533.725
Deposits and guarantees received	224.966	712.393
Other	2.003.675	2.128.268
	976.428.801	520.021.832
<u>Long-term trade payables</u>		
Trade accounts payable - net of unincurred credit finance charges (*)	354.597.348	38.547.200
Deposits and guarantees received	7.806.875	5.847.971
	362.404.223	44.395.171

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

(*) The long-term trade payables of POAŞ, the Group's subsidiary, mainly consists of letters of credit payable that is related to purchasing fuel-oil taken from different banks. The letters of credit amounted to YTL 323.849.973 (USD 167.950.617; EUR 62.043.361) included in long-term trade payables. The long-term USD letters of credit weighted average interest rate is 5,48%, the EUR letter of credits' weighted average interest rate is 3,71%.

The redemption schedule of long-term payables is summarized below:

Year	2005	2004
2006	-	20.322.348
2007	342.729.719	10.441.119
2008 and after	19.674.504	13.631.704
	362.404.223	44.395.171

NOTE 8 - LEASING RECEIVABLES AND PAYABLES

(i) Leasing receivables

	2005	2004
Short term leasing receivables	-	80.612.000
Long term leasing receivables	-	69.565.304
	-	150.177.304

(ii) Leasing payables

	2005	2004
Short term leasing payables	8.288.506	3.085.749
Long term leasing payables	14.496.705	5.508.190
	22.785.211	8.593.939

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NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) **Amounts due from and due to related parties:**

Due from related parties:	2005	2004
D Yapı ve İnşaat Sanayi ve Ticaret A.Ş. ("D Yapı")	3.767.330	1.513.490
Biryay Satış Pazarlama ve Tic. A.Ş. ("Biryay")	2.147.000	2.079.000
Ortadoğu Otomotiv Ticaret A.Ş. ("Ortadoğu Otomotiv")	190.018	63.137
Alo Teledünya A.Ş. ("Alo Teledünya")	-	342.762
Other	328.048	444.256
	6.432.396	4.442.645

Due to related parties:	2005	2004
D Yapı	3.874.915	5.003.568
Adilbey Holding A.Ş. ("Adilbey Holding")	455.002	55.652
D Tes	182.701	439.825
Other	137.552	33.343
	4.650.170	5.532.388

Credits taken from related parties:	2005	2004
Born Investment Holding Company S.A.	4.025.000	8.479.000
	4.025.000	8.479.000

ii) **Transactions with related parties:**

Service and product purchases:	2005	2004
Raw materials purchases	237.732.000	232.704.000
Other product and service purchases	18.716.100	9.069.519
	256.448.100	241.773.519

Raw material purchases consist of paper imported from related companies through Doğan Dış Ticaret ve Mümessillik A.Ş..

Service and product sales:	2005	2004
Service and product sales	5.611.485	10.439.830

Financial income/(expense):	2005	2004
Financial expenses from discontinued operations	(8.649.129)	(20.759.852)
Financial incomes from continuing operations	1.259.699	469.182
Financial expenses from continuing operations	(914.328)	(299.293)
	(8.303.758)	(20.589.963)

Other transactions:	2005	2004
Çamtepe İnşaat Yatırım ve Ticaret A.Ş. (*)	26.000.000	-
	26.000.000	-

(*) Hürriyet Gazetecilik ve Matbaacılık A.Ş., a Subsidiary, sold 23.373 m² of land located in Şişli with a fair value of YTL 22.000.000 to a related party Çamtepe İnşaat Yatırım ve Ticaret A.Ş. for YTL 26.000.000.

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NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	2005	2004
Other short-term receivables		
Special Consumption Tax (“SCT”) exemption	36.347.168	20.776.442
Work advances	12.991.292	6.519.802
Advances given	10.172.809	8.484.219
Receivables from Privatization Administration (“PA”)	4.680.923	1.455.981
Due from personnel	2.311.984	2.011.836
Receivables from other banks	-	14.534.726
Lawsuit and court expenses receivable	-	6.132.255
Other miscellaneous receivables	8.985.366	8.196.011
	75.489.542	68.111.272
Other long-term receivables		
Advances given	8.099.648	3.168.665
Other miscellaneous receivables	1.061.350	196.665
	9.160.998	3.365.330
Other short-term liabilities		
Taxes and withholdings payables	283.591.365	167.309.539
Debt arised from		
acquisition of POAŞ shares (*) (Note 32)	272.593.091	-
Fuel purchase certificates	90.087.902	50.256.239
Compensation to be paid	17.418.831	8.260.810
Payables to personnel	3.403.361	2.586.351
Blocked merchant accounts	-	76.111.000
Other miscellaneous payables	-	47.272.748
Payables to PA	-	39.260.567
Cheques at clearing	-	38.148.000
Import transfers and payment orders	-	18.769.952
Provision for credit related commitments	-	17.880.000
Blocked cheques and deposits	-	10.457.000
Other	51.994.232	18.038.822
	719.088.782	494.351.028
Other long-term liabilities		
Debt arised from		
acquisition of POAŞ shares (*) (Note 32)	136.731.834	-
Other long-term liabilities	176.610	1.893.478
	136.908.444	1.893.478

(*) At 31 December 2005, the principal and the interest related to the debt arised from acquisition of POAŞ shares amounting to YTL 268.360.000 (US\$ 200.000.000) and YTL 4.233.091, respectively, were included in “Other short-term liabilities” whereas the principal and the interest amounting to YTL 134.180.000 (US\$ 100.000.000) and YTL 2.551.834, respectively, were included in “Other long-term liabilities” (Note 32).

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NOTE 11 - BIOLOGICAL ASSETS

As of 31 December 2005, biological assets amount to YTL 80.988 (31 December 2004: YTL 167.027).

NOTE 12 - INVENTORIES

	2005	2004
<u>Short-term inventories</u>		
Finished goods and merchandise	548.872.030	236.602.686
Raw materials and supplies	48.745.728	23.617.620
Spares, supplies and advances	17.742.469	7.002.729
Promotion stocks	4.883.543	5.518.100
Semi-finished goods	6.808.024	7.689.914
Other inventories	16.770.034	26.129.621
	643.821.828	306.560.670
Provision for net realizable value	(5.680.161)	(8.724.065)
	638.141.667	297.836.605

Other inventories mainly consist of fuels in transit and lubricants.

Long-term inventories

Construction-in-progress inventories	18.969.002	5.963.500
Total	18.969.002	5.963.500

Long-term construction-in-progress inventories are the costs of the construction at Istanbul Beylikdüzü; mainly the rough construction work, infrastructure, isolation and environment arrangement incurred in accordance with the construction agreement signed with D Yapı at 25 June 2004 and 3 January 2005.

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

Group has no construction contract receivables and construction progress billings (31 December 2004: None).

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NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred Tax

Doğan Holding, Subsidiaries and Joint Ventures recognize deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for CMB Accounting Standards purposes and their statutory tax financial statements. In substance, differences arise from the differences in accounting periods for the recognition of income and expenses, in accordance with CMB Accounting Standards and tax legislation.

Deferred income taxes will be calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method using a principal tax rate of 30%.

The breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) provided at 31 December 2005 and 2004 using the enacted future tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2005	2004	2005	2004
Net difference between the tax base and the carrying value of property, plant and equipment, intangible assets and inventories	295.113.372	140.612.780	(89.186.859)	(42.530.724)
Other	26.271.507	24.692.693	(7.881.452)	(7.573.451)
Deferred tax liabilities	321.384.879	165.305.473	(97.068.311)	(50.104.175)
Tax losses carried forward	209.889.507	439.399.482	63.642.495	128.919.947
Provision for doubtful receivables	33.758.086	25.205.339	10.127.426	7.561.601
Investment incentive allowance	27.773.260	13.882.775	6.263.515	2.962.886
Reserve for employment termination benefits	27.119.217	30.054.866	8.018.099	8.953.361
Deferred financial income of trade receivables	12.764.891	29.368.971	4.127.738	9.338.595
Provision for loan losses and factoring receivables	-	48.991.388	-	14.697.415
Other	47.433.174	77.033.536	14.362.596	23.213.755
Deferred tax assets	358.738.135	663.936.357	106.541.869	195.647.560
Deferred tax assets-net			9.473.558	145.543.385

Due to the fact that Subsidiaries and Joint Ventures, which are independent taxpayers, have represented the net amount of deferred tax assets and liabilities in their financial statements in accordance with CMB Accounting Standards; the effects of the mentioned net-offs have been reflected to the consolidated financial statements of the Holding. Temporary differences and deferred tax assets/liabilities mentioned above have been prepared according to their gross amounts.

The Holding did not recognize the deferred tax assets as of 31 December 2005 for the tax losses carried forward amounting to YTL 110.177.426 (31 December 2004: YTL 117.063.607) as there is an uncertainty about the future taxable profit that will be available against which these deferred tax assets can be utilised.

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NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Movements for net deferred taxes for the years ended 31 December 2005 and 2004 are as follows:

	2005	2004
1 January	145.543.385	175.022.320
Acquisitions	11.095.282	(166.546)
Sale of Subsidiary	(61.550.703)	-
Effect of change in Joint Venture ownership rate	(1.968.008)	-
Charge for the period (Note 41)	(63.876.695)	(66.078.749)
Charge for the period related to discontinued operations	-	36.766.360
Effect of change in accounting policy (Notes 2.7 and 28)	(19.769.703)	-
31 December	9.473.558	145.543.385

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

Other current assets

	2005	2004
Prepaid expenses	29.189.290	23.667.642
Prepaid taxes and funds	14.634.450	17.817.311
Deferred acquisition costs	15.690.247	14.121.000
Value Added Tax ("VAT") receivable	15.391.610	14.313.557
Program stocks	5.537.986	3.951.200
Income accruals	3.686.773	1.308.880
Other current assets	4.316.218	25.058.605
	88.446.574	100.238.195
Impairment for program stocks	(1.777.000)	(737.784)
	86.669.574	99.500.411

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NOTE 15 - OTHER CURRENT/NON CURRENT ASSETS AND OTHER CURRENT/NON CURRENT LIABILITIES (Continued)

Other non-current assets

	2005	2004
Prepaid expenses	13.040.355	10.166.869
Other non-current assets	87.439	539.421
	13.127.794	10.706.290

Other current liabilities

	2005	2004
Provision for expenses	17.111.489	22.735.092
Deferred income	8.624.522	5.595.303
Bonuses to personnel	379.198	11.000.000
Other	-	87.980
	26.115.209	39.418.375

NOTE 16 - FINANCIAL ASSETS

a) Securities available-for-sale

Debt Securities:

	2005			2004		
	Finance	Other	Total	Finance	Other	Total
Government bonds	-	-	-	522.273.676	-	522.273.676
Eurobonds	-	-	-	263.157.441	-	263.157.441
Corporate bonds	-	-	-	40.340.883	-	40.340.883
	-	-	-	825.772.000	-	825.772.000

Equity securities:

	2005			2004		
	Finance	Other	Total	Finance	Other	Total
Listed	-	-	-	8.738.880	-	8.738.880
Unlisted	-	4.977.219	4.977.219	6.502.075	4.288.701	10.790.776
	-	4.977.219	4.977.219	15.240.955	4.288.701	19.529.656
Total securities available-for-sale	-	4.977.219	4.977.219	841.012.955	4.288.701	845.301.656

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NOTE 16 - FINANCIAL ASSETS (Continued)

Equity stocks classified under securities available-for-sale at 31 December 2005 and 2004 are as follows:

Company name	2005		2004	
	YTL	%	YTL	%
Listed:				
Türkiye Sınai Kalkınma Bankası A.Ş.	-	-	4.778.880	3
Anadolu Hayat Sigorta A.Ş.	-	-	3.960.000	1
			8.738.880	
Unlisted:				
Aks Televizyon Reklamcılık ve Filmcilik San. ve Tic. A.Ş.	2.922.593	9	2.922.593	9
Biryay	357.960	50	-	-
D Tes (*)	201.446	100	528.592	100
İMKB Takas Bank A.Ş.	-	-	3.811.881	2
Cam Elyaf Sanayi A.Ş.	-	-	1.965.400	1
Bankalararası Kredi Kartları Merkezi	-	-	724.794	2
Other	1.495.220	-	837.516	-
	4.977.219		10.790.776	
	4.977.219		19.529.656	

(*) This Subsidiary of Doğan Holding has not been consolidated due to grounds of materiality.

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

b) Securities held-to-maturity:

The breakdown of securities held-to-maturity at 31 December 2005 and 2004 is as follows:

	2005			2004		
	Finance	Other	Total	Finance	Other	Total
Government bonds	-	-	-	161.764.972	-	161.764.972
Eurobonds	-	-	-	157.362.285	-	157.362.285
Corporate bonds	-	-	-	7.658.823	-	7.658.823
	-	-	-	326.786.080	-	326.786.080

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NOTE 17 - GOODWILL / NEGATIVE GOODWILL

	1 January 2005	Additions(****)	Acquisitions(***)	Disposals(*)	Sale of a Joint Venture(**)	31 December 2005
Goodwill (Note 32)	1.915.676.295	244.950.193	1.572.122.996	-	(98.932.479)	3.633.817.005
Accumulated amortization	(520.351.073)	-	(324.484.116)	-	19.959.409	(824.875.780)
Net book value	1.395.325.222	244.950.193	1.247.638.880	-	(78.973.070)	2.808.941.225
Negative goodwill	(7.700.917)	-	-	7.700.917	-	-
Accumulated amortization	1.378.806	-	-	(1.378.806)	-	-
Net book value	(6.322.111)	-	-	6.322.111	-	-
Total net book value	1.389.003.111					2.808.941.225

	1 January 2004	Additions	Disposals	Impairment	31 December 2004
Goodwill (Note 32)	1.936.772.430	12.650.626	(31.887.142)	(1.859.619)	1.915.676.295
Accumulated amortization	(435.283.757)	(89.267.652)	4.200.336	-	(520.351.073)
Net book value	1.501.488.673	(76.617.026)	(27.686.806)	(1.859.619)	1.395.325.222
Negative goodwill	(7.700.917)	-	-	-	(7.700.917)
Accumulated amortization	898.443	480.363	-	-	1.378.806
Net book value	(6.802.474)	480.363	-	-	(6.322.111)
Total net book value	1.494.686.199				1.389.003.111

(*) The Group removed the negative goodwill arising from the prior periods' acquisitions amounted to YTL 6.322.111 from the consolidated balance sheets by adjusting the opening retained earnings according to IFRS 3.

(**) The effect of 3,37% share sales of POAŞ to goodwill and accumulated amortization.

(***) The effect of POAŞ's 44,06% share purchase to goodwill.

(****) YTL 238.925.377 goodwill arised from the acquisition of "Star TV İktisadi ve Ticari Bütünlüğü" from Savings Deposit Insurance Fund by Işıl TV in accordance with the agreement signed on 17 November 2005 and YTL 6.024.816 was related to goodwill arised from the purchase of 1,05% of Kanal D.

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NOTE 18 - INVESTMENT PROPERTY

	1 January 2005	Additions	Disposals	Transfers	Impairment provisions	31 December 2005
Cost:						
Land and land improvements	46.264.193	451.258	(22.000.000)	151.814	-	24.867.265
Buildings	12.213.302	2.066.250	(5.018.790)	8.853.828	2.815.320	20.929.910
Machinery and equipment	-	-	-	2.884.600	-	2.884.600
Furniture and fixtures	-	-	-	2.154.731	-	2.154.731
	58.477.495	2.517.508	(27.018.790)	14.044.973	2.815.320	50.836.506

Accumulated depreciation:

Land and land improvements	-	-	-	136.415	-	136.415
Buildings	1.482.749	329.999	(194.845)	1.279.516	-	2.897.419
Machinery and equipment	-	-	-	2.588.068	-	2.588.068
Furniture and fixtures	-	-	-	1.931.508	-	1.931.508
	1.482.749	329.999	(194.845)	5.935.507	-	7.553.410

Net book value **56.994.746** **43.283.096**

	1 January 2004	Additions	Disposals	Transfers	Impairment provisions	31 December 2004
Cost:						
Land and land improvements	37.779.397	5.166.041	(797.967)	(2.176.637)	6.293.359	46.264.193
Buildings	11.702.076	1.696.999	(398)	-	(1.185.375)	12.213.302
	49.481.473	6.863.040	(798.365)	(2.176.637)	5.107.984	58.477.495

Accumulated depreciation:

Buildings	1.092.450	390.549	(250)	-	-	1.482.749
	1.092.450	390.549	(250)	-	-	1.482.749

Net book value **48.389.023** **56.994.746**

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

Movement for property, plant and equipment and related depreciation for year ended 31 December 2005 is as follows:

	1 January 2005	Additions	Acquisitions (***)	Disposals	Transfers (****)	Sale of subsidiary (*)	Effect of change in participation rate (**)	Foreign currency translation differences	31 December 2005
Cost:									
Land and land improvements	202.627.474	12.539.046	163.357.239	(1.853.840)	13.781.308	(3.522.200)	(9.844.794)	(877.840)	376.206.393
Buildings	523.940.590	4.875.471	63.127.243	(12.679.178)	(2.833.510)	(110.860.877)	(4.317.843)	(1.632.937)	459.618.959
Machinery and equipment	1.147.979.141	30.328.336	366.205.860	(5.844.636)	21.438.074	(34.903.787)	(20.790.788)	(4.844.765)	1.499.567.435
Motor vehicles	90.491.592	6.299.516	6.178.623	(5.858.390)	4.496.061	(2.686.990)	(319.080)	(1.795)	98.599.537
Furniture and fixtures	493.052.385	12.930.058	19.224.774	(9.027.356)	2.359.650	(316.579.532)	(970.513)	(187.547)	200.801.919
Leasehold improvement	222.716.662	70.251.336	39.561.094	(4.513.259)	8.170.262	(121.795.041)	(2.301.752)	-	212.089.302
Other fixed assets	141.275.865	16.719.599	160.986.810	(3.628.509)	48.200.680	(19.452.170)	(9.684.799)	-	334.417.476
Construction in progress	13.304.122	117.029.055	6.814.715	(3.058.275)	(110.098.844)	-	(410.377)	(242.015)	23.338.381
	2.835.387.831	270.972.417	825.456.358	(46.463.443)	(14.486.319)	(609.800.597)	(48.639.946)	(7.786.899)	3.204.639.402
Accumulated depreciation:									
Land and land improvements	19.045.725	8.439.708	17.850.534	(375.892)	(136.415)	(135.813)	(1.081.605)	-	43.606.242
Buildings	100.768.803	15.164.358	3.109.093	(1.829.182)	(1.279.516)	(26.445.234)	(250.641)	67.552	89.305.233
Machinery and equipment	775.117.413	74.916.466	274.171.274	(3.021.287)	(2.588.068)	(7.041.998)	(16.465.803)	(2.012.603)	1.093.075.394
Motor vehicles	34.343.036	9.905.197	4.021.923	(4.084.956)	-	(1.888.318)	(222.636)	-	42.074.246
Furniture and fixtures	417.623.905	26.683.033	8.487.193	(9.321.985)	(1.931.508)	(290.758.316)	(523.269)	21.425	150.280.478
Leasehold improvement	130.901.638	26.043.173	6.697.766	(3.247.091)	-	(94.324.047)	(381.250)	-	65.690.189
Other fixed assets	57.658.081	50.663.345	52.170.231	(780.899)	-	(19.286.361)	(3.133.021)	-	137.291.376
	1.535.458.601	211.815.280	366.508.014	(22.661.292)	(5.935.507)	(439.880.087)	(22.058.225)	(1.923.626)	1.621.323.158
Net book value	1.299.929.230								1.583.316.244

(*) Effect of merger of Doğan Prodüksiyon, a subsidiary of the Group, with CNN Türk and sales of subsidiaries, classified as discontinued operations (Note 1) and D Turizm in property, plant and equipment.

(**) The effects of 3,37% share sales of POAŞ, 2,02% share sales of Doğan Burda and 2,92% share sales of CNN Türk in property, plant and equipment.

(***) The effects of POAŞ's 44,06% share purchase (POAŞ become a subsidiary) and purchases of Işıl İthalat İhracat, Star TV Ticari ve İktisadi Bütünlüğü and Dipar Müzik in property, plant and equipment.

(****) YTL 8.109.466 of net transfer from property, plant and equipment is related with investment property (Note 18) and remaining net transfer of YTL 441.346 is related with intangible assets (Note 20).

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movement for property, plant and equipment and related depreciation for the year ended 31 December 2004 is as follows:

	1 January 2004	Additions	Acquisitions (*)	Disposals	Transfers(**)	Impairment provisions	Foreign currency translation differences	31 December 2004
Cost:								
Land and land improvements	189.750.920	9.268.660	-	(200.538)	4.370.814	-	(562.382)	202.627.474
Buildings	498.892.041	16.131.492	12.595.540	(2.891.424)	488.411	(70.000)	(1.205.470)	523.940.590
Machinery and equipment	1.112.919.250	32.153.343	305.568	(8.037.377)	13.570.852	(342.701)	(2.589.794)	1.147.979.141
Motor vehicles	89.210.042	8.427.816	214.863	(7.618.272)	258.341	-	(1.198)	90.491.592
Furniture and fixtures	487.100.839	32.422.007	1.499.217	(20.041.064)	1.029.860	(8.832.692)	(125.782)	493.052.385
Leasehold improvement	207.296.368	29.051.959	-	(12.676.206)	3.488.541	(4.444.000)	-	222.716.662
Other fixed assets	111.017.471	12.609.519	-	(7.304.619)	24.953.494	-	-	141.275.865
Construction in progress	17.829.876	43.087.927	2.566	(360.897)	(47.245.307)	-	(10.043)	13.304.122
	2.714.016.807	183.152.723	14.617.754	(59.130.397)	915.006	(13.689.393)	(4.494.669)	2.835.387.831
Accumulated depreciation:								
Land and land improvements	15.675.508	3.395.673	-	(25.456)	-	-	-	19.045.725
Buildings	88.059.515	12.909.189	229.918	(308.549)	-	-	(121.270)	100.768.803
Machinery and equipment	720.024.180	62.802.073	139.236	(7.292.032)	-	-	(556.044)	775.117.413
Motor vehicles	30.541.266	9.825.013	17.649	(6.040.512)	-	-	(380)	34.343.036
Furniture and fixtures	389.620.400	37.307.334	540.396	(9.758.541)	-	-	(85.684)	417.623.905
Leasehold improvement	110.712.579	30.649.769	-	(10.460.710)	-	-	-	130.901.638
Other fixed assets	32.674.959	27.879.558	-	(2.896.436)	-	-	-	57.658.081
	1.387.308.407	184.768.609	927.199	(36.782.236)	-	-	(763.378)	1.535.458.601
Net book value	1.326.708.400							1.299.929.230

(*) Balances of Doğan Dış Ticaret and Orta Anadolu Otomotiv at the date of their acquisitions are included in the "Acquisitions" column of the movement schedule.

(**) Net effect of transfer from investment properties (Note 18) to property, plant and equipment amounting to YTL 2.176.637 and transfer from property, plant and equipment to intangible assets (Note 20) amounting to YTL 1.261.631.

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Machinery and equipment, furniture and fixtures, motor vehicles and leasehold improvements include finance leased assets amounting to YTL 63.728.468, YTL 2.459.409, YTL 3.198.213 and YTL 9.315.711 (31 December 2004: YTL 43.348.308, YTL 105.991.471, YTL 1.942.688 and YTL 2.240.451) respectively, at 31 December 2005. The accumulated depreciation related to finance leased assets amounts to YTL 56.482.048 at 31 December 2005 (31 December 2004: YTL 111.074.949).

At 31 December 2005, mortgages on property, plant and equipment amount to YTL 36.302.007 (31 December 2004: YTL 132.582.663).

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NOTE 20 - INTANGIBLE ASSETS

Movement for intangible assets and related amortization for the years ended 31 December 2005 and 2004 is as follows:

	1 January 2005	Additions	Acquisitions(***)	Disposals	Transfers	Provision for impairment	Sale of subsidiary(*)	Effect of change in participation rate(**)	Foreign currency translation differences	31 December 2005
Cost	229.588.168	36.735.045	156.118.048	(7.699.414)	441.346	(3.042.376)	(44.962.042)	(890.813)	(379.070)	365.908.892
Accumulated amortization	(146.449.848)	(34.378.250)	(9.253.580)	1.409.828	-	-	30.130.041	663.334	73.789	(157.804.686)
Net book value	83.138.320									208.104.206

	1 January 2004	Additions	Disposals	Transfers	Provisions for impairment	Foreign currency translation differences	31 December 2004
Cost	207.854.209	32.980.117	(8.318.857)	1.261.631	(4.090.729)	(98.203)	229.588.168
Accumulated amortization	(114.357.649)	(37.045.709)	4.874.172	-	-	79.338	(146.449.848)
Net book value	93.496.560						83.138.320

(*) Effect of merger of Doğan Prodüksiyon, a subsidiary of the Group, with CNN Türk and sales of Subsidiaries, classified as discontinued operations (Note 1) and D Turizm in intangible assets.

(**) The effects of 3,37% share sales of POAŞ, 2,02% share sales of Doğan Burda and 2,92% share sales of CNN Türk in intangible assets.

(***) The effects to intangible assets of becoming a subsidiary of POAŞ by 44,06% share purchase, purchase of Işıl İthalat İhracat and obtaining license, territorial and cable broadcasting permissions and brand names with the acquisition of “Star TV İktisadi ve Ticari Bütünlüğü” from Savings Deposit Insurance Fund by Işıl TV.

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NOTE 21 - ADVANCES RECEIVED

	2005	2004
<u>Short-term advances</u>		
Order advances received	3.090.137	6.216.091
Other advances received	1.177.231	24.811
	4.267.368	6.240.902
<u>Long-term advances</u>		
Cash advances received from campaign participants	29.910.899	9.683.385
Documented advances received from campaign participants	10.825.101	8.826.177
Other advances received	125.774	-
	40.861.774	18.509.562

NOTE 22 - RETIREMENT PLANS

There is no retirement plan of the Group other than provision for employment termination benefits as explained in Note 23.

NOTE 23 - PROVISIONS

	2005	2004
<u>Short-term provisions</u>		
Provision for lawsuits	19.434.916	22.431.097
Tax provision (Note 41)	9.241.480	19.196.257
Other	24.290.158	1.831.000
	52.966.554	43.458.354
<u>Long-term provisions</u>		
Provision for employment termination benefits	27.119.217	30.054.866
	27.119.217	30.054.866

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NOTE 23 - PROVISIONS (Continued)

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

Under the Turkish Labour Law, the Holding is required to pay termination benefits to each employee who has completed one year of service and who achieves the retirement age (58 for women and 60 for men), whose employment is terminated without due cause, is called up for military service or who dies. Since the legislation was changed on 8 September 1999 there are certain transitional provisions relating to length of service prior to retirement. The amount as of 31 December 2005 payable consists of one month's salary limited to a maximum of YTL 1.727,15 (31 December 2004: YTL 1.574,74) for each year of service.

In addition, according to the Press sector regulations, companies should make payments to personnel who work for a minimum of 5 years and whose employment is terminated without due cause. The maximum payable amount is 30 days' salary for each year.

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

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

CMB Accounting Standards requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability.

	2005	2004
Discount rate	%5,49	%5,45
Turnover rate to estimate the probability of retirement	%93	%94

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL 1.770,62 at 1 January 2006 will be taken into consideration in calculating the reserve for employment termination benefit (1 January 2005: YTL 1.648,90).

Movements in the reserve for employment termination benefits during the years ended 31 December 2005 and 2004 are as follows:

	2005	2004
1 January	30.054.866	20.603.196
Acquisitions (*)	8.981.668	180.678
Sale of Subsidiary	(8.153.649)	6.643.677
Effect of change in Joint Venture ownership rate (*)	(354.464)	-
Charge for the period	3.538.206	7.397.792
Disposals	(6.947.410)	(2.497.247)
Monetary gain	-	(2.273.230)
31 December	27.119.217	30.054.866

(*) The effects of the opening balances of the Subsidiaries' acquired in current period and of the change in Joint Venture participation rates in the current period.

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NOTE 24– MINORITY INTERESTS

Movements of the minority interests for the year ended 31 December 2005 and 2004 are as follows:

	2005	2004
1 January	974.366.277	841.703.723
Effects of corrections (Note 2.7)	(10.079.300)	-
Currency translation differences	(895.385)	(11.250.564)
Capital increase	3.518.924	16.528.616
Sales of Subsidiaries	(355.017.021)	108.520.360
Minority interest arising from the acquisition of a new subsidiary	144.017.940	1.568.765
Dividend payments	(4.996.176)	(26.662.757)
Other movements	(836.840)	(5.371.087)
Net income	41.638.666	49.329.221
31 December	791.717.085	974.366.277

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

Doğan Holding adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of TL 10.000 Doğan Holding's authorised, historical and paid-in share capital at 31 December 2005 and 2004 are as follows:

	2005 YTL	2004 YTL
Limit on registered share capital (historical)	2.000.000.000	2.000.000.000
Share capital	735.288.208	735.288.208

The shareholder structure of the Holding at 31 December 2005 and 2004 is summarised as follows:

	Share %	2005	Share %	2004
Adilbey Holding	52,00	382.349.868	52,00	382.349.868
Aydın Doğan	7,72	56.694.341	11,72	86.106.341
Işıl Doğan	1,64	12.092.273	1,64	12.092.273
Arzuhan Yalçındağ	1,04	7.653.914	0,04	300.914
Vuslat Doğan Sabancı	1,04	7.653.914	0,04	300.914
Hanzade V. Doğan	1,04	7.653.914	0,04	300.914
Y. Begümhan Doğan Faralyalı	1,04	7.653.914	0,04	300.914
Total Doğan family and companies owned by Doğan family	65,52	481.752.138	65,52	481.752.138
Istanbul Stock Exchange	34,29	252.131.806	34,29	252.131.806
Aydın Doğan Vakfı	0,19	1.404.264	0,19	1.404.264
	100	735.288.208	100	735.288.208
Adjustment to share capital		804.735.232		804.735.232
Total share capital		1.540.023.440		1.540.023.440

Adjustment to share capital represents the restatement effect of cash contributions to share capital at year-end equivalent purchasing power.

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NOTE 26 - CAPITAL RESERVES

Capital reserves as of 31 December 2005 and 2004 is as follows:

	2005	(Restated) 2004	(Previously reported) 2004
Share premium	630.275	630.275	630.275
Financial assets fair value reserve (Note 2)	-	23.811.453	-
Restatement difference of shareholders' equity	1.128.199.721	1.128.199.721	1.128.199.721
Total capital reserves	1.128.829.996	1.152.641.449	1.128.829.996

The restated amounts and restatement differences of the items disclosed with their historical amounts in Notes 25 and 27 as of 31 December 2005 and 2004 are as follows:

	2005			2004		
	Historical amount	Restated amount	Restatement difference	Historical amount	Restated amount	Restatement difference
Share capital	735.288.208	1.540.023.440	804.735.232	735.288.208	1.540.023.440	804.735.232
Share premium	630.275	738.390	108.115	630.275	738.390	108.115
Legal reserves	7.915.090	35.370.794	27.455.704	7.915.090	35.370.794	27.455.704
Extraordinary reserves	82.871.964	330.090.503	247.218.539	82.871.964	330.090.503	247.218.539
Other reserves	5.587.343	54.269.474	48.682.131	5.587.343	54.269.474	48.682.131
	832.292.880	1.960.492.601	1.128.199.721	832.292.880	1.960.492.601	1.128.199.721

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders' equity such as "Share Capital, Share Premium, Legal Reserves, Other Reserves, Special Reserves and Extraordinary Reserves" are presented at their historical amounts. The differences between the inflated and historical amounts of these items are presented in shareholders' equity as a total restatement difference.

The restatement difference of shareholders' equity can only be netted-off against prior years' losses and used as an internal source of capital increase where extraordinary reserves can be netted-off against prior years' losses, distribution of bonus shares and dividends to shareholders. Moreover, in the capital increases through own resources, the lower amount of amounts found as a result of CMB accounting standards applications and those in the statutory records will be taken as basis.

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NOTE 27 - PROFIT RESERVES

Profit reserves at 31 December 2005 and 2004 are as follows;

	2005	2004
Legal reserves	7.915.090	7.915.090
Extraordinary reserves	82.871.964	82.871.964
Other reserves	5.587.343	5.587.343
Foreign currency translation differences	(4.358.115)	(42.417.829)
Total profit reserves	92.016.282	53.956.568

NOTE 28 - RETAINED EARNINGS

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

Public companies distribute dividends according to CMB regulations as follows:

In accordance with Communiqué XI/25, effective from 1 January 2004, companies are obliged to distribute at least 30% of their distributable profit arising from the activity, which is calculated based on the financial statements prepared in accordance with accounting principles described in Note 2. Based on the decision of the General Assembly, the distribution of a minimum of 30% of the distributable profit can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares.

In accordance with the CMB regulation dated 25 February 2005 and decree 7/242, when calculating the net distributable consolidated profit, the net profit of Subsidiaries that have not agreed in the general assembly to distribute dividends over the current year profits, will be deducted from the net consolidated profit.

In accordance with the Communiqué No: XI-25, the shareholders' equity schedule, is as below:

	2005	(Restated) 2004	(Previously reported) 2004
Share capital	735.288.208	735.288.208	735.288.208
Share premium	630.275	630.275	630.275
Legal reserves	7.915.090	7.915.090	7.915.090
Financial assets fair value reserve (Note 2)	-	23.811.453	-
Extraordinary reserves	82.871.964	82.871.964	82.871.964
Other reserves	5.587.343	5.587.343	5.587.343
Restatement difference of shareholders' equity (Note 27)	1.128.199.721	1.128.199.721	1.128.199.721
Foreign currency translation differences	(4.358.115)	(42.417.829)	(42.417.829)
Net income for the period	636.356.508	263.023.110	239.285.805
Retained earnings/Accumulated deficit	19.122.328	(233.839.080)	(186.290.322)
Total shareholders' equity	2.611.613.322	1.971.070.255	1.971.070.255

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NOTE 28 - RETAINED EARNINGS (Continued)

At the General Assembly Meeting of Doğan Holding for year 2004 held on 11 August 2005, it has decided that no dividend will be distributed from 2004 profit amounting to YTL 239.285.805. This decision was given due to the fact that the remaining profit after netting off the accumulated deficit for prior years that were resulted from first time inflation accounting application at 31 December 2003 amounting to YTL 186.290.322 is less than the total net income of YTL 69.119.138 of the Holding's subsidiaries, associates and joint ventures which have not hold their general assembly meetings yet or decided not to distribute profit.

As discussed in Notes 14 and 2.7, subsequent to the issuance of the financial statements of POAŞ at 31 December 2004, which was a Joint Venture at 31 December 2004 and became a Subsidiary with Doğan Holding's current year acquisitions, adjustments were made to the acquisition costs of certain fixed assets for the application of Tax Law No. 5024. The effect of these adjustments pertaining to 2004 financial year and which were realised after the issuance of 31 December 2004 consolidated financial statements, amounted to YTL 44.877.447 (YTL 19.769.703 with the Holding's ownership interest) and were reflected to the consolidated financial statements through reductions in 2005 opening retained earnings and deferred tax assets.

Subsequent to the issuance of financial statements of Dışbank, a Subsidiary of Doğan Holding acquired by Fortis Bank as of 4 July 2005, adjustments have been made to the provision for loan losses related to the credit cards after issuance of financial statements at 31 December 2004. The effect of these adjustments pertaining to 2004 financial year were reflected to the consolidated financial statements by the reductions in the 2005 openings discontinued operations' originated loans, minority interests and retained earnings amounting to YTL 38.500.000, YTL 10.079.300 and YTL 16.870.700 respectively and an increase in 2005 opening discontinued operations' deferred tax assets amounting to YTL 11.550.000.

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NOTE 29 - FOREIGN CURRENCY POSITION

Assets and liabilities denominated in foreign currency held by the Group at 31 December 2005 and 2004 are as follows:

	2005			Total
	US\$	EURO	Other	
Assets:				
Cash and cash equivalents	213.248.776	145.933.529	53.969	359.236.274
Trade receivables and due from related parties	116.406.231	27.221.035	627.937	144.255.203
Inventories	483	2.815.386	1.341	2.817.210
Other current assets	2.163.867	833.062	1.318	2.998.247
Property, plant and equipment, net	-	39.597.812	-	39.597.812
Other non-current assets	501.961	1.143	-	503.104
Total assets	332.321.318	216.401.967	684.565	549.407.850
Liabilities:				
Short-term bank borrowings	242.769.929	35.465.306	632.082	278.867.317
Short portion of long-term bank borrowings	318.736.124	14.532.789	1.233.767	334.502.680
Advances received	416	127.265	-	127.681
Short-term trade payables and due to related parties	562.408.703	31.955.196	1.197.046	595.560.945
Other short-term trade payables	-	517.744	-	517.744
Other financial liabilities	299.946.146	865.608	-	300.811.754
Long-term bank borrowings	1.244.801.123	68.888.798	5.363.408	1.319.053.329
Long-term trade payables	231.240.716	100.754.736	-	331.995.452
Other financial liabilities	136.731.834	-	-	136.731.834
Advances received	3.562.230	13.591.073	-	17.153.303
Total liabilities	3.040.197.221	266.698.515	8.426.303	3.315.322.039
Net foreign currency position	(2.707.875.903)	(50.296.548)	(7.741.738)	(2.765.914.189)
Off-balance sheet derivative instruments net position	-	-	-	-

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NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

	2004			Total
	US\$	EURO	Other	
Assets:				
Cash and cash equivalents and reserve deposits with the Central Bank of Turkey	856.600.070	156.074.542	37.278.463	1.049.953.075
Marketable securities	814.309.272	53.468.948	1.195.000	868.973.220
Originated loans	1.407.817.166	416.843.525	17.250.000	1.841.910.691
Derivative financial instruments	11.771.000	18.000	122.000	11.911.000
Trade receivables and due from related parties	68.696.546	19.011.307	602.129	88.309.982
Inventories	19.483	1.196.441	9.610	1.225.534
Other current assets	12.476.703	4.168.873	205.000	16.850.576
Property, plant and equipment, net	38.000	42.775.000	-	42.813.000
Other non-current assets	305.485	678	-	306.163
Total assets	3.172.033.725	693.557.314	56.662.202	3.922.253.241
Liabilities:				
Short-term bank borrowings	1.710.674.682	109.688.969	2.906.968	1.823.270.619
Short portion of long-term bank borrowings	130.522.081	5.911.403	926.437	137.359.921
Deposits	1.491.396.446	588.112.746	55.992.000	2.135.501.192
Other payables	73.124.994	4.821.168	514.000	78.460.162
Derivative financial instruments	1.192.000	16.000	85.000	1.293.000
Advances received	5.824.952	2.016.081	-	7.841.033
Short-term trade payables and due to related parties	295.783.732	45.765.968	7.423.455	348.973.155
Long-term bank borrowings	781.457.690	114.593.535	3.618.608	899.669.833
Provisions	3.364.000	-	-	3.364.000
Long-term trade payables	309.321	5.226	-	314.547
Deferred tax liabilities	207.000	-	-	207.000
Total liabilities	4.493.856.898	870.931.096	71.466.468	5.436.254.462
Net foreign currency position	(1.321.823.173)	(177.373.782)	(14.804.266)	(1.514.001.221)
Off-balance sheet derivative instruments net position	58.561.000	7.420.000	4.215.000	70.196.000

Following exchange rates have been used in the translation of foreign currency denominated balance sheet items as of 31 December 2005; YTL 1,3418=US\$ 1 and YTL 1,5875=Euro 1 (31 December 2004: YTL 1,3421=US\$ 1 and YTL 1,8268=Euro 1).

NOTE 30 - GOVERNMENT GRANTS

	2005	2004
Investment incentive allowance	85.216.513	117.989.248

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NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

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

<u>Guarantees and commitments given – Continuing operations:</u>	2005	2004
a. Commitments given		
Letters of guarantee	363.778.078	110.788.827
Subsidiary shares given as guarantee	328.879.869	211.895.522
Guarantee notes	20.853.730	32.200.991
	713.511.677	354.885.340

The Group has provided bail and mortgages to third parties in the amounts of YTL 303.831.410 (31 December 2004: YTL 502.968.698) and YTL 28.109.707 (31 December 2004: YTL 124.390.363). Moreover pawn pledges of the Group made to the Treasury Undersecretariat and Northern Cyprus Ministry of Finance is YTL 8.192.300 in accordance with Insurance Audit Law (31 December 2004: YTL 8.192.300).

b. Barter Agreements:

The Group, as a common practice in the media segment, entered into Barter agreements. These agreements involve the exchange of goods or services without cash collections or payments. As of 31 December 2005, the Group has an advertisement commitment of YTL 15.324.000 (31 December 2004: YTL 13.591.405), and a right to obtain service and goods in the amount of YTL 18.585.000 (31 December 2004: YTL 9.236.869).

c. Court cases:

Law cases against the Group amount to YTL 118.921.499 at 31 December 2005 (31 December 2004: YTL 94.834.251).

A provision in the amount of YTL 19.434.916 (31 December 2004: YTL 22.431.097) was made at the end of the evaluation of the legal consultation regarding the legal, labour, trade, and administrative lawsuits against the Company, and cases with similar nature (Note 23).

d. Other:

In accordance with the agreement dated 11 April 2005 mentioned in Note 35, warranties and declarations have been made to Fortis Bank by the Holding and other real and legal sellers (“Sellers”) regarding the financial structure of Dışbank, its employees, fundamental intellectual rights, current contractual relationships, compliance of operations with the legislation and ownership of shares. If the abovementioned warranties and declarations are not true, there are clauses for compensating Fortis Bank by the Sellers. Therefore Holding;

- Provided that the agreement conditions are met, and within some limits, Holding will be responsible for 80,33% of the part that corresponds to its share of losses that could arise due to the non-fulfillment of the Agreement’s terms and/or collaterals given in the scope of this Agreement,

- Provided that the agreement conditions are met and within certain limits, Holding will be responsible if losses exceed EUR 100.000 on a single event basis or EUR 1.000.000 in total,

- Holding will not be held responsible for the losses and expenses that could rise prospectively regarding the Dışbank Mensupları Emekli Sandığı Vakfı and Dışbank Mensupları Güvenlik Vakfı.

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

Fortis Bank does not accept any responsibility due to grounds of materiality for tax lawsuits some of which are previously announced to public and for amounts related to loans under legal follow-up amounted US\$ 6.000.000 and YTL 4.178.006 at the closing date of Agreement.

The abovementioned responsibilities of Holding will end at the end of 5 years for the issues related with tax following 1 January 2006, and at 31 March 2007 for the issues that are not related with tax.

Guarantees and commitments given - discontinued operations:

In the banking segment, the normal course of banking activities requires the undertaking of various commitments and it incurs certain contingent liabilities that are not presented in the accompanying financial statements, including letters of guarantee, acceptance credits, letters of credit and off-balance sheet derivative instruments. The management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities at 31 December 2004.

a. Credit related commitments:

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

Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

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

The following table shows the outstanding credit related commitments of the discontinued operations as at 31 December 2004:

	31 December 2004
Letters of guarantee	
- Foreign currency	749.457.000
- YTL	474.715.000
Letters of credit	517.495.000
Acceptance credits	70.311.000
Other commitments and contingencies	95.124.000
	1.907.102.000
Less: Provision for credit related commitments	(17.880.000)
	1.889.222.000

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

b. Fiduciary activities:

The Subsidiary of the Group operating in banking sector provides custody services to third parties which involve the Group making allocation and purchase and sale decisions. Those assets held in a fiduciary capacity are not included in these consolidated financial statements. At the balance sheet date the Group has custody accounts amounting to YTL 4.926.811.000.

c. Commitments under derivative financial instruments:

The breakdown of forward and spot currency purchase/sale transactions at 31 December 2004 are as follows:

	2004				
	US\$	EURO	Other	YTL	Total
Forward currency purchases	36.624.000	32.012.000	7.440.000	47.990.000	124.066.000
Currency swap purchases	126.463.000	-	14.559.000	46.148.000	187.170.000
Interest rate swap purchases	101.250.000	-	-	-	101.250.000
Future purchases	41.595.000	21.777.000	7.395.000	-	70.767.000
Option purchases	24.904.000	11.515.000	-	24.807.000	61.226.000
Total	330.836.000	65.304.000	29.394.000	118.945.000	544.479.000
Forward currency sale	61.585.000	24.604.000	4.578.000	32.949.000	123.716.000
Currency swap sales	50.894.000	-	4.993.000	141.277.000	197.164.000
Interest rate swap sales	101.250.000	-	-	-	101.250.000
Future sales	33.375.000	21.777.000	15.608.000	-	70.760.000
Option sales	25.171.000	11.503.000	-	24.481.000	61.155.000
Total	272.275.000	57.884.000	25.179.000	198.707.000	554.045.000
Off-balance sheet derivative instruments net position	58.561.000	7.420.000	4.215.000	(79.762.000)	(9.566.000)

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NOTE 32 - BUSINESS COMBINATIONS

Significant acquisitions and disposals of the Group for the year ended 31 December 2005:

Acquisitions:

Holding purchased T. İş Bankası A.Ş.'s YTL 150.099.673 nominal value (A/B) group shares, Camiș Yatırım Holding A.Ş.'s YTL 16.905.378 nominal value (A/B) group shares and Camiș Madencilik A.Ş.'s YTL 16.905.378 nominal value (A/B) group shares in POAŞ share capital, a total of YTL 183.910.429 nominal value (A/B) group shares (44,06% of POAŞ share capital) for US\$ 616.000.000 with a share sale agreement that was signed at 2 September 2005. With this transaction, Holding's share at POAŞ's capital increased from 44,31% to 88,36%. Share transfer amount was specified by bargaining procedure by considering 2005 ISE price development. As a result of mutual agreement, different prices for A and B group shares has not been calculated. US\$ 316.000.000 of the purchase consideration was paid in cash as of 2 September 2005 and the remaining amount was decided to be paid according to payment schedule that was outlined at sale agreement as stated below:

Maturity	YTL equivalent	Amount (US\$)
2 September 2006	33.545.000	25.000.000
2 September 2007	33.545.000	25.000.000
2 September 2008	67.090.000	50.000.000
2 September 2009	134.180.000	100.000.000
2 September 2010	134.180.000	100.000.000
	402.540.000	300.000.000

A compound interest will be applied to the annual interest rate of LIBOR+1% to installments for the period between share transfer date and payment date and interests will be paid together with installments. Pledge and usufruct rights were established on entire shares subject to sale as guarantee for the part that will be paid in installments of the share purchase cost.

An additional agreement was signed at 6 January 2006, revising the payment schedule which was signed at 2 September 2005. At the signing date of the new agreement, a principle payment of US\$ 100.000.000 was made by the Holding and payment schedule was revised. After this payment, Holding, made an early principle payment amounting to US\$ 100.000.000 at 27 January 2006. With the abovementioned payments, payment schedule for the remaining debt is presented below:

Maturity	YTL equivalent	Amount (US\$)
2 September 2008	26.836.000	20.000.000
2 September 2009	53.672.000	40.000.000
2 September 2010	53.672.000	40.000.000
	134.180.000	100.000.000

Together with the additional agreement, the prohibition of POAŞ share transfer to third parties in 180 days after 2 September 2005, the date of the first agreement, is abolished.

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NOTE 32 - BUSINESS COMBINATIONS (Continued)

Doğan Holding decided to collect the publicly held shares of POAŞ amounting to a nominal value of YTL 48.586.587 through tender offer between 14 October 2005 and 31 October 2005. The shareholders holding the shares with the nominal value of YTL 19.285.118, who represent 4,62% of POAŞ's share capital, participated to this tender offer announced by the Holding, a total of YTL 87.940.138 was paid for the abovementioned shares. After this call, the shares with nominal value of YTL 388.148.531 that represents 92,98% of POAŞ's YTL 417.450.000 amounted paid-capital belongs to the Holding, the shares with nominal value of YTL 33,81 that represents 0,0008% belongs to Doğan Enerji Yatırımları Sanayi ve Ticaret and the remaining part, 7,02% is publicly quoted. The finalisation of the tender offer did not make any change at POAŞ's management and control because Holding was the major shareholder of POAŞ before the call.

According to the purchase agreement signed with the Savings and Deposits Insurance Fund, Işıl TV acquired "Star TV Ticari ve İktisadi Bütünlüğü" for a consideration of YTL 414.388.000 (US\$ 306.500.000) on 17 November 2005 resulting in a goodwill amounting to YTL 238.925.377 (Note 17).

Negative goodwill and acquired net assets arising from 44,06% POAŞ acquisition and goodwill and acquired net assets arised from acquisition of "Star TV Ticari ve İktisadi Bütünlüğü" as of 31 December 2005 are as follow:

	Negative goodwill arising from POAŞ acquisition	Goodwill arising from Star TV Ticari ve İktisadi Bütünlüğü acquisition
Total cash consideration	821.990.400	414.388.000
Less: net assets acquired at fair value	(933.197.410)	(175.462.623)
(Negative goodwill)/goodwill	(111.207.010)	238.925.377
Current assets	713.693.340	-
Non-current assets	1.346.529.422	198.330.558
Current liabilities	(831.050.610)	(19.456.310)
Non-current liabilities	(294.521.709)	(3.411.625)
Less: Minority interest	(1.453.033)	-
Fair value of net assets	933.197.410	175.462.623
(Negative goodwill)/goodwill	(111.207.010)	238.925.377
Total cash consideration	821.990.400	414.388.000
Less: Cash and cash equivalents in subsidiaries acquired	(51.561.196)	-
Cash outflow on acquisition	770.429.204	414.388.000

In accordance with IFRS 3, Business Combinations, the Holding shall allocate costs related to the purchase of 44,06% of POAŞ shares, by recognizing identifiable assets, liabilities and contingent liabilities of POAŞ at their fair value. Fair value calculation of assets, liabilities and contingent liabilities acquired by the Holding is continuing as of the preparation date of the consolidated financial statements and will be finalized in twelve months after the acquisition date in accordance with IFRS 3. The Group classified negative goodwill amounting YTL 111.207.010 resulting from the purchase of 44,06% POAŞ shares in "Other Operating Income".

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NOTE 32 - BUSINESS COMBINATIONS (Continued)

Negative goodwill amounting YTL 11.260.825 resulting from purchase of 4,62% POAŞ shares in exchange of YTL 87.940.138 after of the call process ended at 31 October 2005 by the Group is classified in "Other Operating Income".

The Group has acquired 1,05% of the shares of Kanal D for YTL 6.861.500 at 10 January 2005 and therefore goodwill amounting to YTL 6.024.816 has emerged (Note 17).

The Group has acquired 10,5% of the shares of Ray Sigorta for YTL 3.400.550 at 29 June 2005 and therefore negative goodwill amounting YTL 902.240 has emerged and this amount has classified under "Other Operating Income".

Disposals:

The shares of Doğan Yayın Holding, which has a share capital of YTL 552.000.000, corresponding to 0,23% of its share capital, have been sold on 7 February 2005 for an amount of YTL 4.987.527.

Group sold 3,37% shares of POAŞ to nine different foreign investors for a total consideration of YTL 52.371.995 over YTL 4,50 for a nominal value of YTL 1 share in the Wholesale Market of ISE. Such sale resulted to a reduction in the ownership interest of the Group in POAŞ.

As disclosed in Note 35, the Group finalized the sale of Subsidiaries, which were classified as discontinued operations, on 4 July 2005. The sale gain according to this transaction amounted to YTL 352.054.478 has classified under "Other Operating Income" in consolidated income statement.

Significant acquisitions and disposals of the Group for the year ended 31 December 2004:

Acquisitions:

The Group has acquired 66,41% of the shares of Doğan Dış Ticaret for YTL 20.180.047 and therefore goodwill amounting to YTL 10.791.007 has emerged.

The Group has acquired 35,30% of the shares of Orta Anadolu Otomotiv for YTL 11.666.789 and therefore goodwill amounting to YTL 1.859.619 has emerged.

	2004
Total cash consideration	31.846.835
Less: net assets acquired at fair value	(19.196.209)
Goodwill (Note 17)	12.650.626
Cash and cash equivalents	12.309.969
Current assets	55.136.472
Non-current assets	13.692.331
Current liabilities	(59.898.403)
Non-current liabilities	(475.395)
Less: Minority interest	(1.568.765)
Fair value of net assets	19.196.209
Goodwill (Note 17)	12.650.626
Total cash consideration	31.846.835
Less: Cash and cash equivalents in subsidiaries acquired	(12.309.969)
Cash outflow on acquisition	19.536.866

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NOTE 32 - BUSINESS COMBINATIONS (Continued)

Disposals:

- a) Doğan Holding sold 30.000 million shares of its Subsidiary, Doğan Yayın, amounting to a nominal value of YTL 30.000.000 out of the total nominal share capital of YTL 300.093.885 to Deutsche Bank A.G. on 22 January 2004 for a total consideration of YTL 159.723.776 in the Wholesale Market of ISE. The share of Doğan Holding in Doğan Yayın decreased from 76,80% to 66,80% and accordingly, a similar decrease has been realised in the effective rate of Subsidiaries and Joint Ventures of Doğan Yayın. (Note 2) The total net assets sold amounted to YTL 98.873.337 and accordingly, a gain of YTL 60.850.439 has been reflected in "Other Operating Income" in the consolidated statement of income (Note 38). Historical income earned as a result of share sales is decided to be added to the share capital of the Holding in accordance with the Corporation Tax Law temporary article No.28.
- b) Doğan Holding sold 27.615 million shares of its Subsidiary, Hürriyet, amounting to a nominal value of YTL 27.615.244 out of the total nominal share capital of YTL 416.742.560 to foreign investors. on 4 November 2004 for a total consideration of YTL 78.531.019 in the Wholesale Market of ISE. After this sale transaction, the interest of the Group in Hürriyet decreased from 66,63% to 60%. The net asset of Hürriyet that was disposed of amounted to YTL37.330.410 and the Group recognized a gain of YTL 41.200.609. This gain was included in "Other operating income" in these consolidated financial statements (Note 38).

NOTE 33 - SEGMENT REPORTING

a) External Revenues

	2005	2004
Media	1.616.254.602	1.321.801.925
Energy	7.595.890.671	4.912.893.972
Other	592.182.122	284.959.204
	9.804.327.395	6.519.655.101

b) Operating profit

	2005	2004
Media	124.962.755	97.577.988
Energy	202.080.724	95.670.953
Other	381.765.168	44.269.432
	708.808.647	237.518.373

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NOTE 33 - SEGMENT REPORTING (Continued)

c) Segmental analysis for the year ended 31 December 2005

	Media	Energy	Other	Inter segment elimination	Total
External revenues	1.616.254.602	7.595.890.671	592.182.122	-	9.804.327.395
Intra segment revenues	563.948.190	-	1.887.030	-	565.835.220
Inter segment revenues	16.534.302	7.081.879	291.785.196	-	315.401.377
Combined revenues	2.196.737.094	7.602.972.550	885.854.348	-	10.685.563.992
Combined cost of sales	(1.716.332.365)	(7.185.038.277)	(817.529.779)	-	(9.718.900.421)
Revenues	1.632.788.904	7.602.972.550	883.967.318	(315.401.377)	9.804.327.395
Cost of sales	(1.252.094.271)	(7.185.038.277)	(814.929.754)	281.172.974	(8.970.889.328)
Gross profit	380.694.633	417.934.273	69.037.564	(34.228.403)	833.438.067
Operating expenses	(277.956.672)	(198.328.022)	(122.690.334)	50.301.653	(548.673.375)
Other operating income/(expenses), net	(23.516.020)	25.269.348	458.761.351	(30.668.050)	429.846.629
Financial income/(expenses), net	18.309.706	(52.359.459)	28.515.248	(268.169)	(5.802.674)
Operating profit before inter segment elimination	97.531.647	192.516.140	433.623.829	(14.862.969)	708.808.647
Profit elimination due to inter segment elimination	27.431.108	9.564.584	(51.858.661)	14.862.969	-
Operating profit after inter segment elimination	124.962.755	202.080.724	381.765.168	-	708.808.647

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NOTE 33 - SEGMENT REPORTING (Continued)

c) Segmental analysis for the year ended 31 December 2004

	Media	Energy	Other	Inter segment elimination	Total
External revenues	1.321.801.925	4.912.893.972	284.959.204	-	6.519.655.101
Intra segment revenues	668.282.174	-	27.954.373	-	696.236.547
Inter segment revenues	12.178.125	2.263.888	231.463.999	-	245.906.012
Combined revenues	2.002.262.224	4.915.157.860	544.377.576	-	7.461.797.660
Combined cost of sales	(1.585.442.617)	(4.645.700.153)	(440.900.862)	-	(6.672.043.632)
Revenues	1.333.980.050	4.915.157.860	516.423.203	(245.906.012)	6.519.655.101
Cost of sales	(1.006.701.365)	(4.645.700.153)	(415.825.839)	207.860.095	(5.860.367.262)
Gross profit	327.278.685	269.457.707	100.597.364	(38.045.917)	659.287.839
Operating expenses	(219.250.987)	(114.816.037)	(92.188.568)	30.904.171	(395.351.421)
Other operating income/(expenses), net	(37.762.463)	(47.654.478)	84.114.572	(3.903.021)	(5.205.390)
Financial income/(expenses), net	3.722.382	(11.058.599)	(4.124.807)	(9.751.631)	(21.212.655)
Operating profit before inter segment elimination	73.987.617	95.928.593	88.398.561	(20.796.398)	237.518.373
Profit elimination due to inter segment elimination	23.590.371	(257.640)	(44.129.129)	20.796.398	-
Operation profit after inter segment elimination	97.577.988	95.670.953	44.269.432	-	237.518.373

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NOTE 33 - SEGMENT REPORTING (Continued)

d) Segment assets employed

	2005	2004
<u>Total assets</u>		
Discontinued operations	-	8.721.689.122
Media	3.249.915.158	1.933.025.436
Energy	4.707.887.380	2.067.885.354
Other	5.094.272.203	4.183.171.134
Total combined	13.052.074.741	16.905.771.046
Less: Segment elimination	(5.045.158.184)	(5.160.340.290)
Total assets as per these consolidated financial statements	8.006.916.557	11.745.430.756
<u>Net assets</u>		
Discontinued operations	-	1.377.164.474
Media	1.838.817.769	1.325.128.384
Energy	2.179.353.106	952.384.982
Other	3.879.705.736	3.531.037.583
Total	7.897.876.611	7.185.715.423
Less: Segment elimination	(5.286.263.289)	(5.214.645.168)
Shareholders' equity	2.611.613.322	1.971.070.255
Minority interests	791.717.085	974.366.277
Total net assets as per these consolidated financial statements	3.403.330.407	2.945.436.532

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NOTE 33 - SEGMENT REPORTING (Continued)

e) Capital expenditures for property, plant and equipment, intangible assets and investment properties and depreciation and amortization charge

	2005	2004
<u>Capital expenditures</u>		
Discontinued operations	18.978.886	73.952.330
Media	100.737.441	94.479.677
Energy	165.710.704	34.800.996
Other	24.797.939	19.762.877
Total	310.224.970	222.995.880
<u>Depreciation and amortization charge</u>		
Discontinued operations	31.910.370	67.226.224
Media	101.810.634	103.244.750
Energy	95.281.374	34.726.560
Other	17.521.151	17.007.333
Total	246.523.529	222.204.867

Goodwill and amortization of goodwill have not been included in capital expenditures and depreciation charge.

f) Interest in Joint Ventures

Aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities and net income related to Joint Ventures, which are proportionately consolidated as explained under Note 2.6 iii in these consolidated financial statements, are as follows on a combined basis:

	2005	2004
Current assets	36.773.718	637.047.452
Non-current assets	28.112.752	1.496.470.032
Total assets	64.886.470	2.133.517.484
Current liabilities	15.173.644	752.640.115
Non-current liabilities	8.196.842	399.046.535
Shareholders' equity	41.515.984	981.830.834
Total liabilities and shareholders' equity	64.886.470	2.133.517.484
	2005	2004
Revenues	3.417.999.813	4.978.393.352
Gross profit	322.903.118	283.959.975
Net income	46.512.645	110.271.941

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NOTE 33 - SEGMENT REPORTING (Continued)

g) Minority interest

	2005			2004		
	Doğan family	Other	Total	Doğan family	Other	Total
Media	21.905.320	460.375.062	482.280.382	23.247.804	424.674.507	447.922.311
Discontinued operations	-	-	-	5.928.565	348.597.224	354.525.789
Energy	-	146.879.615	146.879.615	-	570.414	570.414
Other	50.492.898	112.064.190	162.557.088	51.229.794	120.117.969	171.347.763
	72.398.218	719.318.867	791.717.085	80.406.163	893.960.114	974.366.277

h) Non-cash expenses

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

	2005			
	Media	Energy	Other	Total
Interest expense accrual	7.124.427	8.337.195	12.061.364	27.522.986
Provision for doubtful receivables	12.284.829	4.041.035	10.587.598	26.913.462
Provision for lawsuits	8.093.171	-	-	8.093.171
Provision for net realizable value	563.000	-	92.939	655.939
Impairment of programme stocks	4.442.000	-	-	4.442.000
Reserve for employment termination benefits	2.174.693	118.755	1.244.758	3.538.206
Impairment of intangible assets	3.042.376	-	-	3.042.376
Impairment of investment properties	2.815.320	-	-	2.815.320
	40.539.816	12.496.985	23.986.659	77.023.460

	2004			
	Media	Energy	Other	Total
Amortization of goodwill	19.539.014	69.248.275	-	88.787.289
Provision for doubtful receivables	5.644.000	6.641.281	17.317.881	29.603.162
Interest expense accrual	3.753.104	9.758.057	7.909.610	21.420.771
Reserve for employment termination benefits	4.636.958	2.053.082	707.752	7.397.792
Provision for lawsuits	6.750.082	-	45.788	6.795.870
Impairment of investment properties	5.107.984	-	-	5.107.984
Impairment of programme stocks	4.829.000	-	-	4.829.000
Impairment of intangible assets	4.090.729	-	-	4.090.729
Impairment of goodwill	-	-	1.859.619	1.859.619
Provision for net realizable value	137.968	-	794.413	932.381
Impairment of property, plant and equipment	-	-	689.393	689.393
	54.488.839	87.700.695	29.324.456	171.513.990

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NOTE 34 - SUBSEQUENT EVENTS

- i. Group sold 6,25% shares of POAŞ amounting to a nominal value of YTL 26.090.625 to Deutsche Bank A.G., representing 32 foreign corporate investors, in Wholesale Market at 24 January 2006 for a consideration of YTL 5,35 for a nominal value of YTL 1 share.
- ii. As a result of the negotiations with one of the leading oil and gas company of Central Europe, OMV Aktiengesellschaft ("OMV"), about oil and gas products' distribution and supply including subjects about refinery, prospect for oil, and production, Group agreed to sell 34% of POAŞ shares. Total consideration to be received is USD 1.054.000.000 which will be collected in advance by the Group. Agreement signed with OMV at the date 13 March 2006 is subject to the approval of the relevant public authorities in accordance with the legislations. As a result of the sale agreement, the share of Group in POAŞ's share capital will decrease from 86,7% to 52,7%.

The agreement provides a management structure based on equal partnership with OMV; four members of the POAŞ's board of directors will be assigned by the Group and the remaining four members by OMV.

- iii. Group has decided to establish Gayrimenkul Geliştirme ve Pazarlama Hizmetleri Ticaret A.Ş. with a capital amounting YTL 1.600.000 in order to operate in dealership and service activities oriented to real estate funding based on mortgage.
- iv. 32.478.952 shares of Doğan Yayın with a nominal value of YTL 1 each, representing the share capital in the amount of YTL 32.478.952, have been sold to investors; YTL 4.380.000 to Oz Management LLC, YTL 13.140.000 to Lone Pine Capital LLC, YTL 8.745.784 to Maverick Capital Ltd, YTL 5.315.000 to Griffin Capital Management Ltd, YTL 450.000 to Shannon River Partners and YTL 448.168 to Black River EMEA Eurasia Fund Ltd at 15 February 2006.
- v. At the board meeting of Doğan Yayın, held at 1 February 2006, it was decided to increase the share capital from YTL 576.021 thousand to YTL 608.500 thousand; completely restrict the rights of the current shareholders in the acquiring of new shares in the scope of the authorisation granted to the Board by the articles of association article 7; allocate all of the 32.478.952 shares with a nominal value of YTL 1 each, to be issued representing the increased share capital in the amount of YTL 32.478.952 to large and a limited number of foreign corporate investors who are willing to invest in long-term; prepare the shares with series 11 and to the bearer; and to benefit from the profit if any arises for the first time in the year 2006.

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NOTE 35 - DISCONTINUED OPERATIONS

In 2004, Doğan Holding decided to investigate various types of possibilities including joint venture, partnership and share transfer of Dışbank, due to the local and global developments in the banking sector Doğan Holding and some other international banks continued their studies in the first quarter of 2005, and as stated in the declaration of Doğan Holding dated 28 March 2005, Doğan Holding has requested those international banks to finalise their work and to put forward their bids. Following the evaluation of the relevant bids, a share sale agreement (“agreement”) was signed with Fortis Bank at 11 April 2005. Pursuant to this agreement;

- (1) 227.828.946.000 shares owned by Doğan Holding A.Ş representing 62,6% Dışbank’s total capital;
- (2) 36.157.000.000 shares owned by Türk Dış Ticaret Bankası Members Pension Fund Foundation representing 9,93% of Dışbank’s total capital;
- (3) 27.792.000.000 shares owned by Türk Dış Ticaret Bankası Pension Fund Foundation representing 7,64% of Dışbank’s share capital;
- (4) 14.557.760.000 shares owned by Aydın Doğan representing 4,0% of Dışbank’s total capital;
- (5) 4.645.800.000 shares owned by Arzuhan Yalçındağ representing 1,28% of Dışbank’s total capital;
- (6) 4.645.800.000 shares owned by Vuslat Doğan Sabancı representing 1,28% of Dışbank’s total capital;
- (7) 4.645.800.000 shares owned by Hanzade Doğan representing 1,28% of Dışbank’s total capital;
- (8) 4.645.800.000 shares owned by Begümhan Doğan Faralyalı representing 1,28% of Dışbank’s total capital;
- (9) 238.467.000 shares owned by İmre Barmanbek representing 0,06% of Dışbank’s total capital

(a total of 325.157.373.000 shares) were agreed to be transferred, on several preconditions and following the obtaining of the required permissions, and on the specific condition that shares in Ray Sigorta, owned by Dışbank, were sold to Doğan Holding.

The total purchase price of 325.157.373.000 shares, representing 89,34% of Dışbank’s capital, the entire shares of which are estimated to be worth EUR 985.000.000 were determined as EUR 880.025.533. Following the fulfillment of all the preconditions stated in the agreement, and the obtaining of the necessary permissions in accordance with the relevant legislation, the related shares were sold to Fortis Bank on 4 July 2005. The purchase price was adjusted for the differences in the consolidated equity figures of Dışbank at 31 December 2004 and 31 May 2005, and an additional payment in the amount of YTL 1.878.000 was made.

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NOTE 35 - DISCONTINUED OPERATIONS (Continued)

Results of the years ended 31 December 2005 and 2004 (2004 results are prepared for comparative purposes only) related to discontinued operations were accounted for as a single item in the consolidated statements of income with the titles "Net Income Related to Discontinued Operations". The details of related items as of 31 December 2005 and 2004 are as follows:

	2005	2004
Revenues		
Sales	612.877.000	1.245.183.785
Cost of sales	(517.877.000)	(1.058.773.182)
Operating profit	95.000.000	186.410.603
Other expenses, net	(36.032.000)	(103.958.987)
Net monetary position loss	-	(72.050.484)
Income related to discontinued operations before taxes on income and minority interests	58.968.000	10.401.132
Taxes on income	(8.171.331)	38.206.069
Minority interests	(37.000)	-
Net income	50.759.669	48.607.201
Consolidation eliminations	29.823.543	23.567.914
Net income related to discontinued operations	80.583.212	72.175.115

NOTE 36 - OPERATING INCOME

	2005	2004
Net domestic sales	9.527.502.899	5.986.167.132
Net foreign sales	276.824.496	533.487.969
Net sales	9.804.327.395	6.519.655.101

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NOTE 37 - OPERATING EXPENSES

	2005	2004
General administrative expenses	(293.561.398)	(126.913.606)
Selling, marketing and distribution expenses	(255.111.977)	(268.437.815)
Operating expenses	(548.673.375)	(395.351.421)

NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

Other operating income and expenses for the periods ended 31 December 2005 and 2004 are as follows:

	2005	2004
Other operating income:		
Gain on sale of Subsidiary, net (*)	352.510.325	102.051.048
Gain on acquisition of Subsidiary (**)	123.370.075	-
Automatic sales income	87.552.862	34.421.196
Commission income	21.492.456	7.776.923
Ship operating services income	17.678.012	14.659.218
Service income	15.185.030	37.483.174
	617.788.760	196.391.559
Other operating expenses:		
Automatic sales expenses	(87.458.588)	(34.535.234)
Provision for doubtful receivables	(26.913.462)	(29.603.162)
Loss from sales of Subsidiary	(13.406.195)	-
Transportation expenses	(10.922.619)	(24.612.741)
Ship operating services expenses	(9.359.892)	(8.872.352)
Provision for lawsuits	(8.093.171)	(6.795.870)
Commission expenses	(1.670.282)	(2.885.733)
Amortisation of goodwill	-	(88.787.289)
Other operating expenses, net	(30.117.922)	(5.504.568)
	(187.942.131)	(201.596.949)

(*) YTL 352.054.478 amounted gain on sale of subsidiary is derived from sales of subsidiaries, which is classified as discontinued operations, by the Group.

(**) YTL 122.467.835 amounted gain on acquisition of Subsidiary is derived from Group's current year POAŞ acquisition.

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NOTE 39 - FINANCIAL EXPENSES

Financial income and expenses for the years ended 31 December 2005 and 2004 are as follows:

	2005	2004
Financial income:		
Interest income on banks deposits	61.941.963	47.333.058
Foreign exchange gain, net	24.726.703	28.356.687
Interest income on trading and investment securities	20.471.812	14.583.033
Amortized cost valuation income	17.917.955	14.794.239
Due date difference on credit sales	9.267.976	15.325.052
Other interest and commission	3.849.089	2.490.724
Financial income	138.175.498	122.882.793
Financial expenses:		
Interest expense on short-term and long-term borrowings	(128.177.847)	(128.287.553)
Due date difference on credit purchases	(1.558.579)	(6.545.790)
Other	(14.241.746)	(9.262.105)
Financial expenses	(143.978.172)	(144.095.448)
Financial income/(expenses), net	(5.802.674)	(21.212.655)

NOTE 40 - NET MONETARY POSITION GAIN/(LOSSES)

With the decision taken at 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required (Note 2). Since the Group did not apply inflation accounting effective from 1 January 2005 in line with CMB Accounting Standards, there is no monetary gain/loss for the year ended 31 December 2005.

	2005	2004
Net monetary position loss	-	124.599.096

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NOTE 41 - TAXES ON INCOME

	2005	2004
Corporation and income taxes currently payable (Note 23)	9.241.480	19.196.257
Deferred tax assets – net (Note 14)	(9.473.558)	(145.543.385)
Total	(232.078)	(126.347.128)

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

Corporation tax rate of the fiscal year 2005 is 30% (2004: 33%). Corporation tax is payable at a rate of 30% on the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (gain from associates exemption, etc) and corporate income tax deductions (like investment allowances). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilized within the scope of the Income Tax Law Transitional Article 61).

The Group classified the statutory goodwill arising from the legal mergers in POAŞ and Doğan Gazetecilik as a balancing account, which are neither assets nor liabilities in nature and did not apply inflation accounting in accordance with the Circular No.17 on Tax Procedural Law, related to inflation adjustment application dated 24 March 2005. In this context, it was assessed that the impact in reference to the statutory goodwill was a tax-deductible item.

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

Corporations are required to pay advance corporation tax quarterly at the rate of 30% on their corporate income. Advance tax is to be declared by the 10th day of the second month following each calendar quarter end and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

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

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

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

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NOTE 41 - TAXES ON INCOME (Continued)

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

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

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

Profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporate tax.

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

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

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

Capital expenditures, with some exceptions, over YTL 10 thousand are eligible for investment incentive allowance of 40% is exempted from corporate income tax and this allowance is not subject to withholding tax without the requirement of an investment incentive certificate. Investment allowances calculated are deferred to the following years in cases where corporate income is insufficient. To benefit from the exemption, investment incentive certificate is not required. Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 in accordance with provisions of Income Tax Law Transitional Article 61 are subject to withholding tax at the rate of 19,8%, irrespective of profit distribution.

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NOTE 41 - TAXES ON INCOME (Continued)

Accordingly, abovementioned profits within trade income/loss are considered in the calculation of corporate income tax.

Apart from the abovementioned exemptions considered in the determination corporate income tax base, allowances stated in Corporate Income Tax Law Article 14 and reiterated Article 14, and Income Tax Law Article 40 are also taken into consideration.

The taxes on income reflected to the consolidated income statement for the years ended 31 December 2005 and 2004, is summarised as follows:

	2005	2004
Current	(47.519.990)	(55.861.504)
Deferred (Note 14)	(63.876.695)	(66.078.749)
Taxes on income	(111.396.685)	(121.940.253)

NOTE 42 - EARNING PER SHARE

Earnings per share based on share groups are as follows:

	2005	2004
Net income related to continuing operations	566.059.505	206.335.967
Net income related to discontinued operations	70.297.003	56.687.143
Weighted average number of shares with face value of YTL1 each	735.288.208	735.288.208
Earning per share (YTL)	0,87	0,36
- continuing operations	0,77	0,28
- discontinued operations	0,10	0,08

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NOTE 43 - STATEMENTS OF CASH FLOW

	Notes	2005 USD(*)	2005	2004
Cash flows from operating activities				
Net income before taxation and minority interest		594.425.540	797.600.190	396.086.515
Adjustments to reconcile net income before tax to net cash from operating activities:				
Cash used in operations		(288.060.809)	(386.519.993)	(405.258.814)
Finance segment interest received		335.310.965	449.920.253	900.563.046
Finance segment interest paid		(170.430.129)	(228.683.147)	(569.999.789)
Taxes paid		(45.827.073)	(61.490.767)	(59.920.150)
Employment termination paid	23	(5.177.679)	(6.947.410)	(2.497.247)
Net cash from operating activities		420.240.815	563.879.126	258.973.561
Cash flows from investing activities:				
Purchase of property, plant and equipment	19	(201.946.950)	(270.972.417)	(183.152.723)
Purchase of investment property	18	(1.876.217)	(2.517.508)	(6.863.040)
Purchase of intangible assets	20	(27.377.437)	(36.735.045)	(32.980.117)
Proceeds from sale of property, plant and equipment and other non-current assets		45.543.965	61.110.892	31.314.585
Increase/(decrease) in available-for-sale and held-to-maturity investments		5.615.113	7.534.359	(520.477.000)
Change in other non-current assets and liabilities		(1.848.612)	(2.480.467)	(119.159.475)
Acquisition of subsidiaries		(992.085.287)	(1.331.180.038)	(19.536.866)
Proceeds from disposal of Subsidiaries and Joint Ventures	32	780.118.404	1.046.762.875	238.254.796
Non-finance segment interest received		79.848.322	107.140.478	92.035.382
Inflation effect on investing activities		-	-	(190.346.720)
Net cash used in investing activities		(314.008.699)	(421.336.871)	(710.911.178)
Cash flows from financing activities:				
Proceeds of issuance of share capital to minority interests	24	2.622.540	3.518.924	16.528.616
Dividends paid to minority interests	24	(3.723.488)	(4.996.176)	(26.662.757)
Net (decrease)/increase in short term borrowings		(2.103.024)	(2.821.838)	331.119.949
Net increase in Murabaha syndication		-	-	58.862.304
Net increase in Eurobond		-	-	110.464.675
Net increase/(decrease) in long term borrowings		172.594.048	231.586.693	(463.374.768)
Net increase in long term trade payables		237.001.829	318.009.054	14.632.891
Non-finance segment interest paid		(115.565.613)	(155.065.940)	(145.094.792)
Inflation effect on financing activities		-	-	377.173.451
Net cash from financing activities		290.826.292	390.230.717	273.649.569
Net increase/(decrease) in cash and cash equivalents		397.058.408	532.772.972	(178.288.048)
Inflation effect on cash and cash equivalents		-	-	(118.439.411)
Cash and cash equivalents at the beginning of year	4	549.799.505	737.720.976	1.034.448.435
Cash and cash equivalents at the end of the period related to discontinued operations		(367.671.039)	(493.341.000)	-
Cash and cash equivalents at the end of the period	4	579.186.874	777.152.948	737.720.976

Cash and cash equivalents amounting to YTL 12.027.157 (31 December 2004: YTL 218.349.161) are unavailable for use (Note 4).

(*) As explained in the Note 2.4 to the consolidated financial statements, USD amounts shown in these consolidated financial statements have been included solely for the convenience of the reader and are translated from YTL, as a matter of arithmetic computation only, at the Central Bank of the Republic of Turkey official YTL exchange rate. Thus, USD amounts do not form a part of the consolidated financial statements prepared in accordance with generally accepted accounting standards issued by the CMB as at 31 December 2005.

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NOTE 43 - STATEMENTS OF CASH FLOW (Continued)

Cash used in operations

	2005	2004
Adjustments for:		
Depreciation and amortisation (Notes 18, 19 and 20)	246.523.529	310.992.156
Reserve for employment termination benefits (Note 23)	3.538.206	11.948.917
Net interest income	(206.447.021)	(344.042.194)
Translation reserve	17.891.742	(26.249.704)
Profit from the sales of property, plant and equipment	(4.195.210)	(4.723.622)
Valuation difference of derivative financial instruments	6.596.508	(828.862)
Provision for loan losses, net	(38.500.000)	83.527.651
Provision for net realizable value	(7.453.384)	(262.272)
Loss on sales of		
Subsidiaries and Joint Ventures, net (Note 38)	13.406.195	-
Gain on sale of Subsidiary (Note 38)	(352.510.325)	(102.051.048)
Gain on purchase of Subsidiary (Note 38)	(123.370.075)	-
Other provisions	(13.082.854)	44.264.185
Unrealized (gain)/loss on investments	(21.336.001)	138.654.279
Impairment of investment properties (Note 18)	(2.815.320)	(5.107.984)
Impairment of property, plant and equipment (Note 19)	-	13.689.393
Impairment of intangible assets and goodwill (Note 17 and 20)	3.042.376	5.950.348
Inflation effect on non-operating activities and income taxes	-	(68.387.320)
	(478.711.634)	57.373.923

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

Decrease in trading, available-for-sale and held-to-maturity investments	-	141.960.597
Increase in placements with banks	-	(201.124.738)
Increase in originated loans	-	(926.941.058)
Decrease in bank borrowings	-	(200.329.417)
Increase in banking and customer deposits	-	793.752.804
Increase in trade payables and due to related parties	-	44.992.890
Increase in insurance technical reserve	-	21.855.592
Change in other current assets/liabilities	-	(34.383.660)
	-	(360.216.990)

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

Decrease /(Increase) in trading, available-for-sale and held-to-maturity investments, net	45.229.923	(16.485.513)
Increase in bank deposits	(21.707.143)	(74.868.891)
Increase in trade receivables and due from related parties, net	(210.327.547)	(29.469.611)
Increase in inventories	(56.151.804)	(77.175.548)
(Decrease)/Increase in trade payables and due to related parties, net	(77.863.588)	87.509.732
Increase in insurance technical reserve	34.693.737	-
Increase in advances received	22.352.212	-
Change in other payables/receivables	389.585.820	-
Change in other current assets/liabilities, net	(33.619.969)	8.074.084
	92.191.641	(102.415.747)

Cash used in operations **(386.519.993) (405.258.814)**

Reconciliation of the net (loss)/income before taxation and minority interest in consolidated statements of cash flow:

Consolidated income before taxes and minority interest	708.808.647	362.117.469
Net income related to discontinued operations - (Note 35)	80.583.212	72.175.115
Less: Taxes on income and minority interest related to discontinued operations (Note 35)	8.208.331	(38.206.069)
	797.600.190	396.086.515

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NOTE 44 - DISCLOSURE OF OTHER MATTERS

These financial statements are prepared and presented in accordance with the accounting and reporting principles issued by the CMB (Note 2), which differ from IFRS mainly with respect to the application of inflation accounting, presentation of the basic financial statements and the notes to them. Accordingly, these financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with IFRS.

NOTE 45 - ORIGINATED LOANS

	2004
Short-term originated loans	2.864.985.006
Long-term originated loans	486.974.450
	3.351.959.456
Corporate and commercial loans:	
Commercial and industrial loans	1.448.180.547
Export loans	998.613.000
Investment loans	120.156.241
Originated loans to the Undersecretariat of the Treasury of the Prime Ministry of the Republic of Turkey	21.590.000
Factoring receivables	90.519.727
Total corporate and commercial loans	2.679.059.515
Retail:	
Credit cards	350.346.000
Other consumer loans	215.464.066
Total retail loans	565.810.066
Total loans	3.244.869.581
Loans under legal follow-up	161.787.846
Other impaired loans	93.250.265
Total impaired loans	255.038.111
Total gross loans and advances	3.499.907.692
Less: Provision for loan losses	(147.948.236)
Net loans and advances to customers	3.351.959.456

Originated loans include funds transferred at issuance date for the treasury bills issued by the Undersecretariat of Treasury for the Government of Republic of Turkey.

At 31 December 2004, interest rates vary between 2% and 4,5% per annum for foreign currency loans and 18% and 25% per annum for YTL loans.

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NOTE 45 - ORIGINATED LOANS (Continued)

Subsequent to the issuance of financial statements of Dışbank, a Subsidiary of Doğan Holding acquired by Fortis Bank as of 4 July 2005, adjustments have been made to the provision for loan losses related to the credit cards after issuance of financial statements at 31 December 2004. The effect of these adjustments pertaining to 2004 financial year were reflected to the consolidated financial statements by the reductions in the 2005 openings discontinued operations' originated loans, minority interests and retained earnings amounting to YTL 38.500.000, YTL 10.079.300 and YTL 16.870.700 respectively and an increase in 2005 opening discontinued operations' deferred tax assets amounting to YTL 11.550.000.

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

	2004	
	YTL	%
Consumer loans		
Textiles	565.810.000	17
Wholesale and retail trade	381.622.060	12
Construction and cement	312.403.283	9
Financial institutions	259.009.427	9
Food and beverage	229.225.935	7
Metal processing	205.568.925	6
Media	155.388.000	5
Medicine, chemicals and dyes	143.903.042	4
Non-metal mine processing	115.885.743	4
Machinery and equipment	113.798.802	3
Automotive	109.071.000	3
Other production	102.913.134	3
Tourism	99.545.000	3
Durable goods	92.450.881	3
Agriculture	56.884.328	2
Originated loans to the Undersecretariat of the Treasury of the Prime Ministry of the Republic of Turkey	49.316.397	1
	21.590.000	1
Oil and gas	11.069.204	1
Other	219.414.420	7
	3.244.869.581	100

NOTE 46 - DERIVATIVE FINANCIAL INSTRUMENTS

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

2004	Notional amount	Fair Values	
		Assets	Liabilities
Foreign exchange derivatives	247.782.000	2.035.000	(1.721.000)
Currency swaps	384.334.000	8.929.000	(10.676.581)
Currency futures	141.527.000	236.929	(117.595)
Interest rate swaps	202.500.000	224.000	(812.000)
Foreign currency options	122.381.000	1.557	(1.547)
Credit default swaps	324.000.000	10.919.689	(16.000)
Total derivative assets/(liabilities)	1.422.524.000	22.346.175	(13.344.723)

Although certain derivative transactions provide effective economic hedges under the Group's risk management position, they do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held-to-maturity.

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NOTE 47 - BANKING AND CUSTOMER DEPOSITS

The breakdown of banking deposits according to type and maturity at 31 December 2004 is as follows:

	2004		Total
	Short-term	Long-term	
Bank deposits	485.734.000	21.170.000	506.904.000
Customer deposits	3.892.438.582	23.404.000	3.915.842.582
	4.378.172.582	44.574.000	4.422.746.582
31 December 2004			
	Demand/Current	Time	Total
Foreign currency:			
Domestic banks	396.000	-	396.000
Foreign banks	30.109.000	5.651.000	35.760.000
Funds deposited under repurchase agreements	-	90.066.000	90.066.000
	30.505.000	95.717.000	126.222.000
YTL:			
Domestic banks	48.000	3.755.000	3.803.000
Foreign banks	146.000	56.879.000	57.025.000
Funds deposited under repurchase agreements	-	319.854.000	319.854.000
	194.000	380.488.000	380.682.000
Total bank deposits	30.699.000	476.205.000	506.904.000

At 31 December 2004, interest rates for foreign currency time deposits are between 2,68% and 3,75%, and interest rates for local currency time deposits are between 21,5% and 23%.

The breakdown of customer deposits according to type and maturity at 31 December 2004 is as follows.

	2004		Total
	Demand	Time	
Foreign currency:			
Saving deposits	156.915.464	929.311.000	1.086.226.464
Commercial deposits	268.349.746	654.702.982	923.052.728
	425.265.210	1.584.013.982	2.009.279.192
YTL:			
Saving deposits	77.267.000	1.207.434.000	1.284.701.000
Commercial deposits	168.607.062	417.005.449	585.612.511
Securities deposited under repurchase agreements	-	36.249.879	36.249.879
	245.874.062	1.660.689.328	1.906.563.390
Total customer deposits	671.139.272	3.244.703.310	3.915.842.582

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NOTE 47 - BANKING AND CUSTOMER DEPOSITS (Continued)

The breakdown of customer deposits according to type and maturity at 31 December 2004 is as follows:

	2004
Demand	701.838.272
1-30 days	2.772.702.310
31-90 days	430.584.000
91 days - 1 year	473.048.000
Over 1 year	44.574.000
	4.422.746.582

At 31 December 2004, interest rates for foreign currency time deposits are between 2,5% and 6,75%, and interest rates for local currency time deposits are between 17% and 29,5%.

NOTE 48 - INSURANCE TECHNICAL RESERVES

	2005	2004
Unearned premiums reserve - net of reinsurance	71.181.535	48.034.537
Claim provisions - net of reinsurance	36.120.195	27.268.137
Deferred commission income	7.090.576	5.056.435
Insurance technical reserves - current	114.392.306	80.359.109
Life assurance provision	-	26.628.076
Insurance technical reserves - non-current	-	26.628.076

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