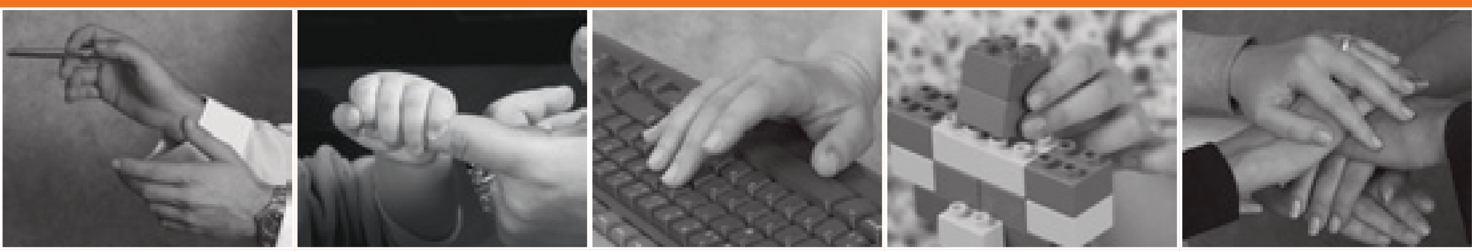


ANNUAL REPORT 2005

leadership • confidence • technology • creativity • awards • performance • responsibility • sustainability • transparency

AKÇANSA

1- The opening and election of the Assembly Meeting Committee,
2- Authorization of the Meeting Committee to sign the minutes of the meeting,
3- Presentation of the Board of Directors' Annual Report and the independent auditors and Audit Committee's reports,
4- Approval of the Company's donations and contributions in 2005,
5- Presentation, discussion and approval of the Balance Sheet and Income Statement, and resolution on the Board of Directors' profit distribution proposal,
6- Resolution on the authorization of the Board of Directors concerning profit distribution in advance, in compliance with the Capital Markets Law,
7- Discharge of the Board of Directors and Audit Committee members from their financial responsibilities,
8- Resolution on remuneration of the members of the Board of Directors and Audit Committee,
9- Election of auditors to replace those whose terms of office had expired, and the drawing up of a resolution on their term of office,
10- Ratification of the Board of Directors' appointment of independent auditors in compliance with the Capital Markets Law,
11- Resolution on the amendment of Articles 6 and 27, and cancellation of provisional article no: 1,
12- Authorization of the Chairman and members of the Board of Directors in compliance with Articles 334 and 335 of the Turkish Commercial Code.

Date of Meeting:	27 March, 2006
Time:	11:30 a.m.
Location:	Sabancı Center Hacı Ömer Sabancı Salonu Kule 2 4. Levent/İSTANBUL

CONTENTS

Akçansa was established as a joint venture between Sabancı Holding and HeidelbergCement in 1996, the offspring of Akçimento and Çanakkale Cement, founded in 1967 and 1974, respectively. The merger secured Akçansa's place as the largest cement producer in Turkey.

Operating in Turkey's Marmara and Aegean regions in cement and ready mixed concrete production, Akçansa later merged with its subsidiary, Betonsa, in 1998. The company provides services with more than 20 ready mixed concrete plants in the Marmara and Aegean regions under the "Betonsa" banner. Yet another merger came in 2002, this time with its Agregasa Agrega San. & Tic. A.Ş. subsidiary. Agregasa now produces at its plants located on both sides of Istanbul.

Akçansa aims to achieve "premium quality in production and service" as a domestic leader in cement exports, to fulfill the demand of both domestic and foreign customers and to compete by means beyond price in a sector where it is hard to discern differences.

As the leader of Turkey's cement sector, Akçansa meets 9% of Turkey's cement needs. This performance has been achieved by a combination of product compliance with world standards, environmentally friendly production processes (with recognition from the Istanbul Chamber of Industry), a notion of service excellence and plants equipped with cutting-edge technology.

Since its foundation, each step taken by Akçansa has been a milestone, such as the award of the ISO 9001: 2000 Quality Management System certificate and the ISO 14001 Environmental Management System certificate, to name but a few. Furthermore, Akçansa was the first cement producer eligible to implement the Integrated Management System (IMS) when the OHSAS 18001 Occupational Health and Safety Management System was set up in early 2004.

- Progress was made on the $135 million investment in the cement facility in Çanakkale; its completion will enable Akçansa to expand beyond Turkey's borders to become a strategic power in the region.

- Winning the 2005 Istanbul Chamber of Industry's Sector Environment Award in recognition of the innovative, environmentally friendly practices at the Büyükçekmece plant. Having already won the same award in 1999 and 2000 for its practices at the Çanakkale plant, winning the award for a third time was a source of pride for Akçansa.

- Further expansion of its spectrum of special products in ready mixed concrete through the marketing of Betonsa's PAKBETON brand. It is a decorative product with applications at parks, pools, gardens and landscapes.

- Voted the favorite cement company for the fifth time in a poll of 1,350 top-level executives conducted by Capital magazine, again substantiating Akçansa's leadership in the Turkish cement sector.

- Among the sponsors of the Gallipoli Documentary which had a massive impact in Turkey and the world after its screening on 18 March, 2005. This has been a demonstration of the company's willingness to champion the nation's historical and cultural heritage.

- Entering an agreement to cooperate with the Büyükçekmece Municipality to rebuild the 1,500 pupil Büyükçekmece Fatih Sultan Mehmet Primary School. The school was damaged beyond repair in the August 1999 earthquake. The construction work is scheduled to be completed in time for the first term of the 2006-2007 school year.

- Permanent implementation of the Performance Improvement Program at every step in all processes, the aim being to reach perfection and be ready to tap any opportunities for growth that arise in 2006 and beyond.

Akçansa's achievement has been to build a strong foundation for Turkey's future through its concept of superlative service and its cement manufacturing facilities, which are equipped with the state-of-the-art technology.

SALES (Million Tons)	2003	2004	2005
Cement - Total	**3.7**	**3.8**	**3.9**
Domestic	2.3	2.6	3.1
Exports	1.4	1.2	0.8
Clinker - Total	**0.5**	**0.3**	**0.1**
Domestic	0.2	0.2	0.1
Exports	0.3	0.1	0.0
Ready mixed concrete (Million m^3)	1.7	2.0	2.4

(Million YTL)	2003	2004	2005
NET SALES	322.3	371.3	418.5
EBITDA	54.0	107.4	136.7
%	16.74	28.93	32.66
EBIT	23.1	77.4	104.4
%	7.18	20.84	24.95
PROFITABILITY			
NET PROFIT	40.7	63.3	113.6
Earnings Per Share	0.2440	0.3800	0.6820
Dividend per share %	12.00	31.40	53.90
NET FINANCIAL DEBT	(37.6)	(93.1)	(139.8)
TOTAL EQUITY	567.0	618.9	738.5
TOTAL ASSETS	674.1	732.4	856.3

PLANT CAPACITIES (Tons)	Cement Production Capacity	Clinker Production Capacity	Operation Capacity
Büyükçekmece	2,800,000	1,850,000	-
Çanakkale	3,500,000	1,900,000	-
Karçimsa	-	-	200,000
Ambarli	-	-	1,600,000
Aliağa	-	-	350,000
Yalova	-	-	300,000

The year 2005 was one of continued economic stability and growth for our country, the award of a date to start accession negotiations with the European Union and the introduction of our new currency, the New Turkish Lira. A growing economy fuelled investment and progress in a lot of sectors. The year has likewise been a more rewarding one for the construction sector. The fall in interest rates combined with sustained political and economic stability have invigorated the sector, leading to a boom, especially in housing.

In the light of these favorable developments, our total domestic cement and clinker sales rose by 14% over the previous year in 2005 to more than 3.1 million tons. Our sales of ready mixed concrete sustained the trend of vigorous growth seen in recent years with an increase of 19.4% to 2.4 million m^3. This growth in domestic sales bolstered our profitability. We recorded an operating profit before amortization of YTL 136.7 million, an increase of 33% when compared to the previous year.

Through rational and substantial investments, we broke new ground in our sector. At the same time, we have taken steps to add significant value to the national economy. Once the current $135 million investment in a capacity increase at the Çanakkale cement plant enters operation, Akçansa will be in a position to expand beyond its borders and become a strategic power in the region. The completion of this investment at the end of 2007 will double the annual clinker production of our Çanakkale plant and raise our total clinker production capacity up to 5.7 million tons.

We have carried out YTL 36.6 million of investment throughout the year. Our investments have been concentrated on cutting electricity and heat consumptions as well as enhancing production efficiency, resulting in major cost savings. The flexibility in fuel consumption at our Çanakkale plant has given rise to a crucial cost advantage in clinker production.

In our ready mixed concrete operations, we have continued to develop special products, brought new plants into operation, focused on branding work and sealed important projects through the Betonsa brand.

From environmental awareness to our concern for occupational safety, from our commitment to service excellence and product quality to honoring our social responsibility, we have made a tremendous contribution to the national economy and the social progress of our country as an exemplary organization.

Despite setbacks, our performance in the sales tenders of the Rumeli Group cement plants and our decision to invest in our Çanakkale plant - backed by our shareholders

Once the current $135 million investment in a capacity
in a position to expand beyond its borders and become

in a show of confidence in our company - have been important steps taken towards the aim of growth through the creation of value.

Our company has been privileged to be named "the favorite" company in the sector for five years. It has earned the title through its breakthroughs in the field of "using alternative fuels and raw materials", a critical issue for the conservation of environmental and natural resources.

Our Büyükçekmece plant was awarded the 2005 Sector Environment Award by the Istanbul Chamber of Industry for its pioneering efforts and accomplishments in the use of alternative fuels. This comes hot on the heels of winning the same award for our Çanakkale plant in 1999 and 2000, and this well deserved award is a source of pride for us.

Apart from its contributions to the Turkish economy, Akçansa has also gained appreciation for its support of education and efforts to champion our environmental and cultural heritage. We were also a sponsor of the Gallipoli Documentary, screened on 18 March, 2005, which attracted a great deal of interest both in Turkey and abroad. We held a screening of the documentary to an audience of 5,000, mainly students, who we consider to be our future.

In cooperation with the Büyükçekmece Municipality, we will offer 1,500 pupils new opportunities for education. The Büyükçekmece Fatih Sultan Mehmet Primary School had been severely damaged by the earthquake disaster of August 1999 and was in a dilapidated state. We are now rebuilding the school, which should be ready in time for the 2006-2007 school year.

Dear Shareholders,

We will continue to grow, relying on our resolution to succeed, our discipline, creativity, team spirit and a massive program of investment based on rational decisions. Shored up by our management and employees' faith in the success of our company, and backed by you, our valued shareholders, we will take our place in the bright future of our country.

On behalf of our Board of Directors, I would like to thank all our shareholders who have joined our meeting. We submit our 2005 Annual Report, financial statements and dividend distribution proposal to you for your approval, all compiled in accordance with the provisions of the Capital Markets Law.

Sincerely,

Erhan Kamışlı
Chairman of the Board

increase at the Çanakkale cement plant enters operation, Akçansa will be a strategic power in the region.

Left to right: **Stefan Dreher** Member, **Emir Adıgüzel** Member, **Engin Tuncay** Member, **Erhan Kamışlı** Chairman, **Ahmet Dördüncü** Member, **Daniel Gauthier** Vice Chairman, **Mehmet Göçmen** General Manager.

Erhan Kamışlı
Chairman

(Length of term: 28 March, 2003 - 28 March, 2006)

Born in 1964 in Adana, Erhan Kamışlı graduated from the School of Business and Public Administration of the California State University (Marketing and International Business). He began his career at Exsa Export Indus. Co. Since 2001 he has been the head of the Cement Group at Hacı Ömer Sabancı Holding.

Stefan Dreher
Member

(Length of term: 28 March, 2003 - 28 March, 2006)

Born in 1958 in Germany, Stefan Dreher attended the Management Department at Mannheim University. His first job was at KPMG in 1988. He later joined the Heidelberg Cement Group in 1992. Dreher has been the director of the Corporate Finance and Treasury Department since 2002.

Daniel Gauthier
Vice Chairman

(Length of term: 1 July, 2004 - 28 March, 2006)

Born in 1957 in Belgium, Daniel Gauthier completed his degree at the Mining Engineering department of the Mons Polytechnic University. In 1982, he started working at CBR, a subsidiary of HeidelbergCement. Gauthier has been a board member of HeidelbergCement since 2000. He is responsible for the areas of Asia, Africa, Turkey, Trading-the Middle East, North Europe and Western Europe.

Emir Adıgüzel
Member

(Length of term: 13 September, 2004 - 28 March, 2006)

Born in 1960 in Izmir, Emir Adıgüzel graduated from Harvard and Bosphorous University's business schools. His career started with a three-year stint in Saudi Arabia. He started working as the General Manager of HeidelbergCement Trading in 1996, and has been working as the Head of the Mediterranean area (including Turkey), the Middle East and Central Asia since 2004.

Ahmet Dördüncü
Member

(Length of term: 22 December, 2005 - 28 March, 2006)

Born in 1953 in Istanbul, Ahmet Dördüncü read management at the Mannheim and Hanover Universities in Germany. In 1980, he joined CLAAS OHG, a company producing agricultural machinery. Dördüncü joined the Sabancı Group in 1987, and has been the CEO of Hacı Ömer Sabancı Holding since May 2005.

Engin Tuncay
Member

(Length of term: 28 March, 2004 - 28 March, 2006)

Born in 1952 in Istanbul, Engin Tuncay graduated from the Ankara Academy of Economic and Commercial Sciences. He joined Ziraat Bank in 1977. He moved over to the Sabancı Group in 1994, as the Vice President of the Foreign Trade Group and General Manager of Universal Trading and Exsa UK. Tuncay has been the Head of the Chemicals and Foreign Trade Group since October 2004.

Left to right: **Ali Özer Erman** Assistant General Manager - Human Resources, **Ahmet Vasfi Pekin** Assistant General Manager - Operations, **Christian Leclercq** Assistant General Manager - Finance, **Nevra Özhatay** Strategy and Business Development Manager, **Hakan Gürdal** Assistant General Manager - Ready Mixed & Concrete and Purchasing, **Mehmet Göçmen** General Manager, **A. Yavuz Ünal** Internal Auditing Manager, **Hasan İmer** Çanakkale Plant Manager, **Cem May** Assistant General Manager - Cement Sales and Marketing, **Şahap Sarıer** Company Manager - Karçimsa.

Mehmet Göçmen
General Manager

Born in 1957, Mehmet Göçmen was educated at the Galatasaray High school and graduated from the Industrial Engineering department at the Middle East Technical University. He subsequently completed a graduate degree in Industrial Engineering and Operations Research at the Syracuse University in the USA. He started his career in 1983 at Çelik Halat and served as the General Manager of Lafarge Ekmel Concrete and as the Vice President of Lafarge Turkey in charge of Business Development, Strategy and Marketing between 1996 and 2002. He has served as General Manager at Akçansa since June 2003.

Christian Leclercq
Assistant General Manager - Finance

Born in 1965 in Belgium, Christian Leclercq first graduated from the Management Department at the Solvay Business School. He completed a graduate degree at the same school to become a tax Specialist. He worked as Auditing Chief at Coopers and Lybrand, Financial Controller at the Walibi Group, and Group Controller and Senior Corporate Finance Manager at CBR-HeidelbergCement. He was appointed as Assistant General Manager at Akçansa in October 2004.

Hakan Gürdal
Assistant General Manager - Ready Mixed Concrete and Purchasing

Born in 1968, Hakan Gürdal studied mechanical engineering. He received graduate degrees in Management and Economics. In 1992, he began work at the Çanakkale Cement. He was appointed as Akçansa's Strategy and Business Development Manager in 1996 and Assistant General Manager in Charge of Trade in 1997. He has served as an Assistant General Manager for the Ready Mixed Concrete division since 2000. In 2004, the responsibilities of his position were extended to include purchasing operations.

Ahmet Vasfi Pekin
Assistant General Manager - Operations

Born in 1955 in Izmir, Ahmet Vasfi Pekin completed his high school education at the Bornova High School. In 1979, he graduated from the Industrial Engineering Department at the Bosphorous University. He was employed by Akçimento three years later. He served as the General Manager of Çimentaş between 1995 and 1998 before returning to Sabancı Holding's Cement Group as the Strategy and Business Development Director. He has been the Assistant General Manager in charge of Operations at Akçansa since July 2004.

Cem May
Assistant General Manager - Cement Sales and Marketing

Born in 1963 in Ayvalık, Cem May graduated from the Mechanical Engineering department at Yıldız University. He joined the cement sector in 1991 at Çanakkale Cement and became the Akçansa Sales Manager of the Aegean region in 1996. He became the Regional Sales Manager of the Northern Marmara region in 2003. He has been the Assistant General Manager in charge of Cement Sales and Marketing since July 2005.

Ali Özer Erman
Assistant General Manager - Human Resources

Born in 1956, Ali Özer Erman graduated with a B.A. degree from the department of Business Administration at the Middle East Technical University. Having served as a Human Resources Director in various sectors, Erman has been the Assistant General Manager of Akçansa's Human Resources department since 2000.

Hasan İmer
Çanakkale Plant Manager

Born in 1954, Hasan İmer read mechanical engineering at Istanbul State Academy of Architecture and Engineering. His first post, in 1980, was at the Saudi Arabian company, Quassim, where he worked as a mechanical engineer. He served as a Projects and Investment Manager at Akçansa's Çanakkale plant in 1988. In February 2001, he was appointed as the Asian Regional Coordinator in Germany at the HeidelbergCement Technology Center (HTC). He has been the manager of the Çanakkale plant since 2004.

İlkfer Akman
Büyükçekmece Plant Manager

Born in Izmir in 1951, İlkfer Akman is a graduate of the Electrical Engineering department at the Middle East Technical University. His first post was at Çitosan in 1975, followed by various posts at the Petkim's Aliağa plant and the Saudi Arabian Quassim Cement. After working as maintenance manager at Adana Cement, he relocated to Çanakkale Cement in 1988. Before the merger, he was the technical Assistant General Manager of this company. Following the establishment of Akçansa, he became Plant Manager for the Çanakkale and Büyükçekmece plants. He then worked for one year as a Regional Coordinator at HeidelbergCement-HTC. In February 2006, he was appointed as the Plant Manager to the Akçansa's Büyükçekmece plant for the second time.

Şahap Sarıer
Company Manager - Karçimsa

Born in 1969, Şahap Sarıer studied civil engineering at the 9 Eylül University. He completed an International Management and Specialization Program at Istanbul University's Economics Faculty, and completed an MBA at the Faculty of Administrative Sciences at Sabancı University. He was employed at Betonsa in 1995 to serve as a chief operating officer at several ready mixed concrete batching plants. He was appointed manager of the Istanbul Area in 1998 and as Eastern Marmara Regional Manager in 2000. Since April 2004, he has been a company manager at Karçimsa.

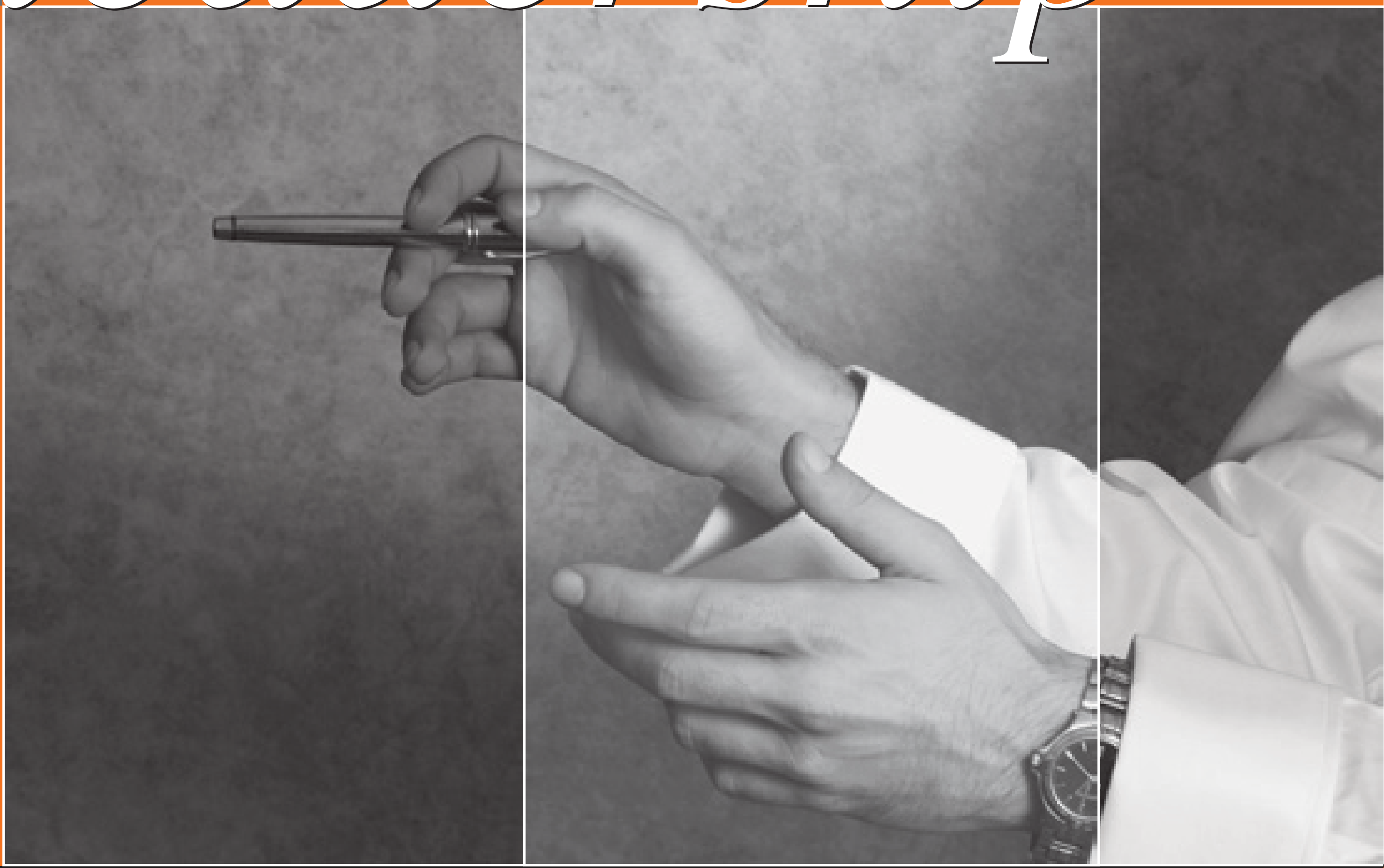
Nevra Özhatay
Strategy and Business Development Manager

Born in 1970, Nevra Özhatay studied Business Administration at the Bosphorus University, before completing an MBA at the University of Exeter in the UK. She was employed by Sabancı Holding in 1994 as a Finance Specialist and Talent Pool candidate. She became Management Support Manager at Akçansa in 1996, Strategy and Business Development Specialist in 1998, and a Planning and Control Manager in 2000. She has been the Strategy and Business Development Manager since 2004.

A. Yavuz Ünal
Internal Auditing Manager

Born in 1950, A. Yavuz Ünal graduated from the Istanbul Economic and Commercial Sciences Academy. He was hired by Akçansa in 1977 where he served as Finance Supervisor, Assistant Finance Manager and Finance Manager until 1993, when he was appointed as the Manager of Financial and Administrative Affairs to Betonsa, a subsidiary of Akçimento. He has been the Internal Audit Manager since 2001.

leadership



Aside from business efficiency and customer satisfaction, Akçansa gives considerable importance to employee satisfaction. As part of its strategy to become a trailblazer in the sector, Akçansa has worked relentlessly to grow outside Turkey's borders and become a strategic power on a regional scale.

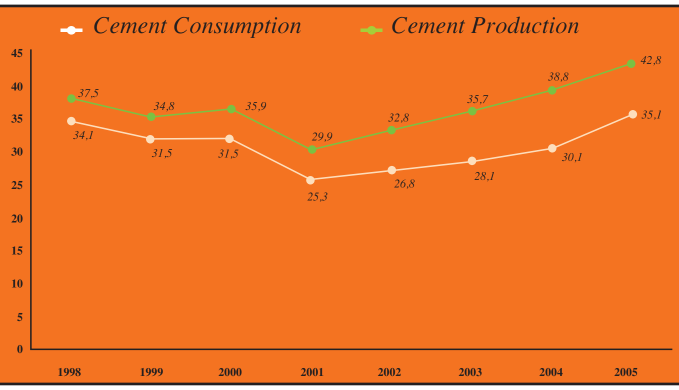
Cement in Turkey

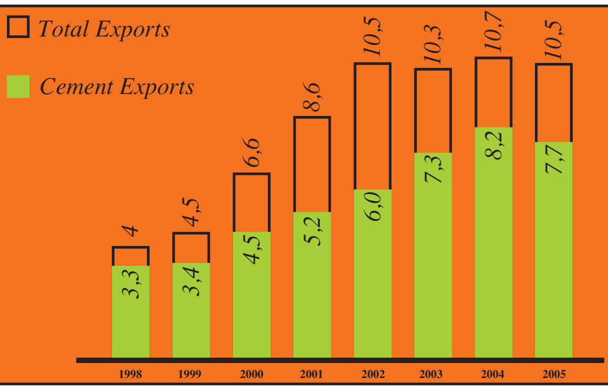
The Turkish construction sector exhibited a strong performance in 2005, predominantly on the back of residential construction. The upshot of this was that 2005 was also highly productive for the Turkish cement sector. Positive macro-economic indicators stood as testament to the sustained economic and political stability; in line with the trend seen in other sectors, falling inflation and lower interest breathed new life into the cement sector.

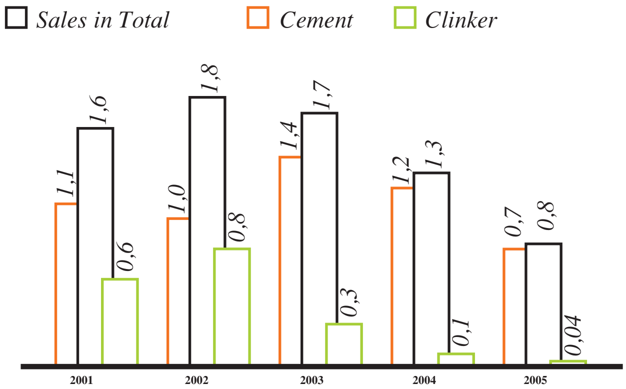
Cement consumption in Turkey in 2005 rose by 14% over the 2004 level to 35.1 million tons, outstripping the 34 million tons consumed in 1998, which is regarded as the golden year of the sector.

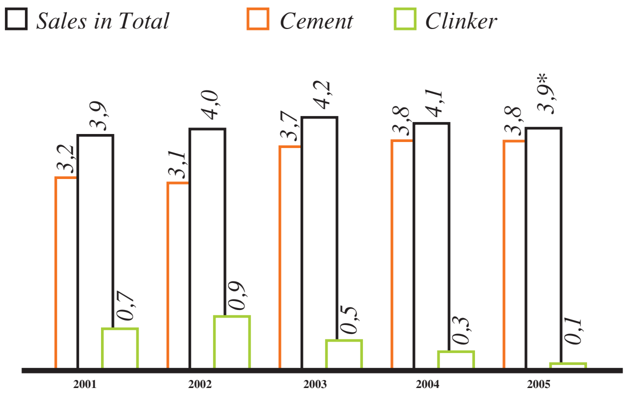
Turkey's tenacious efforts towards full EU membership, higher Government spending on infrastructural investments and motorways, housing developments and the introduction of a mortgage system will give added momentum to the growth in the sector in 2006. Spurred by a housing shortage, demand for cement from the construction sector is forecasted to rise throughout the next two years. Sustained economic and political stability combined with the process of EU integration will bolster Turkey's per capita consumption of cement.

Turkey's exports of cement and clinker fell to 10.5 million tons in 2005. Although Turkey is a significant exporter of cement and clinker in the world and Europe, the recovery in the domestic market repressed exports in 2005. Nonetheless, the Iraq market was an important export destination for cement plants in Southeastern Anatolia.









** Captive sales to ready-mixed concrete operations totalled about 593.531 tons.*

Sales

Total domestic sales of cement and clinker rose by 14% in 2005, leaping to more than 3.1 million tons. This increase in domestic sales had a positive bearing on Akçansa's profitability.

On the back of higher domestic demand, exports of cement and clinker receded to 835,000 tons in 2005, from the 1.3 million tons in 2004.

The Karçimsa grinding plant, 51% owned by Akçansa and 49% by Kardemir, entered operation in 1998. Sales of slag cement were up by 14%.

As the leader of Turkey's cement sector, Akçansa meets 9% of Turkey's cement needs. This performance has been achieved by a combination of product compliance with world standards, environmentally friendly production processes, a notion of service excellence and plants equipped with cutting-edge technology.

confidence

Akçansa was voted "the favorite company" in the sector for the fifth time in a row in an opinion poll of 1,350 top executives conducted by the Capital magazine, illustrating the sector's trust in the brand.

Production and Products

A total of 3.5 million tons of clinker and 3.9 million tons of cement were produced at the Büyükçekmece and Çanakkale plants in 2005, comprising 10% and 9% of the clinker and cement produced in Turkey.

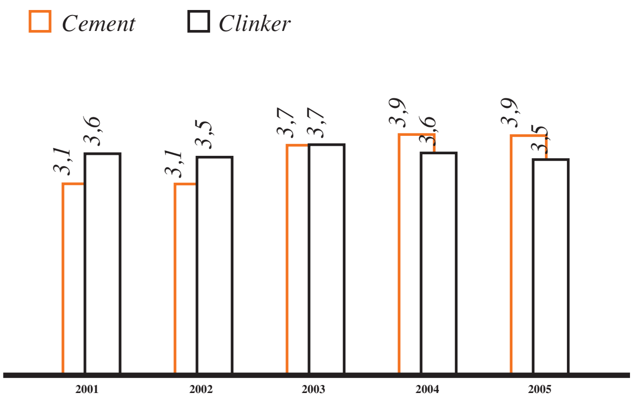
Production was carried out in line with the Occupational Health and Safety Management System OHSAS 18001, the Quality Management System BS EN ISO 9001:2000, and the Environmental Management System BS EN ISO 14001:1995. All inspections carried out by the British Standards Institute ended successfully with the extension of existing certificates.

Training sessions were arranged on a regular basis throughout the year for our employees with the aim of improving Environmental, Occupational Health and Safety Management systems. Methods were developed to eliminate risks. Employees were also given health check-ups.

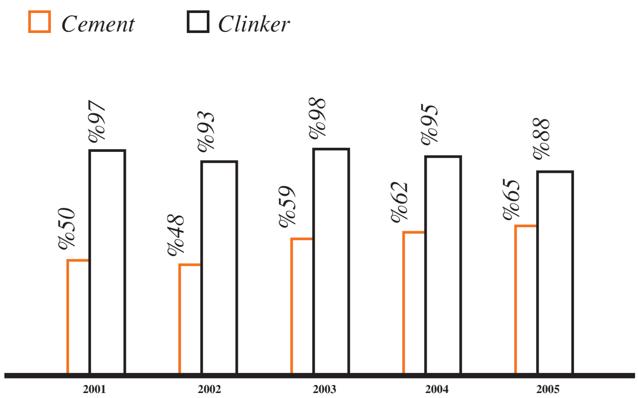
The "NO-17 AKTL-001" license for stockpiling wastes generated by ships was obtained from the Ministry of Environment and Forestry for the port facility at the Çanakkale plant.
A bilge filtering facility was built in the clinker plant and has since entered operation.

The R1-34-001 license covering the use of alternative fuels at the

Production



Capacity utilization rate



A total of 3.5 million tons of clinker and 3.9 million tons of cement were produced at the Büyükçekmece and Çanakkale plants in 2005, comprising 10% and 9% of the clinker and cement produced in Turkey.

technology

Akçansa aims to apply environmentally sensitive cutting-edge technology to raise Turkey's total cement production capacity through new investments.

PRODUCT TYPES

DOMESTIC MARKET

NEW STANDART	PRODUCT	PREVIOUS STANDARD
CEM I 52.5 N	Portland Cement	TS EN 197-1/March 2002
CEM I 42.5 R	Portland Cement	TS EN 197-1/March 2002
CEM II/A-M 42.5 R	Portland Composite Cement	TS EN 197-1/March 2002
CEM V/A 32.5 N	Composite Cement	TS EN 197-1/March 2002
SDÇ 32.5	Sulfate Resistant Cement	TS 10157

EXPORTS

TYPE	PRODUCT	STANDARD
CEM I 52.5N CE PM "NF"	Portland Cement	Meets European Standard EN 197-1, NF EN 197-1
CEM I 52.5N	Portland Cement	Meets European Standard EN 197-1
CEM I 42.5 R	Portland Cement	Meets European Standard EN 197-1
Type I/L.A	Portland Cement/Low Alcali	Meets US Standard ASTM C 150
Type II/L.A	Portland Cement/Low Alcali	Meets US Standard ASTM C 150
Type I-II/L.A	Portland Cement/Low Alcali	Meets US Standard ASTM C 150
Type I-II/L.A	Portland Cement/Low Alcali	Meets US Standard AASHTO M 85
Klinker	Clinker for Portland	Meets European Standard EN 197-1

PRODUCT CERTIFICATES

Product Certificate	New York State Department (NYSDOT) AASHTO M 85 Type I-II/LA
Product Certificate	AFNOR France CEM I 52.5N CE PM NF
Kitemark Product Mark	British Standards Institute (BSI) 52.5 N
Kitemark Product Mark	British Standards Institute (BSI) 42.5 R
CE Product Mark	British Standards Institute (BSI) 52.5 N CE
CE Product Mark	British Standards Institute (BSI) 42.5 R CE

ASTM Laboratory standards compliance: compliance with ASTM for tests carried out in all our laboratories are checked through participation in the Proficiency Sample Program of the American Cement & Concrete Reference Laboratory.

Büyükçekmece plant, which had been issued in 2004, was extended in 2005. After a trial burn attended by officials from Tübitak-MAM (The Turkish Scientific and Technical Research Council Marmara Research Center) and the Turkish Cement Manufacturers Association representing the Ministry, a license to burn wastes was granted. Waste oils and tyres, plastics and contaminated wastes were used as additional fuels, ensuring the company's contribution to the preservation of natural resources and the reduction of CO_2 emissions.

Each of the three rotary kilns at the Büyükçekmece plant have since been burning stockpiled wastes, maximizing Akçansa's overall contribution to the environment.

Since April 2005, a total of 6,100 tons of waste have been burned in the Büyükçekmece plant, while 1,380 tons of dewatered sludge from the Istanbul Water and Sewage Administration were disposed of in a similar fashion. Our company has thus set an example to the rest of the country on a matter, which will become a pressing issue in the years to come.

Over 2,000 tons of waste oil and dewatered bilge were used as additional fuels at the Çanakkale plant.

A total of 210,000 tons of waste and by-products of various industries were recycled in both of our plants and used in clinker and cement production.

These prudent and environmentally conscious methods have allowed the company to cut costs of imported fossil fuels, creating added value for our national economy and the conservation of our natural habitat.

Our company has been privileged to be named "the favorite" company in the sector for five years. It has earned the title through its breakthroughs in the field of "using alternative fuels and raw materials", a critical issue for the conservation of environmental and natural resources.

Investments

Akçansa invested a total of YTL 36.6 million in 2005, with YTL 26.5 million of this amount on cement operations, of which YTL 7.4 million was spent on the Büyükçekmece plant and YTL 19.1 million on the Çanakkale plant.

Büyükçekmece Plant

Investments in high quality, environmentally friendly production, occupational health and safety, and the improvement and development of operations were carried out in line with the company's principles of sustainable growth.

To ensure operational safety and convenience in maintenance and operation, the third rotary kiln was automated and high voltage and power distribution panels were modernized.

To achieve greater efficiency in energy consumption and lower operating and maintenance costs, the third cyclone of the third rotary kiln was replaced by a more efficient version.

To lower dust emissions and mitigate the effects of rain on the production process in the winter months, the closed coal storage area was expanded and enclosed areas were built to store clinker and raw materials.

As the pioneer in Turkey for burning used tyres, Akçansa brought this system into operation first in the first and second rotary kilns, and later in the third Kiln in 2004. With this system, Akçansa creates value for the environment and for the country as a whole, underpinning its leadership in waste disposal.

The project for the second Rotary Kiln Vertical Raw Mill kicked off last year. This will replace the current raw materials grinding system in the second rotary kiln with a new, high-efficiency vertical mill. The project will cut expenditure on electricity, heat and maintenance, and scale down clinker energy consumption.

A new ramp was constructed at the Ambarlı terminal so RO-RO ships could dock at the port. This will increase activity at the terminal

Çanakkale Plant

The new investment at the Çanakkale plant will raise clinker production capacity by 100%. Upon completion of the investment in 2007, Akçansa's total clinker production capacity will reach 5.7 million tons.

Investments and ongoing work on various projects during the year have served to trim consumption of electrical energy and heat used in the clinker plant and raised efficiency.

Production was carried out in line with the Occupational Health and Safety Management System OHSAS 18001, the Quality Management System BS EN ISO 9001:2000, and the Environmental Management System BS EN ISO 14001:1995.

The most important investment of the year was the substitution of calciners with a very short burning time with pre-heated calciners. The project provided flexibility in the use of fuel.

One fan was added to the electro-filter fans of both rotary kilns, enhancing the capacities of the fan and raw mills.

Using a pneumatic rotary kiln raw meal feeding system, the raw meal feeding system between roller silos was converted into a mechanical system, saving a considerable amount of electrical energy and allowing the resetting of the systems in the summer months.

Another investment initiated was to convert the pneumatic transportation system currently in place between cement mills and silos into a mechanical system. Work on the project is planned to be completed in January 2006.

The cathodic protective system of steel piles in the plant's own port was renewed. The chopping region of the piles was wrapped in an outer cover to prevent corrosion. The corroded parts of the berth were restored to extend the life of the structure.

Ready mixed concrete in Turkey

Construction work has mushroomed after the prolonged period of stability in the economy, the fall in interest rates on housing loans and the lengthening of maturities. This spurred a sharp increase in production of ready mixed concrete, one of the most basic branches of the construction sector. The rate of growth in the construction sector during the first nine months of 2005 reached 19.7%. Sales of ready mixed concrete producers (members of the Turkish Ready Mixed Concrete Association) jumped by 27.5% during the year to 26.8 million m^3.

Apart from more prolific usage of ready mixed concrete, there have been notable developments in terms of quality, with high strength concrete classes enjoying greater popularity.

Given the prevailing economic and political picture, the growth in the construction and ready mixed concrete sector is likely to be sustained. In 2006, production of ready mixed concrete is expected to top 50 million m^3. As the mortgage system (to finance the long-term housing need for about 500,000 new homes) is introduced, growth in the sector is set to gain pace.

Sales

Betonsa carries out ready mixed concrete operations for Akçansa in the Marmara and Aegean regions. In 2005, Betonsa sold 2.4 million m^3 of concrete from its 24 plants. Recovering in great bounds since 2001, sales of ready mixed concrete surged by 19.4% in 2005. In parallel with the higher level of customer awareness in the sector, 65% of sales by product involved the C 25 class and higher strength products.

Special concrete products, with specific fields of application oriented towards customer needs, have presented major opportunities to create new brands.

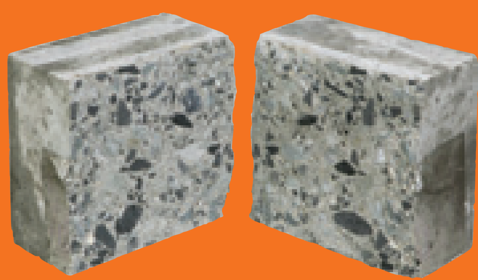
In 2006, the emphasis will be laid on special products. By forging new projects which will augment customer satisfaction in the production and transportation stages, Betonsa will deliver maximum efficiency and enhance profitability.

Akçansa will strive to spearhead the sector by realizing the maximum potential from new projects and marketing activities in 2006, with due concern for employee satisfaction as well as business efficiency.

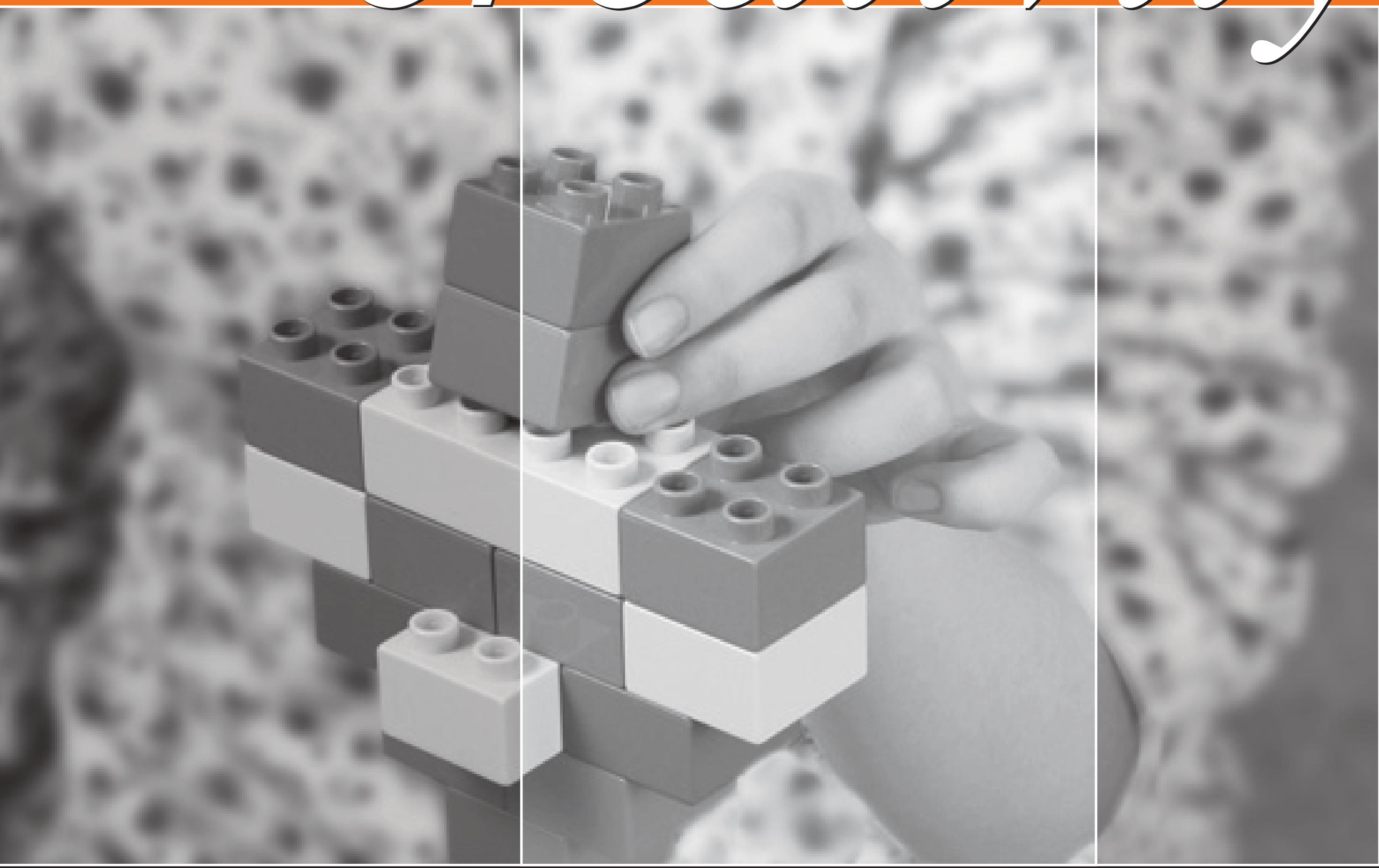
Turkey	2001	2002	2003	2004	2005
Products (million m^3)	16,5	17,5	18	21	26,8
Number of Facilities	253	262	247	247	267

* *source: THBB 2005 annual report*

Betonsa	2001	2002	2003	2004	2005
Sales Volume (million/m^3)	1,3	1,54	1,7	2,0	2,4
Number of Facilities	20	20	21	24	24



creativity



The Suggestion System was devised to nurture the creativity of employees to push the boundaries of productivity and quality. It was launched in 2004 and has been applied since February 2005.

Production and Products

Betonsa has made great strides in improving the quality of components to reach the optimum design of concrete and best possible production and delivery of products with its use of advanced know-how, honoring its mission to be the best in the sector in every aspect.

Products in each plant are accredited with TSE (Turkish Standards Institution) documents. All experiments and checks indicated in specifications related to raw materials and products are conducted in laboratories satisfying TSE standards. The plants also possess the Quality Safety System certificates issued by the Turkish Ready Mixed Concrete Association (TRMCA). The company is periodically audited by the TRMCA and the TSE. Follow-up inspections carried out by the TÜV Rheinland Company for the ISO 9001-2000 Quality Management System certification, OHSAS 18001 Occupational Health and Safety Management System, and the ISO 14001 Environmental Management System have all been completed successfully.

As a product, concrete must meet expectations such as resistance, durability, economic price, aesthetics, harmony with the environment and functionality. At the Betonsa Technology Center, diverse activities are organized in cooperation with the Construction Faculty at the Istanbul Technical University. So far, research has been conducted with crucial results for application. The results of this research have been published in national and international technical magazines.

Experiments have been carried out as part of the search for new sources of raw materials and samples. Concrete formulas have been optimized to minimize costs.

The Betonsa Technology Center offers training at regular intervals to customers, construction companies, manufacturers of concrete components, civil engineers, auditing companies, engineers and technical staff from local and central government authorities and university students. The center offers courses on concrete technology, the durability of concrete and the importance of curing and maintenance.

Betonsa is continuously enriching its range of special products, closely monitoring the needs of its customers.

Recovering in great bounds since 2001, sales of ready mixed concrete surged by 19.4% in 2005.

Recently, marketing work started for PAKBETON, a decorative product. It is produced by using crushed stones (natural aggregates) in various colors and sizes. PAKBETON has an exposed aggregate surface and its range can cater to all tastes. As urban aesthetics assume greater importance, PAKBETON is likely to become an alternative product for landscape work.

Ready-mixed Concrete Product Portfolio

- C8-C100 Regular and High Strength Concretes
- Grobeton plain Concretes
- Ground Screeds
- Load Bearing Lightweight Concretes
- Heat and Sound Insulating Concrete (İZOBETON)
- Steel Fiber Concrete (DRABETON)
- Polypropylene Fiber Concrete (FİBERBETON)
- Assorted Fiber Concrete
- Glass Fiber Concrete
- Self-compacting Concrete (VİSKOBETON)
- Self-compacting Screed (VİSKOŞAP)
- Imprinted Concrete (DEKOBETON)
- Exposed Aggregate Decorative Concrete (PAKBETON)
- Wet Plaster and Mortar
- Colored Concretes
- Underwater Concrete
- Filler Concretes
- High Performance Concretes
- Concrete Types Conforming to Environmental Impact Classes

awards

Since its foundation, every step taken by Akçansa has been a milestone such as the award of the ISO 9001: 2000 Quality Management System certificate, the ISO 14001 Environmental Management System certificate, and the OHSAS 18001 Occupational Health and Safety Management System to name but a few. It is now implementing the Integrated Management System (IMS).

Investments

Akçansa invested YTL 9.3 million in ready mixed concrete production in 2005. As dictated by changing market conditions and customer needs, new ready mixed concrete plants were brought into operation in 2005.

Betonsa's operations in Ömerli came on stream in March 2005 after the purchase of an independent company operating in this area.

A second plant was built on a site shared by the Bursa ready mixed concrete plant. The Edremit ready mixed concrete plant was revamped to offer higher quality service to customers and to increase operational efficiency.

An agreement was reached to supply concrete to the Uphill Court residential construction project, undertaken in association with Varyap and Teknik Yapı. A new plant, aimed at further meeting customer needs, entered operation in Ataşehir in August 2005.

The Büyükçekmece 2 and Silivri ready mixed concrete plants, which had been constructed ad hoc to accommodate immediate needs of customers, were closed when the project was completed.

Betonsa renews its machinery fleet every year. As part of an investment package, in 2005, nine pumps, 16 truck mixers and 4 conveyor belt fitted truckmixers were purchased. One loader and four hydraulic concrete breakers were also purchased.

Additional laboratory equipment was purchased to adapt plant laboratories to TS EN 206-1 standards. Investments were made in landscape and equipment renewal.

Betonsa has made great strides in improving the quality of components to reach the optimum design of concrete and best possible production and delivery of products with its use of advanced know-how, honoring its mission to be the best in the sector in every aspect.

performance

As it strives to reach perfection, Akçansa aims to implement the Performance Improvement Program in the most effective possible manner at every stage in all processes.

Akçansa's Human Resources activities focus on meeting the company's growth target through creating value for shareholders by investing in employees and improving work environments, paving the way for ever higher productivity.

Intensive training programs were organized to contribute to employees' individual and professional development. More than 10,500 hours of training programs were arranged in 2005.

Courses on International Financial Reporting Standards (IFRS) were arranged for all Akçansa executives and finance department employees. The purpose was to equip executive staff with the capability to interpret financial performance as set out on IFRS-pursuant financial statements, and to build on the related skills of employees at the Finance Department.

Interfunctional project teams were set up to manage development and improvement work as set out in company targets. These teams have worked on new projects including Effective Communication and Cooperation, Improving Suppliers' Performance, Key Performance Indicators, Internal Customer Satisfaction and Social Activities. Fifty employees attended the Project Management courses designed to support the work of project team members.

The Suggestion System was drawn up in 2004 as the result of a project to support employee creativity and enhance productivity and quality. It was applied in February 2005. The system has already borne fruit in its first year, with about 25% of the 533 suggestions received from employees being accepted and rewarded. These suggestions have been instrumental in the efficiency improvements.

Akçansa applies its "Sustainable Growth" concept to gauge the value it creates for its employees as well as its shareholders. The fourth "Professional Life Evaluation Study" was organized to examine the working environment offered to employees and evaluate their levels of motivation and satisfaction. The results indicated considerable progress in development when compared to the previous year.

The traditional Management Meetings were held in May and December. These meetings serve as a platform to buttress communication and cooperation, where all executives, managers and specialists from various functions are present. In the May meeting, various executive ranks were assessed within Akçansa's "Transparent, Fair, Participatory and Value Adding" management conception. In the December meeting, participants discussed the results of the "Professional Life Evaluation Study", pinpointing opportunities for development and improvement in a number of areas and sharing their views and suggestions.

The Social Activities Committee brought employees together and organized activities to foster team spirit and a sense of belonging. 21 teams from different cities took part in Akçansa's Football tournament. The Akçansa Backgammon Tournament in October also enjoyed wide participation.

The Integrated HR Processes Project gathered Sabancı Holding's job evaluation systems under a single roof. This will pave the way for a common job evaluation or "Job Family" structure, where all white-collar jobs can be benchmarked.

Akçansa had 827 employees at the end of 2005, with 372 “white-collar” and 455 “blue-collar” workers. In December 2005, negotiations for the 2006-2007 Collective Labor Agreement began.

Personnel Profile	
Total Personnel	827
Personnel Distribution (Union/Non-Union)	455/372
Number of Managers	36

Education Level of Personnel	
Number of Personnel with Post Graduate	12
Number of Personnel with University Degree	253
Number of Personnel with High School Degree	325
Number of Personnel with Primary/Elementary School Degree	237
Average Age of the Personnel	38,2
Female/Male Distribution of the Personnel	%7,1/%92,9
Average Working Year of the Personnel in the Company	10,5

Akçansa converts a variety of wastes into value for the environment and for the economy. The Büyükçekmece and Çanakkale cement plants were the first plants that received licenses R134-001 and R1 17-001 from the Ministry of Environment and Forestry to use alternative fuels. Burning these wastes in cement plants helps preserve natural resources and reduces carbondioxide emissions. It is an appreciable solution for the intractable problem of waste disposal.

For its leadership and accomplishments in using alternative fuels, the Büyükçekmece plant was found eligible for this year's Istanbul Chamber of Industry Environment Award. The 2005 Sector Environment Awards were distributed at a ceremony on 22 June 2005. The Istanbul Chamber of Industry gives these awards to encourage environmental conservation, reducing pollution, the production of fewer wastes, the usage of environmental-friendly products, and to raise environmental consciousness.

At the 1st and 2nd rotary kilns of the Büyükçekmece plant, the tire feeding system was put in operation. In this way, through a single feeding line, characterized as the waste feeding system in the 3rd rotary kiln, both the first and the second rotary kilns could be fed with waste tires. This first project in Turkey concerning disposal of waste tires provided value added to the country, lighting the way for the establishment of a new area of business.

The initial stage of the project for refurbishing the facade of the Büyükçekmece plant was set in motion by which the 2nd rotary kiln pre-heater tower was re-decorated in blue. This was the first step in sprucing up the outer appearance of the plant. The construction of closed storage areas for raw materials and clinkers has been enormously useful for the environment, and in terms of balancing humidity levels affecting the material.

Another remarkable example of environmental consciousness was the painting of some walls within the Akçansa Büyükçekmece plant by a unique design. The painting work will be extended to the whole plant in the upcoming years.

An electronic informatory bulletin board was erected at the entrance of the plant to share with the public dust and gas emission details of the plant. This move, unprecedented in Turkey, exhibited the transparency of the company once more.

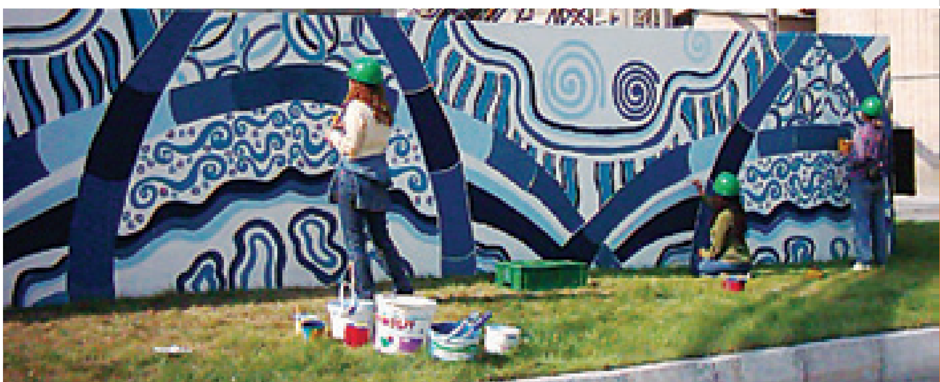
Manufacturing raw material trucks designed with the latest technologies to pare dust emissions was another important investment. 25 in number, these trucks are accordant with the provisions of the Law concerning Highways. They are extremely economic in terms of traffic since their tonnage is high. Akçansa plans to reduce the number of rides from the Çatalca quarries to the plant by these environment-sensitive trucks. Fewer rides would make it possible to save considerably on costs of raw material.

Famous for its green appearance, the Çanakkale plant celebrated the sixth World Environment Day in June. This year, too new trees were planted during celebrations, joined by the Çanakkale governor, local officials, military troops stationed in the area, schools, representatives of other local organizations, employees and suppliers together with their families.

Improvements were also made in ready mixed concrete plants as befitting the Environmental Management Program. The Bahçeşehir plant storage area was filled with concrete and was covered to make it an enclosed area. A new storage area was built in the Aliağa plant; it was also covered and filled with concrete.

Recycling units were purchased for the Ayazağa 2 and Yenibosna plants to recycle concrete wastes and wastes generated by washings.

In the Ömerli and Ayazağa plants, production mixers and bunkers were moved to enclosed areas to contain noise and dust emissions, tracked by separate measurements for each plant every year. Silos and the whole machinery fleet were re-painted. Requirements for the Environment Management System were checked recurrently with and without notice. Departmental managers were notified of and demanded to provide for any necessary improvements.



responsibility

Besides contributions to the Turkish economy, Akçansa is driven by the consciousness to champion our environmental and cultural heritage and to support education.

sustainability

Breaking new grounds in the sector and attaining massive value added for the national economy by means of rational and sizeable investments, Akçansa aims to obtain sustainable growth by conserving the environment and natural resources.

Acting on the mission to salvage Turkey's cultural legacy, Akçansa kept up its support in the documentary film Gallipoli directed by Tolga Örnek and screened on 18 March 2005. As part of the activities organized for this purpose, the film was shown to an audience of 5000 including students from different cities and company employees. Special screenings were arranged for 2000 students brought to Çanakkale from all over Turkey by the Turkish Travel Agencies Association for the 90th anniversary of the Battle of Gallipoli. Tickets were distributed to primary school students in Çanakkale and Istanbul, and to students of the On Sekiz Mart University. The Gala for the documentary was organized in cooperation with the Çanakkale Governor's Office. Distributing tickets to employees and to cinema fans from its web site, Akçansa played a part in taking the documentary to wider audiences, on top of the financial support made available during the shooting of the film.

Important projects were carried off in education, as well. Akçansa teamed up with the Büyükçekmece Municipality to re-construct the Büyükçekmece Fatih Sultan Mehmet Primary School, which was damaged irreparably following the earthquake disaster in August 1999. The school will be ready before the 2006-2007 school year.

The Büyükçekmece Fatih Sultan Mehmet Primary School will be situated on a 6950 m^3 area. There will be 43 classrooms, two computer rooms, three pre-school classes and labs. The protocol signature ceremony for the construction took place on 9 May 2005 in the presence of the Istanbul Governor Muammer Güler, Istanbul Provincial Director of Education Ömer Balıbey, Büyükçekmece Mayor Hasan Akgün, Akçansa's Board Chairman Erhan Kamışlı and General Manager Mehmet Göçmen.

Akçansa sponsored archeological excavations of Troy in Çanakkale towards its objective of upholding our historical and cultural heritage. It also became a sponsor for the Çanakkale underwater sports club, to promote this field of sport.

The company was the main sponsor for Culture and Art Festivals organized by the municipalities of Çatalca, Büyükçekmece and Tepecik in the summer months.

The sports field of the Büyükçekmece Jimnastics Club was covered. This provided the district a closed gym where Akçansa employees can exercise, too.

Akçansa supplied materials to several graduate and PhD theses being written at the Istanbul Technical University Building/Construction Materials Department. Trainings, seminars and technical visits were organized for customers, building/construction inspection representatives and university students.

University students from the Civil Engineering and Architecture Faculties often visit ready mixed concrete plants and related facilities. In the 2004-2005 school year, groups of 30-45 students from the Boğaziçi University Civil Engineering Department, Istanbul Kültür University Civil Engineering Department, Istanbul University Civil Engineering Department, and Istanbul Technical University Architecture Faculty visited Akçansa plants.

Akçansa supported and took part in the 6th National Concrete Congress organized at the Istanbul Technical University's Süleyman Demirel Cultural Center on 16-17-18 November 2005. The theme of the congress was "high performance concrete products". During the Congress, organized in memory of Prof. Yaşar Atan, presentations were made about high performance concrete products, and participants exchanged opinions at a debate. The congress lasted for three days. Akçansa built a stand in the area spared to sponsors, and distributed brochures about Akçansa, Betonsa and products.

Important projects were carried off in education, as well. Akçansa teamed up with the Büyükçekmece Municipality to re-construct the Büyükçekmece Fatih Sultan Mehmet Primary School, which was damaged irreparably following the earthquake disaster in August 1999. The school will be ready before the 2006-2007 school year.

transparency

Akçansa, the leading player in the Turkish cement sector, posted YTL 415 million of net sales and a net profit of YTL 113.6 million in 2005.

1. STATEMENT OF CONFORMITY WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

Akçansa Çimento Sanayi ve Ticaret A.Ş. (hereinafter referred to as the 'Company') has complied with the Principles of Corporate Governance issued by the Capital Markets Board (CMB), and has implemented these to a great extent in the period from 1 January to 31 December 2005.

SECTION I - SHAREHOLDERS

2. SHAREHOLDER RELATIONS DEPARTMENT

In the company, The Shareholder Relations Department is available to maintain contact with and serve the Company's shareholders. The Department, under the direction of Christian Leclercq, Assistant General Manager - Finance (90 216-5713020, christian.leclercq@akcansa.com.tr) consists of: Hüsnü Dabak, Accounting Manager (90 216-5713025, husnu.dabak@akcansa.com.tr) Ayşen Özgürel, Accounting Specialist (90 216-5713030, aysen.ozgurel@akcansa.com.tr) Banu Üçer, Communication Specialist (90 216-5713013, banu.ucer@akcansa.com.tr), and Onur Kerem Günel, Legal Advisor (90 216-5713024, onur.gunel@akcansa.com.tr).

The Department has carried out capital increases, dividend payments, updates for the replacement of shareholders' share certificates and disclosures of material events within the scope of the public disclosure mandate.

Shareholders receive accurate, complete and comprehensible replies to inquiries concerning the dates of capital increases, dividend rates and the initial date of payment and participation in the shareholders' meetings. These replies convey all information apart from information which has been classified as confidential. The Company takes all precautions to maintain shareholder satisfaction. In 2005, transactions for 32 share certificate exchanges, preferential right transactions for 544 shareholders and dividend payments to 1,706 shareholders were carried out. The Company discloses its activities to the public on a quarterly basis. The Company website (www.akcansa.com.tr) was updated to provide more detailed and updated information on the company's activities. Regular meetings with investors were organized throughout the year upon request.

These include a comprehensive investor meeting with 31 corporate shareholders, three investor conferences when one-to-one discussion sessions were held with 40 investors, and four analyst meetings. The company's objective is to fulfill the Company's public disclosure and transparency obligations and it employs experts competent to inform investors on the Company's financial particulars. In compliance with the Turkish Commercial Code and the Company's Articles of Association, maximum effort is expended to enable the Company's shareholders to participate in the General Shareholders Meetings.

3. THE USE OF SHAREHOLDERS' RIGHT TO INFORMATION

Upon request, shareholders receive verbal or written information, according to their preference. Announcements relating to Shareholders' rights are disclosed through the Istanbul Stock Exchange (ISE), in the Commercial Registry Gazette, in the national daily newspaper with the highest circulation and published in the city where the Company is based, and on the Company website (www.akcansa.com.tr), in accordance with Capital Markets Law and related regulations. CMB communiqués stipulate that an independent auditor should audit the Company. The Company's Articles of Association do not provision the appointment of any special auditor and there was not any request regarding the appointment of a special auditor during 2005.

The Committee of Auditors presents independent auditor reports for ratification to the Board of Directors. Once ratified, the reports are disclosed to the public through the ISE. After auditing, the report subject to annual audit is announced in the Commercial Registry Gazette, a national daily paper and on the Company website (www.akcansa.com.tr), after being ratified by the General Assembly of Shareholders. The Board of Directors submits the report for ratification at the General Shareholders Meeting, where it is voted on. The Board of Auditors, elected by the Company's Board of Directors in accordance with the Capital Markets Law and related regulations, performs its duties in compliance with the procedures. Utmost care is taken to ensure that in addition to the fundamental partnership rights set out by the Turkish Commercial Code and the Capital Markets Law, the rights stipulated by the principles of corporate governance, as presented below, are exercised.

During 2005, shareholders requested information on the Company's capital increases, dividend payments in the previous terms, and the Company's operating results. This information was communicated to the shareholders verbally or in writing, in accordance with their preferences. Shareholders can view Company information instantly at www.akcansa.com.tr, while public disclosures of material events are announced through the ISE and newspaper announcements.

The Shareholder Relations Department answered around 500 written requests from shareholders during 2005, through around 1,000 phone calls and e-mail messages and through conversations in person. Any information concerning shareholders was announced on the www.akcansa.com.tr website within the mandatory notification periods.

4. PROCEDURES ON THE GENERAL ASSEMBLY OF SHAREHOLDERS

The Company holds its General Shareholders Meetings in compliance with the Turkish Commercial Code, Capital Markets legislation and the Company's Articles of Association. The invitation to attend the General Assembly of Shareholders is published two weeks in advance in the Commercial Registry Gazette, in a national daily newspaper and on the Company website. The shares of the Company are traded as bearer stocks. In ratification for the agenda, the quorum provisions set by the Turkish Trade Law are taken into account. Major issues such as amendments to the Articles of Association, mergers, Company divestments, the Board of Directors' selection of auditors, the distribution of dividends, discharge of the Board of Directors' and Board of Auditors' financial responsibilities, and the annual report are presented for approval or ratification to the General Assembly of Shareholders. Data, such as the minutes of the General Shareholders Meeting and the list of participating shareholders in the Assembly are available on the Company's website. The annual report, financial statements, dividend proposals, meeting agendas, power of attorney, and supporting documents prepared for the General Shareholders Meeting are published at least two weeks ahead of the Assembly at the Company Head office, in whichever national daily newspaper has the highest circulation, and on the Company website. The company is required to be informed of requests to attend the General Assembly of Shareholders at least one week ahead of the date of the meeting, in compliance with the Industry and Trade Ministry' regulations concerning the General Shareholders Meetings and the Attendance of the Ministry's Commissioners to the Assembly.

A regular General Shareholders Meeting was held on 23 March, 2005 at the Hacı Ömer Sabancı Conference Hall at the Sabancı Center, 4. Levent, İstanbul with the participation of shareholders holding a combined total of 137,387,023,963 shares (82.53% of the total). The invitation to attend the assembly was announced in the daily Milliyet newspaper on 4 March, 2005 and in the Commercial Registry Gazette dated 7 March, 2005 (issue No. 6254).

An extraordinary General Shareholders Meeting was held on 28 November, 2005 at the Hacı Ömer Sabancı Conference Hall at the Sabancı Center, 4. Levent, İstanbul with the participation of shareholders holding a combined total of 133,110,104,873 shares (79.96% of the total). The invitation for the assembly was announced in the daily Milliyet newspaper on 7 November, 2005 and in the Commercial Registry Gazette of 9 November 2005 (issue No. 6427).

Permissions to the amendments to articles 6, 9 and 33 and the annexation of a temporary article 1 (concerning the merger of shareholder certificates and shareholder certificate series) in the Company's Articles of Association are outlined by the Capital Markets Board's decisions, dated 22 June, 2005 with issue number B.02.1.SPK.0.13-1347, and dated 4 October, 2005 with issue number B.02.1.SPK.0.13-2084, and by the Ministry of Trade and Industry's decisions dated 7 July, 2005 with issue number B.14.O.ITG.0.10.00.01.DEG/3907-5104 and dated 10 October 2005 with issue number B.14.O.ITG.0.10.00.01/3907-7384.

After discussions on these issues, amendments to articles 6, 9 and 33 and the annexation of temporary article 1 of the Company's Articles of Association were approved by a majority and registered on 1 December, 2005. All shareholders wishing to address the meeting or direct questions were given the opportunity, and all inquiries were answered free of time constraints, by the chairman of the assembly committee. The minutes of the General Assembly are accessible to all shareholders on the company web site (www.akcansa.com.tr).

Important decisions taken under the Turkish Commercial Code are presented for shareholders' approval at the General Shareholders Meeting. When legislative harmonization of the Corporate Governance Principles is completed, all decisions designated as being of importance under the amended laws will have to be presented for shareholder approval at the General Shareholders Meeting.

5. VOTING RIGHTS AND MINORITY RIGHTS

There are no privileged or accumulated voting rights defined in the Articles of Association.
The Articles of Association contain no provision acknowledging accumulated voting rights; with the existing holdings and the structure of the owning partnership, such an option would impair the harmonious management of the Company.

6. DIVIDEND DISTRIBUTION POLICY AND DIVIDEND PAYMENT DATE

The Company's dividend distribution policy, which is publicly declared, is as follows:

"In accordance with the prevailing CMB regulations, the dividend distribution policy of Akçansa Çimento Sanayi ve Ticaret A.Ş. is to distribute a minimum of 50% of its distributable net profit as cash dividend to its shareholders.
However, the general execution is to distribute the whole distributable net profit to shareholders. There are no privileged share certificates in dividend distribution. Mandatory dividends, either in cash and/or as bonus shares are determined in the General Shareholders Meeting. The General Assembly of Shareholders may authorize the Company's Board of Directors to distribute advance dividends, but this is restricted to the prevailing financial period only. The distribution of dividends is completed within the legal timeframe.

The dividend distribution policy is applied only when there are no adversities in domestic and global economic conditions, and if the Company's capital adequacy ratio meets the targeted levels. Akçansa's Board of Directors may review the dividend distribution policy annually, taking existing projects and available funds into account".

This declaration was conveyed to shareholders in a separate section of the 2005 annual report, and was also presented to shareholders ahead of the General Shareholders Meeting. The annual report was also published on the Company website, www.akcansa.com.tr.

In compliance with the rules set forth in the Company's Articles of Association, the method of dividend distribution was detailed in article 33 of the Articles of Association.

Dividends are distributed within the legal timeframe and no shareholders are entitled to dividend distribution privileges.

7. TRANSFER OF DIVIDENDS

The Company's Articles of Association contain no provision restricting the transfer of shares.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. DISCLOSURE POLICY OF THE COMPANY

The Company conforms to the CMB's public disclosure policy. In accordance with this, audited six month and year end financial statements and unaudited three and nine month financial statements are announced publicly at the end of each quarter. Announcements of reports prepared in accordance with the International Financial Reporting Standards (IFRS) were made within the legal timeframe stipulated by the CMB. Dates for the press conferences to be held in 2006 will be announced through the company's web site (www.akcansa.com.tr) ahead of the meetings.

Public disclosures on the company operations are conducted through press releases, electronic mail distribution, mobile phone messaging, interviews with media organizations and news agencies, announcements on the internet web site, advertisements and brochures throughout the year. The Company's General Manager, Mehmet Göçmen, is responsible for the execution of the public disclosure policy.

9. PUBLIC DISCLOSURES OF MATERIAL EVENTS

The Company made 24 public disclosures of material events within the year in accordance with the CMB and the ISE communiqués. The Company presented these public disclosures of material events for the attention of shareholders by way of the ISE and in accordance with the public clarification project.

These disclosures were issued within the legal timeframe and have not been the subject of any CMB or ISE sanctions.

The Company shares are not listed on any overseas stock exchange.

10. THE COMPANY WEB SITE AND ITS CONTENT

The Company, in line with the principles of corporate governance, maintains a website, www.akcansa.com.tr, for shareholders and investors. The Company website contains corporate data, details of the Company's products, services and management systems, financial indicators, annual reports, content concerning investor relations, financial statements, information on the Company's environmental and other socially responsible activities, and its human resources policies.

The Company website includes information listed in Part II, Paragraph 1.11.5 of the CMB's Corporate Governance Principles.

11. DISCLOSURE OF ULTIMATE CONTROLLING SHAREHOLDER(S)

There is no ultimate controlling shareholder.

12. PUBLIC ANNOUNCEMENT OF INSIDERS

The persons who can potentially access the Company's price-sensitive information are listed in the annual report under various sections - members of the Board of Directors, members of the Board committees and the executive management - and have been disclosed to the public through the annual report.

PART III - STAKEHOLDERS

13. Informing Stakeholders

STAKEHOLDERS

SHAREHOLDERS

In conformity with communiqués of the Istanbul Stock Exchange and provisions of the Turkish Commercial Code, matters such as General Assembly Meetings, Extraordinary General Assembly Meetings, capital increases, dividend payments, etc. are announced in the Commercial Registry Gazette within the legal terms set. Disclosures and notices are posted in a newspaper with high circulation. Press conferences are held, press bulletins are released and online notices are sent. With the exclusion of trade secrets and information classified as confidential, all shareholders are simultaneously provided with accurate, complete, comprehensible and interpretable information.

CUSTOMERS

Concurrent with the care attributed to products, service and quality, the Company strives to constantly improve customer satisfaction. Customer satisfaction is gauged by regular surveys. From time to time, training programs and seminars are planned for customers. In addition, research and development activities are carried out.

EMPLOYEES

Any act of the company which relates to employees is carried out in agreement with the laws regulating occupational life.
Policies of recruitment, promotion, training, performance improvement and other employment practices are stipulated in a written form.
The performance of employees is evaluated through face-to-face meetings, taking into account targets and performance criteria set at the start of every year. Our company uses an international "job evaluation system", based on current job descriptions. Performance evaluation is carried out systematically by employing this system. Results serve as a basis of various human resources practices and decisions.

The training and self-development needs of employees are scrutinized every year. Annual training plans are drawn up to meet requirements. There is a portal where employees can access all kinds of information and documents (e.g. company targets, policies, job descriptions, practices, etc.) which may be of concern to them.

The company openly communicates with shareholders, employees and other parties on occupational health and safety. The OHSAS 18001 Occupation Health and Safety System is applied.

Stakeholders obtain information about corporate developments through public statements released as required by the relevant regulations.

Employees are informed about their areas of expertise and issues of interest to them through meetings, seminars, courses and online notices.

14. PARTICIPATION OF STAKEHOLDERS IN MANAGEMENT

Employees are provided with opportunities to participate in management through periodical meetings (communication meetings, functional meetings, discussions with the General Manager) within the company, meetings to set annual targets, job evaluation meetings, development planning meetings and the Suggestion System. Surveys are conducted at regular intervals to measure employee satisfaction and receive feedback. Likewise, the satisfaction of distributors and customers is measured intermittently.

15. Human Resources Policy

Apart from business objectives, Akçansa also lays out strategies and priority goals for human resources. In doing so, we take into account the context of the national and global economy and specific circumstances in the cement sector, ready mixed concrete and aggregates. Paying particular attention to human resources, which plays an important role in our success, Akçansa provides its employees with every opportunity in HR processes (including training, performance appraisal, career development, organizational and human resources achievement plan, pay system and social rights), to promote individual development, high performance and a gratifying career.

To guarantee the long-term success of the company, we pursue the following goals in cooperation with our partners Sabancı Holding and Heidelberg Cement:

- adopt contemporary human resources practices
- create an environment that will promote employee satisfaction and productive performance
- add qualities to our human resources
- keep up efforts to become a preferred employer by virtue of our positive image
- to be an exemplary company in the field of human resources embodying the best practices
- possess and maintain the best-qualified labor force in the sector

- create training and development opportunities for employees individually and professionally
- base the corporate pay system on fairness, rewarding high performance, with pay to be on par with the overall level of pay throughout the country
- shape a common identity for Akçansa employees; this should be based on mutual trust and respect, analytical thinking, customer focus, team work and cooperation, openness to efficient communication, sharing of accomplishments, and centered on achievement
- Other priorities are the management of the "culture" aspect to enact the company vision, identifying employee expectations and areas where the organization needs to be improved, charting action plans in these areas and sustaining development to bolster company goals and performance.

No representative has been appointed within the company to coordinate relations with employees. There were no complaints from employees concerning discrimination, either before or during 2005.

16. Relations with Customers and Suppliers

The company embraces the principle of mutual satisfaction of customers and suppliers as part of its quality policy. It abides by the obligations to its customers and external demands on the same issue. The Quality Control System is repeatedly reviewed and monitored.
Development of product quality is encouraged. The company ensures that any activities carried out by contractors and suppliers, which may have a bearing on quality, adhere to their quality commitments.
Informative meetings are organized to develop the quality consciousness of contractors and suppliers. In these meetings, joint working groups are formed to deal with participants' problems. Maximum effort is expended on efficient communication between the parties. Concurrent with the significance attributed to products, services and quality, activities to develop customer satisfaction are continued interminably. Customer satisfaction is measured in regular surveys. Training programs and seminars are held for customers at regular intervals. Research and development activities are carried out.
In line with the observance of trade secrets in the company, information concerning customers and suppliers is kept confidential.

17. Social Responsibility

To ensure a cleaner environment, the company goes to great lengths to comply with international standards.
Work to adopt the ISO 14001 Environmental Management System in the Büyükçekmece and Çanakkale plants started in May 2002, and concluded with BSI certification in 2003. This accomplishment came after many years of comprehensive environmental improvements and intensive work in the run-up process. Constant improvements in the use of resources is necessary to reach standards of high quality, environmentally friendly and efficient production, compliance with laws and reduction of risks, the creation of suitable work environments, taking precautions to curtail risks which could arise from the use of hazardous materials as well as certain jobs and the production of marketable products which customers may require.

Akçansa integrates quality with environmental and occupational health & safety management systems in order to establish an Integrated Management System. Data related to all management systems is still being entered and processed in the computer program ENVOY, which was purchased for this purpose. As stated in our environmental policy, our goals include:
Waste management and reduction by classifying wastes, recycling if possible, elimination of wastes in licensed disposal facilities, burning waste which can be used in our plants (where licenses and permits have been granted), evaluation of damage wrought by waste on the environment, taking necessary preventive measures to minimize such damage, fulfilling legal obligations, providing required infrastructure and resources, enforcing sanctions on our contractors where necessary and providing training.
Environmental awareness in operations and sustaining development while protecting the environment is one of Akçansa's essential goals. Akçansa considers the environmental factor in all its facilities, in practice as well as in corporate aspects.

Akçansa converts a whole range of waste into value for the economy. The Büyükçekmece and Çanakkale plants were the first in Turkey to be awarded with the R134-001 and R117-001 licenses from the Ministry of Environment and Forestry to use alternative fuels.

The burning of waste in cement plants helps conserve natural resources and slashes carbon dioxide emissions, producing a solution to the intractable issue of waste disposal. This year, the Büyükçekmece plant won the Istanbul Chamber of Industry Environment Award for its leadership in the use of alternative fuels and accomplishments.

Acting on the mission to uphold Turkey's cultural legacy, Akçansa supported the making of the documentary film Gallipoli, screened on 18 March 2005. As part of these activities, the film was shown to an audience of 5,000 including students from various cities and company employees.

Important projects were also carried out in the field of education. Akçansa teamed up with the Büyükçekmece Municipality to rebuild the Büyükçekmece Fatih Sultan Mehmet Primary School, which had suffered irreparable damage from the earthquake in August 1999. The rebuilt school will be ready in time for the 2006-2007 school year.

Akçansa sponsored archeological excavations of Troy in Çanakkale to promote our historical and cultural heritage.

Our plants provide financial contributions to improving public services offered by local municipalities, schools and public organizations. Detailed information on our contributions is presented in the publicity section of our annual report.
Honoring our notion of social responsibility, Akçansa makes donations to the Sabancı Foundation (VAKSA). These donations enable the company to contribute to Turkey's social and cultural development beyond its immediate vicinity.

Akçansa has not been faced with any legal action taken against it for environmental causes.

PART IV - BOARD OF DIRECTORS

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

All board members are non-executive. The composition of the Board of Directors is presented below. Information about each member is provided in the opening sections of the annual report.

Chairman
Erhan KAMIŞLI

Deputy/Vice Chairman
Daniel H. J. GAUTHIER

Board Member
Ziya Engin TUNÇAY

Board Member
Ali Emir ADIGÜZEL

Board Member
Stefan DREHER

Board Member
Ahmet Cemal DÖRDÜNCÜ

Members of the Board of Directors are free to take other post(s) outside the company. There are no limits or restrictions.

Our Board Members are entitled to carry out transactions as regulated in the pertaining General Assembly resolution and articles 334 and 335 of the Turkish Commercial Code.

19. Qualifications of the Board Members

The qualifications of the Board Members are compatible with the related articles specified in the Corporate Governance Principles of the Capital Markets Board (CMB). The company's Articles of Association do not refer to any minimum qualifications required from Board Members.

When the need arises, development programs are designed and implemented to be able to keep better track of contemporary developments in administrative sciences, by collaborating with universities and other scientific institutions.

20. The Company Mission, Vision and Strategic Goals

As the leader in the Turkish cement sector, the Company produces products meeting global quality standards, with the concept of providing premium service at state-of-the-art plants, all carried through environmentally friendly processes which have won awards from the Istanbul Chamber of Industry.

Dedicated to corporate governance principles and paying heed to corporate credibility, Akçansa has grown by creating added value for its shareholders, employees, customers and society as a whole. A company which has made many breakthroughs since its foundation, Akçansa has been awarded certificates for all three management systems from the BSI, the Occupational Health and Safety Management System OHSAS 18001, the Quality Management System BS EN ISO 9001:2000, and the Environmental Management System BS EN ISO 14001:1995, paving the way for the establishment of the Integrated Management System. Voted the favorite player in the cement sector five years in a row, Akçansa has sustained its growth, ensuring its position to remain the favorite in the sector in the years to come. To reach perfection, the company aims to apply the Performance Improvement Program at every process in the organization in the most efficient way possible.

The company's strategic goals have been spelled out by the Board of Directors after a discussion with shareholders to cover a period of three years. Annual budgets drawn up to meet strategic goals are approved by the Board of Directors.

The Board of Directors has precise information on the implementation process of decisions taken, with comparative presentations received from company executives during meetings. In these presentations, budgetary and current reports of the current financial year are submitted, as well as a comparison with the corresponding periods of previous years. The Board of Directors repeats this process at least four times a year.

21. Risk Management and the Internal Control Mechanism

An Internal Control Manager and an Internal Control Specialist provide services to the company. The principles and goals behind their activities are clearly defined. Assisted by the Auditing Committee, they efficiently fulfill the tasks allotted to them by the Board of Directors in keeping with the Auditing Committee Statute.

At the core of our risk management is the definition and screening of all possible risks that the Company may face. The Company and its executives have categorized all possible risks and all necessary precautions are taken. These involve all types of financial risk: asset-liability risks, credibility, capital/indebtedness, exchange rates, risk factors that may directly influence the financial state of the company and natural risks, where all facilities are insured to minimize the risk imposed by natural disasters such as earthquakes, fire, etc., which may affect our performance. The SAP system is applied so no data is lost and systems are not affected in the event of extraordinary circumstances. This system allows up-to-date tracking of activity results and measurement and processing when necessary, aiding the decision-making process. The application of SAP has raised the efficiency of the internal control mechanism by eliminating individual mistakes. Investments have also been made in the company's back-up system.

In parallel with the risk management procedures applied by our partners, Hacı Ömer Sabancı Holding and the Heidelberg Cement company, processes have been developed and implemented to ensure effective risk management.

22. Duties and Responsibilities of the Board Members and Executives

The administrative powers and mandate of the Board of Directors are defined in the Articles of Association. The duties and responsibilities of executives are not outlined in the Company's Articles of Association, but have been specified by the Board of Directors.

23. The operating Principles of the Board of Members

The Board of Directors held 44 meetings, 4 face-to-face meetings and 40 meetings in 2005, by collecting written approval as set out by the provisions of the Turkish Commercial Code and the Articles of Association. Meeting agendas are determined after the Board Chairman consults with Board Members and the General Manager. Details of the agenda and content are set out in a printed file, prepared by the informative committee and circulated to board members one week prior to the meeting, to allow them a period of study and examination.

In the meetings held in 2005, no opinions were expressed in opposition to the decisions taken by the Board Members.

While the binding issues stated in the CMB Corporate Governance Principles, part IV, article 2.17.4 required a decision, members were required to attend board meetings in person. No questions were recorded in the minutes of the meetings, because there were no questions from Board Members. Board Members were not entitled to weighted voting or veto powers for the issued decisions.

24. Prohibited Transactions and Competition with the Company

Board Members did not enter in any prohibited transactions with the company and did not venture to compete in the same field of activity in 2005.

25. Ethical Rules

The ethical rules accepted by our partners - Sabancı Holding and Heidelberg Cement - have also been adopted and implemented by our company.

26. The Number, Composition and Independence of Committees Set up by the Board of Directors

There is an Auditing Committee and Preliminary Informative committee tied to the Board of Directors. Since the Board of Directors directly attends to the issues of harmony with corporate governance principles, it was not found necessary to set up a separate committee for this issue.

There has been no conflict of interest caused by the current membership structure of the Auditing Committee in 2005.

Before board meetings, the Preliminary Informative Committee conducts comprehensive research into the issues to be presented to the Board of Directors and prepares detailed presentations.

The Internal Auditing Manager presents reports setting out the Corporate Governance Principles to members of the Auditing Committee.

27. Remuneration of the Board of Directors

Board Members are not provided with any remuneration unless a decision to the contrary is made by the General Assembly.

In 2005, the Company did not: lend, issue loans, extend issued loans, improve conditions for issuing loans, issue loans under the title of individual loans via a third party or provided any indemnities.

Akçansa Çimento Sanayi ve Ticaret Anonim Şirketi

Consolidated Financial Statements Together With Report of Independent Auditors December 31, 2005

(Convenience Translation of the Auditors' Report and Financial Statements and Footnotes Originally Issued in Turkish)

ERNST & YOUNG

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Akçansa Çimento Sanayi ve Ticaret Anonim Şirketi;

We have examined the accompanying consolidated balance sheet of Akçansa Çimento Sanayi ve Ticaret Anonim Şirketi and its subsidiary (hereafter together referred to as the Company) as of December 31, 2005 and the related consolidated income statement for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing principles, bases and standards issued by the Capital Market Board (CMB). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and the results of its operations for the year then ended in accordance with the accounting standards (Note 2) issued by CMB.

Additional paragraph for convenience translation to English:

The effect of the differences between the accounting principles summarized in Note 2 and 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ from IFRS, principally with respect to the application of inflation accounting and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the Company's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

Güney Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
An Affiliated Firm of Ernst & Young International

Ertan Ayhan, SMMM
Partner

February 3, 2006
Istanbul, Turkey

(Convenience Translation of Financial Statements and Footnotes Originally Issued in Turkish)

Akçansa Çimento Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED BALANCE SHEET

As at December 31, 2005

(Currency-New Turkish Lira unless otherwise indicated)

ASSETS	Notes	Current Period Audited December 31, 2005	Prior Period Audited December 31, 2004
Current Assets		**269.156.838**	**206.335.383**
Cash and cash equivalents	4	148.298.901	48.865.902
Marketable securities (net)	5	-	54.456.644
Trade receivables (net)	7	66.526.220	52.266.266
Finance lease receivables (net)	8	-	-
Due from related parties (net)	9	6.318.330	6.116.664
Other receivables (net)	10	3.259.061	2.423.223
Biological assets (net)	11	-	-
Inventories (net)	12	43.454.233	40.922.303
Receivable from continuing construction contracts (net)	13	-	-
Deferred tax asset	14	-	-
Other current assets	15	1.300.093	1.284.381
Non-current Assets		**587.096.639**	**526.112.991**
Trade receivables (net)	7	15.455	17.302
Finance lease receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	186.498.089	127.005.610
Positive / Negative Goodwill (net)	17	-	-
Investment property (net)	18	-	-
Property, plant and equipment (net)	19	380.773.104	380.967.663
Intangible assets (net)	20	13.665.767	13.594.288
Deferred tax asset	14	4.496.774	2.877.328
Other non-current assets	15	1.647.450	1.650.800
Total Assets		**856.253.477**	**732.448.374**

(Convenience Translation of Financial Statements and Footnotes Originally Issued in Turkish)

Akçansa Çimento Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED BALANCE SHEET

As at December 31, 2005

(Currency-New Turkish Lira unless otherwise indicated)

LIABILITIES	Notes	Current Period Audited December 31, 2005	Prior Period Audited December 31, 2004
Current Liabilities		**57.430.659**	**55.232.033**
Short-term borrowings (net)	6	7.262.263	8.959.725
Current portion of long-term borrowings (net)	6	-	-
Finance lease payables (net)	8	-	95.958
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	22.314.151	23.809.877
Due to related parties (net)	9	5.964.656	6.138.834
Advances taken	21	1.407.403	1.901.669
Receivable from continuing construction contracts (net)	13	-	-
Provisions	23	16.166.474	9.803.570
Deferred tax liability	14	-	-
Other liabilities (net)	10	4.315.712	4.522.400
Non-current Liabilities		**49.112.670**	**49.486.675**
Long-term borrowings	6	-	-
Finance lease payables (net)	8	1.207.620	1.210.815
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances taken	21	-	-
Provisions	23	8.647.568	7.101.896
Deferred tax liability	14	39.257.482	41.173.964
Other liabilities (net)	10	-	-
MINORITY INTEREST	**24**	**11.233.909**	**8.867.638**
EQUITY		**738.476.239**	**618.862.028**
Share capital	25	166.475.712	166.475.712
Share capital subsidiaries elimination	25	-	-
Capital reserves	26	235.418.128	235.418.128
Share premium		-	-
Income on common stock disposals		-	-
Revaluation fund		-	-
Financial assets value increment fund		-	-
Equity restatement differences		235.418.128	235.418.128
Profit reserves	27	131.607.950	55.457.180
Legal reserves		16.493.413	8.593.329
Statutory reserves		35	35
Extraordinary reserves		10.656.637	727.600
Special reserves		1.358.666	1.359.507
Other reserves		103.099.199	44.776.709
Gain on sale of participation and fixed assets to be transferred to the share capital		-	-
Currency translation adjustment		-	-
Net profit for the year		113.565.095	63.331.801
Retained earnings	28	91.409.354	98.179.207
Total Liabilities and Equity		**856.253.477**	**732.448.374**

(Convenience Translation of Financial Statements and Footnotes Originally Issued in Turkish)

Akçansa Çimento Sanayi ve Ticaret Anonim Şirketi

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2005

(Currency-New Turkish Lira unless otherwise indicated)

	Notes	Current Period Audited December 31, 2005	Prior Period Audited December 31, 2004
Operating Income			
Net sales	36	415.049.192	368.835.131
Cost of sales (-)	36	(293.200.252)	(272.590.280)
Service revenues (net)	36	3.497.784	2.481.857
Other income from operational activities/interest+dividend+rent (net)	36	-	-
Gross profit		**125.346.724**	**98.726.708**
Operating expenses (-)	37	(20.909.531)	(21.357.460)
Profit from operations, net		**104.437.193**	**77.369.248**
Other operating income	38	52.944.472	28.513.568
Other operating expense (-)	38	(13.595.000)	(18.443.534)
Financial expense, net (-)	39	(296.812)	(296.894)
Operating profit		**143.489.853**	**87.142.388**
Monetary loss (net)	40	-	(9.194.605)
Minority interest	24	(2.366.271)	(2.995.259)
Profit before tax		**141.123.582**	**74.952.524**
Tax 41		(27.558.487)	(11.620.723)
Net profit		**113.565.095**	**63.331.801**
Earnings per-share (New Kuruş)	42	0,68	0,38

1. CORPORATE INFORMATION

General

Akçansa Çimento Sanayi ve Ticaret Anonim Şirketi (Akçansa) was formed on September 30, 1996 through the merger of Akçimento Ticaret Anonim Şirketi (Akçimento) which was established in 1967, with Çanakkale Çimento Sanayi Anonim Şirketi (Çanakkale) which was established in 1974. At January 12, 1996, Mortelmaattschappij Eindhoven B.V. (Mortel), which is a wholly owned subsidiary of Cimenteries CBR S.A. (CBR), acquired 97.7% of Çanakkale. Subsequently on April 24, 1996, the CBR group exchanged its shares in Çanakkale for 30% of the shares of Akçimento which was mainly owned by the affiliates of Hacı Ömer Sabancı Holding Anonim Şirketi. Effective from October 1, 1996, Akçimento ceased its existance and merged with Çanakkale. The name of Çanakkale was changed as Akçansa Çimento Sanayi ve Ticaret Anonim Şirketi. Akçansa shares have been traded on the İstanbul Stock Exchange since 1986.

The address of the headquarters and registered office of Akçansa is Kozyatağı Mahallesi, Kaya Sultan Sokak, Hüseyin Bağdatlıoğlu İş Merkezi, No: 97, Kat: 5-8, Kozyatağı, İstanbul.

The consolidated financial statements are authorized for issue by the management on February 3, 2006. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue. The major shareholders of the Company are Hacı Ömer Sabancı Holding A.Ş and CBR International Holding B.V., as disclosed further in Note 25.

For the purpose of the consolidated financial statements, Akçansa and Karçimsa Çimento Sanayi ve Ticaret A.Ş. (Karçimsa - 50.99% owned subsidiary of Akçansa in Karabük) - together are referred to as Akçansa and its subsidiary or the Company.

Nature of Activities

The Company is primarily engaged in manufacturing of cement, clinker, ready mixed concrete and aggregate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company have been prepared in accordance with accounting and reporting standards as prescribed by Turkish Capital Market Board (“CMB Accounting Standards”). The CMB has issued Communiqué No. XI-25 “Communiqué on Accounting Standards in Capital Markets” which sets out a comprehensive set of accounting principles. In this Communiqué, the CMB stated that, as an alternative, application of accounting standards prescribed by the International Accounting Standards Board (IASB) and the International Accounting Standards Committee (IASC) will also be considered to be compliant with the CMB Accounting Standards. With the decision taken on March 17, 2005, the CMB has declared that application of inflation accounting is no longer required for companies operating in Turkey which are reporting in accordance to CMB Accounting Standards effective from January 1, 2005. The financial statements as of December 31, 2004 are presented with the purchasing power of YTL as of December 31, 2004. The financial statements have been prepared under the alternative application defined by the CMB as explained above. The financial statements and explanatory notes are presented using the compulsory standard formats as prescribed by the CMB.

Akçansa and its subsidiary, which is incorporated in Turkey, maintain their books of account and prepare their statutory financial statements in accordance with regulations on accounting and reporting framework and accounting standards promulgated by the Turkish Capital Market Board (TCMB - only for Akçansa), Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The consolidated financial statements have been prepared from statutory financial statements of Akçansa and its subsidiary and presented in New Turkish Lira (YTL) with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB.

Adjustment of Financial Statements in Hyperinflationary Periods

Functional and reporting currency of the Company is New Turkish Lira (YTL).

As of December 31, 2004, the three year cumulative rate and the annual rate has been 69,7%, and 13,8% respectively, based on the Turkish countrywide wholesale price index published by the State Institute of Statistics. As of December 31, 2005, the three year cumulative rate and the annual rate has been 35,6%, and 4,5% respectively. Consequently, in accordance with CMB announcement No. 7642 dated March 18, 2005, since the objective conditions for the restatement in hyperinflationary economies is no longer available, the financial statements are restated until December 31, 2004.

The restatement for the changes in the general purchasing power of YTL as of December 31, 2004 is based on IAS 29 (“Financial Reporting in Hyperinflationary Economies”). 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 the corresponding figures for previous periods be restated in the same terms. Such indices and conversion factors for the three-year period ended December 31, 2004 are given below:

Dates	Index	Conversion Factors
December 31, 2002	6.478,8	1,297
December 31, 2003	7.382,1	1,138
December 31, 2004	8.403,8	1,000

The main guidelines for the above mentioned restatement are as follows:

- The consolidated financial statements of December 31, 2004 which are presented for comparative purposes are restated with purchasing power of YTL at December 31, 2004, because of the termination of restatement effective from January 1, 2005.

- Non-monetary assets, liabilities and shareholders' equity including share capital reported in the balance sheet as of December 31, 2005, are derived by indexing the additions occurred until December 31, 2004 to December 31, 2004 and carrying the additions after this date with their nominal amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and components of equity including share capital as of December 31, 2004 are restated by applying the relevant conversion factors as of December 31, 2004.

- The effect of general inflation on the net monetary position is included in the income statement for the year ended December 31, 2004 as monetary gain (loss).

- All the items in the income statement for the year ended December 31, 2005 are stated with their historical values excluding depreciation and amortization expenses that is calculated based on gross book values of property, plant and equipment and intangible assets derived by indexing until December 31, 2004 and carrying the nominal values of additions after January 1, 2005; and gain/loss on sales of those assets.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Karçimsa in which Akçansa has a shareholding interest of 50.99%.

Subsidiary is consolidated from the date on which control is transferred to Akçansa and cease to be consolidated from the date on which control is transferred out of Akçansa.

As stated above, the consolidated financial statements include Akçansa and its subsidiary, which it controls. This control is normally evidenced when Akçansa owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively.

Balances and transactions between Akçansa and its subsidiary, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Comparative Information and Reclassifications Made to the Previous Year's Financial Statements

The Company has made certain reclassifications in the consolidated financial statements as of December 31, 2004 which are prepared in accordance with International Financial and Reporting Standards (IFRS) to be consistent with the current year presentation which is prepared according to the CMB announcement No. 7642 dated December 10, 2004.

Furthermore, to be consistent with the current year presentation, the Company represented the gross deferred VAT receivable and payable balances as gross with the amount of YTL 767.004 in “Other Receivables (net)” and “Other Liabilities (net)” accounts, respectively, which was offsetted in the consolidated financial statements as of December 31, 2004.

Offsetting

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, cash in banks, checks readily convertible to known amounts of cash and short-term deposits with an original maturity of three months or less. The amounts paid under the reverse repurchase agreements are included in the cash and cash equivalents.

Cash and cash equivalents are carried at cost plus its interest income accrual.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognised in the balance sheet, as the Company does not obtain control over the assets. Amounts paid under these agreements are included in cash and cash equivalents. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement.

Trade and Other Receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts and an allowance for unearned interest income calculated using the effective interest rate method (interest rates are 16,98% for YTL, 4,39% for USD and 2,40% for Euro).

Collection terms of trade receivables vary depending upon the type of product and the agreement and 45 days for cement and 60 days for ready-mix concrete.

Notes and post-dated checks, which are classified within trade receivables are held to maturity and are measured at amortized cost using the effective interest rate method.

The allowance for doubtful receivables is established through a provision charged to expenses. The allowance is an estimated amount that management believes to be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials and supplies -- restated cost determined on monthly weighted average basis.

Finished goods and work-in-process -- cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity. Inventory valuation is made on monthly weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Investments Available for Sale

Investments available for sale is presented under “Marketable Securities” in the balance sheet.

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments which are classified as available-for-sale are measured at fair value. Interest earned on available for sale investments is reported as interest income. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

For investments that are actively traded on the Istanbul Stock Exchange, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price and where reasonable estimate of the fair value could not be determined since other methods are inappropriate and impractical, they are stated at cost.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on all property, plant and equipment on a straight-line basis over the estimated useful life of the asset as follows:

Land improvements and buildings	20-50 years
Machinery and equipment	5-20 years
Furniture and fixtures	5-10 years
Motor vehicles	5 years
Leasehold Improvements	5-47 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

Intangible Assets

Intangible assets are capitalised at cost. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives (5 years).

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment on Assets

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income for the period. The recoverable amount of the asset is the greater of net selling price and value in use. The recoverable amount is determined for each asset, if possible; if not it is determined for the cash-generating unit to which the asset belongs. Reversal of impairment losses recognized in prior years is recorded in the income statement when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. But, any reversal of impairment loss is recognized in income statement, to the extent that the carrying value of the asset does not exceed its value before than the impairment.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as of December 31, 2005 are translated at the Central Bank buying rate of exchange ruling at the balance sheet date whereas as of December 31, 2004, monetary assets denominated in foreign currencies are translated at the Central Bank buying rate, and monetary liabilities denominated in foreign currencies are translated at the Central Bank selling rate of exchange ruling at the balance sheet date.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation rates used by the Company as of respective year-ends are as follows:

Dates	YTL/USD	YTL/EURO
Buying rates		
December 31, 2004	1,342100	1,826800
December 31, 2005	1,341800	1,587500
Selling rates		
December 31, 2004	1,348600	1,835600
December 31, 2005	1,348300	1,595200

Bank Borrowings
All borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, borrowings, are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised, as well as through the amortisation process.

Trade Payables and Other Payables
Liabilities for trade and other amounts which are normally settled up as 30 day terms, are carried at amortized cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. Interest rates used when determining the amortized cost are 16,98% for YTL, 4,39% for USD and 2.40% for Euro.

Provisions, and Contingent Assets and Liabilities

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent Assets and Liabilities
Contingent liabilities are not recognized in the financial statements, they are disclosed unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Income Tax
Tax expense (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Employee Termination Benefits

a) Defined Benefit Plans:
In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the accompanying financial statements, the Company has reflected a liability using the “Projected Unit Credit Method” based on the actuarial valuation performed by independent actuaries. The employee termination benefits are discounted to the present value of the estimated future cash outflows using the interest rate estimate of qualified actuaries.

In the consolidated balance sheets, employee termination benefits are reflected under non-current liabilities in provisions.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Defined Contribution Plans:

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Investment Grants

Investment grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grants relates to an asset, the fair value is included under equity (as deferred income) and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

Leases

Finance Lease

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the estimated useful life of the asset.

Operating Lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Company is controlled by Hacı Ömer Sabancı Holding A.Ş. and CBR International Holding B.V. that own 32.24% and 39.72% of ordinary shares, respectively. For the purpose of these consolidated financial statements, available for sale investments, shareholders and their affiliated companies are referred to as related parties. Related parties also include individuals that are principle owners, management, members of the Company's Board of Directors, their families and the Company's personnel.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes. The following specific recognition criteria must also be met before revenue is recognized:

Sales of Goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer at the invoiced values and the amount of revenue can be measured reliably. Net sales represent the invoiced value of goods shipped net of sales discounts and commission.

Rendering of Services

Revenue from rendering services is recognized by reference to the stage of completion when it can be measured reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Interest

Revenue is recognized as the interest accrues unless collectibility is in doubt.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Borrowing Costs

Borrowing costs are expensed as incurred.

Earnings Per-Share

Basic earnings per share (EPS) is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period.

In Turkey, companies can increase their share capital by making distribution of free shares to existing shareholders from various internal resources. For the purpose of the EPS calculation such share issues are regarded as stock dividend. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through December 31, 2005.

Subsequent Events

Post period-end events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

Trade and Settlement Date Accounting

All "regular way" purchases and sales of financial assets are recognized on the trade date, in other words, the date the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and De-recognition of Financial Instruments

The Company recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Company derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expired.

Financial Risk Management Objectives and Polices

The Company's principal financial instruments comprise marketable securities, bank loans, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The board/ management reviews and agrees policies for managing each of these risks and they are summarised below. The Company also monitors the market price risk arising from all financial instruments.

Foreign Currency Risk

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to U.S. Dollar and Euro.

The Company also has transactional currency exposures. Such exposures arise from sales or purchases or borrowings by the Company in currencies other than the Company's functional currency (YTL).

The Company manages foreign currency risk by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities. Net foreign currency exposure of the Company at December 31, 2005 and December 31, 2004 is approximately YTL 55.013.414 long and YTL 17.064.822 long, respectively.

Price Risk

This is a combination of currency, interest and market risks which the Company manages through natural hedges that arise from offsetting the same currency receivables and payables, interest bearing assets and liabilities. Market risk is closely monitored by the management using the available market information and appropriate valuation methods.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. The Company also obtains security when appropriate.

Liquidity Risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The financial assets and liabilities which are denominated in foreign currencies are evaluated by the foreign exchange rates prevailing on the date of balance sheet which approximate to market rates.

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

Financial Assets

The fair values of certain financial assets carried at cost, including cash and cash equivalents plus the respective accrued interest and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of trade receivables along with the related allowance for uncollectibility is estimated to be their fair values.

Financial Liabilities

Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of loans and bank borrowings. The fair value of bank borrowings are considered to state their respective carrying values since the interest rate applied to bank loans and borrowings are updated periodically by the lender to reflect active market price quotations. The carrying value of trade payables is estimated to be their fair values due to their short-term nature.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative Financial Instruments (Forward Agreements)

The Company enters into transactions with derivative instruments, including forwards, in the foreign exchange markets. These derivative transactions are considered as effective economic hedges under the Company's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IFRS 39, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value.

Fair values are obtained from quoted market prices, to the extent publicly available and discounted cash flows as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Derivatives with unrealised gains are included in other current assets and derivatives with unrealised losses are included in accrued expense in the consolidated balance sheet.

Uses of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Segment Information

The Company realizes majority of its sales in Turkey. Since there are not various product types and geographic locations which require segment reporting, the Company's management does not perform segment reporting.

Explanation Added for Translation to English

The Company prepared its financial statements in accordance with the CMB Accounting Standards. Such accounting and reporting requirements differ from the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, principally with respect to the application of inflation accounting and the presentation of financial statements and notes to them.

4. CASH AND CASH EQUIVALENTS

	December 31, 2004	December 31, 2005
Bank accounts (including short-term time deposits)	145.769.645	48.156.670
Checks with maturities until year end	2.525.002	650.767
Cash on hand	4.254	2.439
Funds lent under reverse repurchase agreements	-	56.026
Total	148.298.901	48.865.902

Time deposits are made for varying periods of between 2 and 88 days (December 31, 2004 - between 1 and 87 days) for YTL denominated funds and 17 days (December 31, 2004 - 17 days) for the USD denominated funds depending on the immediate cash requirements of the Company. YTL denominated time deposits earns interest at 18,10% - 18,50% (December 31, 2004 - 21% - 23,5%) and USD denominated time deposits earns interest at 5% (December 31, 2004 - 4,25%). As of December 31, 2005, there is no any reverse repurchase agreement. As of December 31, 2004, reverse repurchase agreements consist of YTL 56,026 paid under the agreements to purchase government bonds with a corresponding commitment to resell them on January 3, 2005. The interest rate is 17% and 17.5% per annum and the accrued interest included in its carrying value is YTL 27.

5. INVESTMENTS AVAILABLE FOR SALE (Net)

	December 31, 2005				December 31, 2004			
	Amount	Interest Rate		Maturity	Amount	Interest Rate		Maturity
		Minimum	Maximum			Minimum	Maximum	
Turkish Lira Treasury Bills	-	-	-	-	44.170.679	22,70%	28,05%	March 23, 2005-October 5, 2005
U.S. Dollar Treasury Bills	-	-	-	-	10.285.965	4,09%	4,65%	June 22, 2005-September 7, 2005
	-				54.456.644			

6. BORROWINGS (Net)

Short-Term Borrowings

		December 31, 2005 Effective Interest Rate %			
	Currency	Minimum	Maximum	Maturity	Balance
Unsecured Borrowings	USD 5,012,658	4.50	4,916	March 29, 2006	6,725,985
	YTL	(*)	(*)	January 3, 2006	536,278
					7,262,263

		December 31, 2004 Effective Interest Rate %			
	Currency	Minimum	Maximum	Maturity	Balance
Unsecured Borrowings	USD 6,271,013	2.54	2.59	March 29, 2005	8,457,088
	YTL	(*)	(*)	January 3, 2005-January 7, 2005	502,637
					8,959,725

(*) short-term borrowings for temporary use bearing no interest.

USD borrowings represent export pre-financing loans utilized by the Company and the Company has the export commitments of USD 5,069,203 (2004 - USD 6,309,579) in relation with these loans.

7. TRADE RECEIVABLES AND PAYABLES (Net)

Trade Receivables

a) Current Trade Receivables

	December 31, 2005	December 31, 2004
Accounts receivable	38.152.118	27.315.608
Notes receivable and post-dated checks	28.374.102	24.950.658
Doubtful receivables	2.012.813	1.878.878
Less: Provision for impairment	(2.012.813)	(1.878.878)
	66.526.220	52.266.266

b) Non-current Trade Receivables

	December 31, 2005	December 31, 2004
Deposits and guarantees given	15.455	17.302
	15.455	17.302

Trade Payables

Current Trade Payables

	December 31, 2005	December 31, 2004
Trade payable (net)	21.823.048	23.366.632
Deposits and guarantees received	415.667	345.499
Notes payable	-	14.772
Other trade payable	75.436	82.974
	22.314.151	23.809.877

8. FINANCE LEASE RECEIVABLES AND PAYABLES (Net)

Finance Lease Commitments

a) Current Finance Lease Payables (net)
As of December 31, 2005 the Company does not have any current finance lease payable (December 31, 2004 - YTL 95,958).

b) Non Current Finance Lease Payables (net)
As of December 31, 2005, future minimum lease payments under finance leases contracts which approximate the present value of the net minimum lease payments amounted in total of USD 900,000 and repayable in monthly equal installments of USD 10,000, commencing in April 2007 until September 2014. As of December 31, 2005, the repayable amount is YTL 1,207,620 (December 31, 2004 - YTL 1,210,815 YTL).

9. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Company is controlled by Hacı Ömer Sabancı Holding A.Ş. and CBR International Holding B.V. that own 32.24% and 39.72% of ordinary shares, respectively. For the purpose of these consolidated financial statements, available for sale investments, shareholders and their affiliated companies are referred to as related parties. Related parties also include individuals that are principle owners, management and members of the Company's Board of Directors, their families and the Company's personnel. Related party balances and related party transactions at December 31, 2005 and 2004 comprise mainly the following:

	Sales to related parties					
	December 31, 2005			December 31, 2004		
Related party	Product	Service	Other (*)	Product	Service	Other (*)
Investments Available for Sale						
Enerjisa Enerji Üretim A.Ş. (Enerjisa)	-	-	240	-	-	740
Çimsa Çimento Sanayi ve Ticaret A.Ş. (Çimsa)	1.272.874	-	148.808	-	-	213.061
Arpaş Ambarlı Römorkaj Pilataj Ticaret A.Ş. (Arpaş)	-	72.712	-	-	91.087	-
Lafarge Aslan Çimento A.Ş. (Lafarge)	718.318	-	-	1.814.984	-	-
Altaş Ambarlı Liman Tesisleri Ticaret A.Ş. (Altaş)	-	-	-	1.125	-	-
Other						
HC Trading B.V. - Turkey Branch	41.326.300	-	-	60.878.687	-	734.792
HeidelbergerCement A.G.	-	-	65.014	-	-	94.121
Kardemir Demir Çelik San. ve Tic. A.Ş.	-	-	31.240	-	-	27.172
Dönkasan Dönüşen Kağıt Hammaddeleri Sanayi ve Ticaret A.Ş.	-	-	109	-	-	462
Akçansa Taşımacılık ve Ticaret A.Ş.	-	-	148	-	-	207.792
HC Fuels Limited	-	-	106.101	-	-	-
Maxit Yapı Malzemeleri San. ve Tic. A.Ş.	-	-	29.447	-	-	-
Oysa Niğde Çimento A.Ş.	-	-	2.220	-	-	33.515
Olmuksa Mukavva Sanayi ve Ticaret A.Ş.	-	-	3.041	-	-	1.617

	Purchases from related parties					
	December 31, 2005			December 31, 2004		
Related party	Product	Service	Other (*)	Product	Service	Other (*)
Shareholders						
Hacı Ömer Sabancı Holding A.Ş.	-	83.672	-	-	47.269	-
Aksigorta Sigortacılık A.Ş.	-	2.135.118	-	-	2.638.090	-
Investments Available for Sale						
Enerjisa	-	-	43.285.833	-	-	44.628.276
Çimsa	-	-	-	-	8.874	-
Liman İşletmeleri ve Nakliyecilik A.Ş. (Liman İşletmeleri)	-	645.857	563.241	-	680.950	-
Lafarge	410.037	-	6.840	1.733.407	-	-
Eterpark Endüstri Ürünleri İmalat Ticaret İthalat İhracat Pazarlama A.Ş. (Eterpark)	-	-	223.456	-	-	177.490
Altaş	-	227.860	-	-	125.624	-
Other						
HeidelbergerCement A.G.	-	3.691	168.276	-	41.866	195.353
Brisa Bridgestone Lastik Sanayi ve Ticaret A.Ş.	103.943	-	-	135.579	-	-
Bimsa Uluslararası İş Bilgi ve Yönetim Sistemleri A.Ş.	-	188.494	-	-	185.191	-
Temsa Termo Mekanik Sanayi ve Ticaret A.Ş.	142.891	-	-	55.725	-	-
Beksa Çelik Kord. San. ve Tic. A.Ş.	1.004.144	-	-	1.565.453	-	-
HeidelbergerCement Group Technology Center GmbH	-	500.780	-	-	347.396	-
Kardemir Demir Çelik San. ve Tic. A.Ş.	1.844.941	-	3.144	1.737.091	-	1.449
Akhayat Sigorta A.Ş.	-	669.388	-	-	633.092	-
Teknosa İç ve Dış Tic. A.Ş.	-	-	15.519	-	-	9.493
BNP Ak Dresdner Finansal Kiralama A.Ş.	-	109.930	636	-	133.223	-
Akçansa Taşımacılık	-	-	424	-	2.811.347	-
HC Fuels Limited	7.003.699	-	-	-	-	-
Pilsa A.Ş.	-	-	-	-	-	1.455

(*) mainly comprise purchases/sales of property, plant and equipment, electricity, term difference income and expenses and foreign currency income and expenses.

9. RELATED PARTY BALANCES AND TRANSACTIONS (Net) (continued)

	Amounts owed by related parties		Amounts owed to related parties	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
Shareholders				
Hacı Ömer Sabancı Holding A.Ş.	-	-	11.048	1.582
Aksigorta Sigortacılık A.Ş.	623.231	294.724	-	-
Diğer Ortaklara Temettü Borçları	-	-	284.986	159.426
Total	623.231	294.724	296.034	161.008
Investments Available for sale				
Enerjisa	-	-	4.690.494	4.038.387
Çimsa	201.297	4.035	-	-
Arpaş	23.048	7.249	-	-
Liman İşletmeleri	-	-	61.646	43.729
Lafarge	129.239	-	-	1.108.656
Eterpark	-	-	13.424	12.481
Altaş	-	-	2.125	16.307
Total	353.584	11.284	4.767.689	5.219.560
Other				
HC Trading B.V. - Turkey Branch	5.083.314	5.575.580	-	-
HeidelbergerCement A.G.	7.920	14.428	-	-
Brisa Bridgestone Lastik Sanayi ve Ticaret A.Ş.	-	-	37.374	45.868
Teknosa A.Ş.	-	-	361	-
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	108	108	-	-
Bimsa Uluslararası İş Bilgi ve Yönetim Sistemleri A.Ş.	-	-	3.481	13.211
Temsa Termo Mekanik Sanayi ve Ticaret A.Ş.	-	-	6	2.074
Beksa Çelik Kord. San. ve Tic. A.Ş.	-	-	52.986	268.849
Oysa Niğde Çimento A.Ş.	-	186	-	-
Kardemir Demir Çelik San. ve Tic. A.Ş.	-	-	77.592	53.831
Akhayat Sigorta A.Ş.	-	7.583	-	-
Akçansa Taşımacılık	-	-	105.237	102.745
Çukurova Dış Ticaret A.Ş.	-	5.442	20.836	-
Maxit Yapı Malzemeleri San. ve Tic. A.Ş.	3.923	-	-	-
Dönkasan A.Ş.	-	79	-	-
Omluksa Mukavva Sanayi ve Ticaret A.Ş.	-	1.907	-	-
Personnel	246.250	205.343	603.060	271.688
	5.341.515	5.810.656	900.933	758.266
Total	6.318.330	6.116.664	5.964.656	6.138.834

	December 31, 2005	December 31, 2004
Cash in Banks		
Akbank T.A.Ş.	123.523.842	11.448.312
Investment in available for sale (treasury bills)		
Akbank T.A.Ş.	-	54.456.644
Funds lent under reverse repurchase agreements		
Ak Yatırım Menkul Değerler A.Ş.	-	56.026
Financial expenses to related companies		
Akbank T.A.Ş.	55.936	-
Interest income from related companies		
Akbank T.A.Ş.	8.823.569	10.047.678
Ak Yatırım Menkul Değerler A.Ş.	-	5.507
	8.823.569	10.053.185
Commission income from (included in other income from operations)		
Arpaş	105.205	91.040

9. RELATED PARTY BALANCES AND TRANSACTIONS (Net) (continued)

	December 31, 2005	December 31, 2004
Donations made to		
Vaksa Hacı Ömer Sabancı Vakfı	675.000	700.000
Sabancı Üniversitesi	49.504	36.839
	724.504	736.839

Executive Members' Remuneration

The executive members of the Company's management received salaries totaling YTL 2.365.229 (December 31, 2004 - YTL 2.644.693).

10. OTHER RECEIVABLES AND LIABILITIES (Net)

Current Other Receivables

	December 31, 2005	December 31, 2004
Job advances given to suppliers	864.005	527.969
Deferred value added tax (VAT)	850.774	767.004
Prepaid taxes and funds	-	44.139
Other	1.544.282	1.084.111
	3.259.061	2.423.223

Current Other Liabilities

	December 31, 2005	December 31, 2004
Taxes and funds payable	2.349.055	2.803.416
Deferred VAT payable	850.774	767.004
Social security premiums payable	803.799	743.493
Other liabilities payable	296.016	193.236
Other various liabilities	16.068	15.251
	4.315.712	4.522.400

11. BIOLOGICAL ASSETS (Net)

There is no any biological asset of the Company as of December 31, 2005 and 2004.

12. INVENTORIES (Net)

	December 31, 2005	December 31, 2004
Raw materials	31.031.833	29.756.779
Advances given	5.077.971	119.462
Work-in-process	4.215.555	3.393.791
Finished goods	2.921.446	3.689.201
Goods in transit	207.428	3.963.070
	43.454.233	40.922.303

13. RECEIVABLE AND PAYABLE FROM CONTINUING CONSTRUCTION CONTRACTS (Net)

There is no any receivable and payable from continuing construction contracts as of December 31, 2005 and 2004.

14. DEFERRED TAX ASSETS AND LIABILITIES

Deferred income tax at December 31, relates to the following:

	Deferred Tax Assets		Deferred Tax Liabilities		Deferred Tax Income (Expense)	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
Temporary differences on property, plant and equipment	-	-	(41.480.098)	(44.007.462)	2.527.364	8.152.305
Inventories	3.120.572	3.157.932	-	-	(37.360)	3.157.932
Provision for employee termination benefits	2.594.270	2.123.393	-	-	470.877	8.529
Allowance for unearned/unaccrued interest included in receivables and payables, net	193.656	237.257	-	-	(43.601)	109.013
Other timing differences, net	810.892	192.244	-	-	618.648	282.050
	6.719.390	5.710.826	(41.480.098)	(44.007.462)	3.535.928	11.709.829

Movement of net deferred tax liability can be presented as follows:

	December 31, 2005	December 31, 2004
Balance at January 1	38.296.636	50.006.465
Deferred income tax recognized in income statement	(3.535.928)	(11.709.824)
Other changes	-	(5)
Balance at December 31	34.760.708	38.296.636

15. OTHER CURRENT AND NON-CURRENT ASSETS

Other Current Assets

	December 31, 2005	December 31, 2004
Prepaid expenses	1.292.226	1.171.464
Other	7.867	112.917
	1.300.093	1.284.381

Other Non-Current Assets

	December 31, 2005	December 31, 2004
Prepaid rent	1.411.279	1.414.629
Properties obtained from customers against uncollectible receivables	236.171	236.171
	1.647.450	1.650.800

16. INVESTMENTS

	December 31, 2005		December 31, 2004	
	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount
Çimsa	10,00	115.846.848	10,00	56.771.021
Enerjisa	9,19	44.016.283	13,78	44.016.283
Liman İşletmeleri	15,00	22.662.688	15,00	22.662.688
Eterpark	8,73	2.686.527	8,73	2.686.527
Arpaş	16,00	841.399	16,00	521.399
Lafarge	0,05	242.434	0,05	145.782
Altaş	12,25	201.910	12,25	201.910
		186.498.089		127.005.610

Fair values of Çimsa and Lafarge whose shares are traded on the Istanbul Stock Exchange (ISE) are determined by reference to ISE quoted market bid prices at the close of business at December 31, 2005 and 2004, respectively. Net unrealized gain recognized during the current period amounting to a total of YTL 59.172.479 (2004 - YTL 9.557.972 income) was also recorded in equity.

16. INVESTMENTS (continued)

The shares of Eterpark and Liman İşletmeleri are not quoted on a stock exchange. These two companies operate ports and the Company uses their ports and land to transport its products through vessels. The fair value of these investments are determined in reference to the present value of all the future benefits that the vessel transportations will provide over truck transportations. The Company reviews the present value of future benefits that will be received at every period-end and carries the restated cost (according to inflation accounting until the end of 2004) after determining that the carrying value approximates the fair value for these companies.

The shares of Enerjisa are not traded on ISE. The project investment of Enerjisa, which has commenced to supply energy to the Company together with other Sabancı Group companies is still in the growth stage. The fair value of this investment is determined on the basis of the present value of the future cash flows of its business. The Company has carried the restated cost (according to inflation accounting until the end of 2004) of investment after considering that the carrying value approximates its fair value.

The investments in Arpaş and Altaş are carried at restated cost (according to inflation accounting until the end of 2004) since their fair value could not be measured reliably. These investments do not have quoted market prices and other methods of reasonably estimating fair value are inappropriate and impractical.

17. POSITIVE/NEGATIVE GOODWILL (Net)

There is no positive/negative goodwill of the Company as of December 31, 2005 and 2004.

18. INVESTMENT PROPERTY (Net)

There is no investment property of the Company as of December 31, 2005 and 2004.

19. PROPERTY, PLANT AND EQUIPMENT (Net)

	January 1, 2005	Additions	Transfers (*)	Disposals	Reclassifications (***)	December 31, 2005
Cost						
Land and land improvements	102.339.000	-	420.663	(70.269)	-	102.689.394
Buildings	168.400.720	-	559.259	-	-	168.959.979
Machinery and equipment	817.315.571	25.671	23.727.067	(5.409.173)	(212.326)	835.446.810
Furniture, fixtures and motor vehicles	55.867.664	23.525	8.446.058	(5.133.156)	-	59.204.091
Leased assets (**)	6.190.522	-	-	-	212.326	6.402.848
Leasehold improvements	37.938.173	6.971	2.820.340	-	-	40.765.484
Construction-in-progress and advances given	6.227.965	35.059.014	(37.093.831)	(94.589) (****)	-	4.098.559
Total	1.194.279.615	35.115.181	(1.120.444)	(10.707.187)		1.217.567.165
Less: Accumulated Depreciation						
Land and land improvements	48.182.393	3.033.686	-	-	-	51.216.079
Buildings	62.275.288	3.083.345	-	-	-	65.358.633
Machinery and equipment	635.407.024	21.508.824	-	(5.392.847)	(46.003)	651.476.998
Furniture, fixtures and motor vehicles	45.194.515	3.867.559	-	(5.095.117)	-	43.966.957
Leased assets (**)	1.102.098	36.704	-	-	46.003	1.184.805
Leasehold improvements	21.150.634	2.439.955	-	-	-	23.590.589
Total	813.311.952	33.970.073	-	(10.487.964)	-	836.794.061
Property, plant and equipment, net	380.967.663					380.773.104

19. PROPERTY, PLANT AND EQUIPMENT (Net) (continued)

	January 1, 2004	Additions	Transfers (*)	Disposals	Reclassifications (***)	December 31, 2004
Cost						
Land and land improvements	102.370.354	82.933	460.662	(574.949)	-	102.339.000
Buildings	166.544.337	-	1.856.383	-	-	168.400.720
Machinery and equipment	810.368.192	44.743	6.648.471	(1.819.543)	2.073.708	817.315.571
Furniture, fixtures and motor vehicles	56.959.853	213.293	4.568.186	(5.873.668)	-	55.867.664
Leased assets (**)	6.190.522	-	-	-	-	6.190.522
Leasehold improvements	36.785.721	7.836	1.144.616	-	-	37.938.173
Construction-in-progress and advances given	3.148.825	18.707.191	(15.628.051)	-	-	6.227.965
Total	1.182.367.804	19.055.996	(949.733)	(8.268.160)	2.073.708	1.194.279.615
Less: Accumulated Depreciation						
Land and land improvements	45.113.798	3.068.595	-	-	-	48.182.393
Buildings	59.228.630	3.046.658	-	-	-	62.275.288
Machinery and equipment	613.779.412	21.217.869	-	(1.663.965)	2.073.708	635.407.024
Furniture, fixtures and motor vehicles	47.229.742	3.673.761	-	(5.708.988)	-	45.194.515
Leased assets (**)	1.102.098	-	-	-	-	1.102.098
Leasehold improvements	18.527.709	2.622.925	-	-	-	21.150.634
Total	784.981.389	33.629.808	-	(7.372.953)	2.073.708	813.311.952
Property, plant and equipment, net	397.386.415	-	-		-	380.967.663

(*) Transfers amounting to YTL 1.120.444 (2004 - YTL 949.733) from construction-in-progress and advances given were made to intangible assets.
(**) Mainly comprise land (YTL 5.088.424).
(***) Computers acquired through finance lease.
(****) Directly expensed.
(*****) Property plant equipments which completed their economic life, but still in use as of balance sheet date.

As of December 31, 2005, the construction-in-progress and advances given mainly consist of the investments in furnace, automation of farin furnace, change of system for 100% petrocoke usage, and transformation of pneumatic feeding system to mechanical feeding system.

Based on the resolution of the board of directors taken June 9, 2005, no : 560, the Company's management decided to build new clinker facility amounting to Euro 108 million in order to increase its clinker capacity by 2 million tons (100% increase) in Çanakkale Cement Plant and this investment will be completed until the beginning of 2008. As of December 31, 2005, there are additions amounting to YTL 291.000 related with this investment in "construction-in-progress and advances given" account.

20. INTANGIBLE ASSETS

	January 1, 2004	Additions/Charge	Transfers from construction-in-progress	Disposals	December 31, 2004
Cost					
Rights and Other Intangibles	20.784.228	7.771	1.120.444	(5.552)	21.906.891
Less: Accumulated Amortization					
Rights and Other Intangibles	7.189.940	1.053.405	-	(2.221)	8.241.124
Intangible assets, net	13.594.288				13.665.767

	January 1, 2005	Additions/Charge	Transfers from construction-in-progress	Disposals	December 31, 2005
Cost					
Rights and Other Intangibles	19,829,975	4,520	949,733	-	20,784,228
Less: Accumulated Amortization					
Rights and Other Intangibles	6,322,274	867,666	-	-	7,189,940
Intangible assets, net	13,507,701				13,594,288

21. ADVANCES TAKEN

	December 31, 2005	December 31, 2004
Advances received from customers	1.407.403	1.901.669
	1.407.403	1.901.669

22. RETIREMENT PLANS (Net)

There is no retirement plans of the Company as of December 31, 2005 and 2004.

23. PROVISIONS

Current Provisions

	December 31, 2005	December 31, 2004
Taxes and other liabilities, net (Note 41)	8.881.009	3.375.480
Competition Board Penalty (Note 31)	6.115.496	5.771.667
Litigations (Note 31)	1.169.969	656.423
	16.166.474	9.803.570

	Competition board penalty (Note 31)	Litigations (Note 31)	Total
At January 1, 2005	5.771.667	656.423	6.428.090
Charge for the year	-	513.546	513.546
Interest due to discounting of the provision	343.829	-	343.829
At December 31, 2005	6.115.496	1.169.969	7.285.465

Non-Current Provisions

In accordance with existing social legislation, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of one month's pay (limited to a maximum of historical YTL 1.727 (December 31, 2004 - YTL 1.649) per year of employment at the rate of pay applicable at the date of retirement or termination. As of December 31, 2005, the Company accounts for the employee termination benefits by using “Projection Method”, based on application of actuarial methods and assumptions by professional actuaries. Actuarial gains or losses have been included in the related income or expense accounts.

The principal actuarial assumptions used at the balance sheet dates are as follows:

	December 31, 2005	December 31, 2004
Discount rate	16%	16%
Expected rates of salary/limit increases	10%	10%

Movement of the provision for the employee termination benefits as of December 31 is as follows:

Reserve for Employee Termination Benefits	December 31, 2005	December 31, 2004
At January 1	7.101.896	7.073.204
Retirement pay liability paid	(1.158.860)	(1.960.639)
Actuarial gain / loss	(546.824)	331.030
Interest expense	426.122	-
Increase for the year	2.825.234	2.153.770
Monetary gain	-	(495.469)
At December 31	8.647.568	7.101.896

24. MINORITY INTEREST

All minority shares are eliminated from equity accounts, including paid-in capital, of consolidated subsidiaries and presented as “Minority interest” before “equity” in the consolidated balance sheet.

Minority's share in current year income and loss of the consolidated subsidiaries is presented as “minority interest” before “profit before tax” as increase or decrease in the consolidated income statement.

In the consolidated financial statements as of December 31, 2005, there is minority interest - balance sheet with the amount of YTL 11.233.909 (December 31, 2004 - YTL 8.867.638) and minority interest - income statement with the amount of YTL 2.366.271 (December 31, 2004 - YTL 2.995.259) because of Karçimsa owned subsidiary of the Company by 50,99%.

Movements of the minority interest as of December 31, 2005 and 2004 were as follows:

	December 31, 2005	December 31, 2004
Balance at January 1	8.867.638	5.872.379
Share of net profit/loss of subsidiary	2.366.271	2.995.259
Balance at December 31	11.233.909	8.867.638

25. SHARE CAPITAL - SHARE CAPITAL SUBSIDIARIES ELIMINATION

	December 31, 2005	December 31, 2004
Number of common shares (authorized, issued and outstanding) 0,01 YTL par value	16.647.571.200	16.647.571.200

As of December 31, 2005 and 2004, the Company's historical subscribed and issued share capital was YTL 166,475,712 (historical terms).

The movement of the share capital (in numbers and in historical YTL) during 2005 and 2004 is as follows:

	Number	YTL
At January 1	16.647.571.200	166.475.712
Balance at December 31	16.647.571.200	166.475.712

As of December 31, 2005 and 2004, the composition of shareholders and their respective % of ownership can be summarized as follows:

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
Hacı Ömer Sabancı Holding A.Ş.	53.671.632	32,24	53.671.632	32,24
Ak Sigorta A.Ş.	12.445.877	7,48	12.445.877	7,48
CBR International Holding B.V.	66.117.509	39,72	66.117.509	39,72
Publicly traded	34.240.694	20,56	34.240.694	20,56
Nominal share capital total	166.475.712	100,00	166.475.712	100,00
Restatement effect	235.418.128		235.418.128	
Total per financial statements	401.893.840		401.893.840	

26. CAPITAL RESERVES

As of December 31, 2005 and 2004 capital reserves includes restatement differences on equity.

27-28. PROFIT RESERVES AND RETAINED EARNINGS

Legal Reserves

As of December 31, 2005 and 2004 other reserves included in profit reserves composed of unrealized gain on investments available for sale and investment incentives.

As of December 31, 2005 and 2004, unrealized gain on investment available for sale with the amount of YTL 103.099.199 (2004 - YTL 43.926.720) includes the gain recognized due to the valuation of Çimsa and Lafarge shares with the market bid prices at the close of business at December 31, 2005. Furthermore unrealized gain with the amount of YTL 814.400 as of December 31, 2004, includes the gain recognized due to the valuation of treasury bills with the market bid prices at the close of business at December 31, 2004.

As of December 31, 2005, there is no any investment grant (December 31, 2004 - YTL35.589).

The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The legal reserves are only available for to net-off losses unless they exceed 50% of the historical paid-in share capital otherwise they are not allowed to be used for other purposes.

Retained earnings and current year income in the statutory accounts is available for dividend distribution after if the legal reserve appropriation considerations and CMB's regulations for dividend distribution are fulfilled, as mentioned above.

As of December 31, 2005 and 2004, the consolidated legal reserves, statutory reserves, extraordinary reserves, retained earnings and other reserves in the statutory accounts of the Company can be summarized as follows:

	December 31, 2005	December 31, 2004
Legal reserves	16.493.413	8.593.329
Statutory reserves	35	35
Extraordinary reserves	10.473.954	727.600
Retained earnings	7.361.856	5.095.043
Other reserves	1.358.666	1.359.507
Replacement funds	(**) 509.079	-
Gain on sale of marketable securities	(*) 21.372.144	-

(*) Based on board of decision dated June 24, 2005, no: 565, the Company has decided to sale redeemed shares of Akbank T.A.Ş., and to add the income from the sale of these shares amounting to YTL 21.372.144 to the share capital. Related balance is presented under equity accounts in the statutory books until the share capital increase will be realized, whereas in the accompanying consolidated financial statements it is presented as “Dividend Income” in “Other Operating Income” account.

(**) Replacement funds amounting to YTL 509.079 is presented under equity accounts in the statutory books whereas in the accompanying consolidated financial statements it is presented as “Gain on sale of property, plant and equipment, net” in “Other Operating Income” account.

Dividends

2004 Dividends declared and approved is as follows:

	2004
To common shares per share	0.31 New Kuruş

The Company is planning to determine the dividends to be distributed over the profit of year 2005 in the meeting of the Board of Directors to be held in until March 20, 2006.

27-28. PROFIT RESERVES AND RETAINED EARNINGS (continued)

Statement of Changes in Equity

	Share Capital	Equity Inflation Adjustment Differences	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Special Reserves	Other Reserves	Net Income	Retained Earnings	Total Equity
Balance at January 1, 2004	166.475.712	235.418.128	6.317.192	35	794.760	1.382.916	34.936.620	40.695.608	81.022.674	567.043.645
Transfers	-	-	2.276.137	-	(67.160)	(23.409)	-	(40.695.608)	38.510.040	-
Dividends declared	-	-	-	-	-	-	-		(21.353.507)	(21.353.507)
Amortization of investment grants	-	-	-	-	-	-	(90.521)	-	-	(90.521)
Net unrealized gain on investments available for sale	-	-	-	-	-	-	9.930.610	-	-	9.930.610
Current year profit			-	-	-	-	-	63.331.801	-	63.331.801
Balance at January 1, 2005	166.475.712	235.418.128	8.593.329	35	727.600	1.359.507	44.776.709	63.331.801	98.179.207	618.862.028
Transfers	-	-	7.900.084	-	9.929.037	(841)	-	(63.331.801)	45.503.521	-
Dividends declared	-	-	-	-	-	-	-		(52.273.374)	(52.273.374)
Amortization of investment grants	-	-	-	-	-	-	(35.589)	-	-	(35.589)
Net unrealized gain on investments available for sale	-	-	-	-	-	-	58.358.079	-	-	58.358.079
Current year profit	-	-	-	-	-	-	-	113.565.095	-	113.565.095
Balance at December 31, 2005	166.475.712	235.418.128	16.493.413	35	10.656.637	1.358.666	103.099.199	113.565.095	91.409.354	738.476.239

29. FOREIGN CURRENCY POSITION

December 31, 2005

	USD	EURO	SEK	GBP	TOTAL
Assets	46.092.638	1.839.663	4	3	64.767.575
Cash and cash equivalents	42.939.813	558.577	4	3	58.503.390
Marketable securities (net)	-	-	-	-	-
Trade receivables (net)	3.152.825	552.501	-	-	5.107.556
Other receivables (net)	-	728.585	-	-	1.156.629
Liabilities	(5.912.658)	(1.060.430)	-	(59.307)	(9.754.161)
Trade payables (net)		(594.910)	-	(33.817)	(1.022.609)
Borrowings	(5.012.658)	-	-	-	(6.725.984)
Finance lease payables (net)	(900.000)	-	-	-	(1.207.620)
Other liabilities		(465.520)	-	(25.490)	(797.948)
Net Balance Sheet Position	40.179.980	779.233	4	(59.304)	55.013.414

December 31, 2004

	USD	EURO	SEK	GBP	TOTAL
Assets	17.929.924	3.805.240	4	-	31.014.404
Cash and cash equivalents	6.373.751	3.305.572	4	-	14.592.171
Marketable securities (net)	7.664.083		-	-	10.285.965
Trade receivables (net)	3.802.090	281.231	-	-	5.616.482
Other receivables (net)	90.000	218.437	-	-	519.786
Liabilities	(9.522.157)	(570.773)	-	(24.407)	(13.949.582)
Trade payables (net)	(2.351.144)	(414.678)	-	(360)	(3.932.870)
Borrowings	(6.271.013)	-	-	-	(8.457.088)
Finance lease payables (net)	(900.000)	-	-	-	(1.210.815)
Other liabilities	-	(156.095)	-	(24.047)	(348.809)
Net Balance Sheet Position	8.407.767	3.234.467	4	(24.407)	17.064.822

30. GOVERNMENT INCENTIVES

The Company obtained various investment incentive certificates which entitle it to:

- An investment allowance of 40% of the cost of the investment deductive from the corporation tax
- An exemption from customs duty on imported machinery and equipment
- Incentive premium for local purchases at the rate of VAT.

The commitments of the Company in relation with these investment incentive certificates are as follows:

Akçansa

Certificate 1:
Investment allowance rate is 40%. Akçansa is committed to increase its share capital by YTL 2,251,254 in cash by the end of the investment period (December 31, 2005).

Certificate 2:
Investment allowance rate is 40%. Akçansa is committed to increase its share capital by TL 2,800,000 in cash by the end of the investment period (June 27, 2005).

The Board of Directors decision related with share capital increase is taken in the year of 2006 (Note 34).

31. PROVISIONS, COMMITMENTS and CONTINGENCIES

Guarantees Received and Given

As of December 31, 2005 and 2004 guarantees received and given can be presented as follows:

		December 31, 2005		December 31, 2004	
	Currency	Original Amount	YTL Equivalent	Original Amount	YTL Equivalent
Letter of guarantees received	EURO	335.574	532.724	898.009	1.640.484
Letter of guarantees received	USD	216.978	291.141	30.750	41.270
Letter of guarantees received	YTL	-	32.046.193	-	18.490.136
Mortgages received	YTL	-	7.213.826	-	11.924.858
Cheques and notes received	YTL	-	6.752.122		3.866.699
Cheques and notes received	EURO	218.300	346.551	53.100	97.003
Cheques and notes received	USD	271.925	364.869	271.925	364.951
Cheques and notes received	DEM	200.000	162.334	200.000	186.806
Total received guarantees			47.709.760		36.612.207
Letter of guarantees given	YTL		1.740.499	-	1.602.621
Letter of guarantees given	USD	6.000.000	8.050.800	-	-
Total given guarantees			9.791.299		1.602.621

Export Commitments

As of December 31, 2005, in accordance with the export pre-financing loans utilized, the Company has a total export commitment of USD 5.069.203 (December 31, 2004 - USD 6.309.579).

Operating and finance lease commitments

Future minimum rentals payable under non-cancelable operating and finance leases are as follows:

Operating Lease Commitments	December 31, 2005	December 31, 2004
Within one year	534.042	638.951
After one year but not more than five years	208.344	568.473
More than five years	1.701.221	1.803.596
	2.443.607	3.011.020

Finance Lease Commitments (Note 8)	December 31, 2005	December 31, 2004
Within one year	-	-
After one year but not more than five years	603.810	442.893
More than five years	603.810	767.922
	1.207.620	1.210.815

31. PROVISIONS, COMMITMENTS and CONTINGENCIES (continued)

Litigations

a) The Turkish Competition Board (the Board) has performed investigations for certain cement companies in 1996 stating that these companies cooperated in certain ways to monitor the cement prices and accordingly charged a penalty of TL 251,632 (in historical terms) to Akçansa. Akçansa has accrued expense for the penalty which has not been paid yet and at the same time applied to the State Council to remove the charge. As of January 15, 2001, the State Council has concluded in favor and rejected the appeal of the Board. Following another notification of the same decision by the Board; Akçansa took another lawsuit action to cancel that decision and it was again concluded in favour of the Company. Following third notification of the same decision by the Board; another lawsuit action was taken to cancel that decision.

b) The Board has started investigations for the operations of Akçansa in Marmara region. Related to this second case, the Board announced on February 4, 2002 a further penalty charge amounting to TL 1,068,329 (in historical terms) to Akçansa. Akçansa applied to the State Council for the removal of this additional charge upon receipt of the legal notification obtained on June 2, 2004. State Council has concluded in favour of the Company and stopped the execution of the penalty until the reply of counter party. Related with this penalty, in January 2005, payment order amounting to YTL 1.068.329 is sent by Ankara tax office. Akçansa commenced a lawsuit for the cancellation of this payment order. Akçansa calculated the present value of the penalty considering time value of money and reflected a discounted liability amounting to YTL 912.006 in the consolidated balance sheet at December 31, 2005. Decisions of State Council for suspension of the execution of the penalty and payment order are still valid.

c) During 2003, the Board commenced a new investigation against Akçansa as a result of pre-investigations performed on the operations of certain companies (including Akçansa) in the Aegean region to monitor their compliance with the law. The Board completed its investigations on December 8, 2004 and charged a penalty amounting to YTL 5,792,770 to Akçansa. Akçansa applied to the State Council for the removal of this charge, upon receipt of the written notification, and State Council decided to suspend the execution until the conclusion of the case related with the penalty for cement and ready mixed concrete markets. Akçansa calculated the present value of the penalty considering time value of money and reflected a discounted liability amounting to YTL 4.951.858 in the consolidated balance sheet at December 31, 2005.

d) During 2005, the Board commenced two new investigations that will be executed in cement and ready mixed concrete market separately against Akçansa as a result of pre-investigations performed on the operations of certain companies (including Akçansa) in the Aegean and Marmara regions to monitor their compliance with the law. Akçansa has made its written replies in June 7, 2005 and August 10, 2005 related with the official declarations in April 11, 2005 and July 13, 2005 of the Board. The Company's management objects to the claims of the Board and asserts that defense right is violated because of claims are not concrete and justified and informs that the replies to the Board should not be considered as defense. As of the balance sheet date, the Company did not accrue any provision for these cases because of investigations of the Board are not certain.

e) A compensation lawsuit was filed against Karçimsa amounting to DEM 550,000 by a subcontracting technician in 2000 and Karçimsa has accounted for a provision of YTL 669.615 based on the decision of the court. Further, another lawsuit filed against Karçimsa related with the same event by the insurance company amounting to DEM 1.100.000 is still going on. Karçimsa has not accounted for any provision for this claim since the outcome of the litigation was uncertain as of the balance sheet date.

f) There were a number of legal proceedings outstanding against the Company as of December 31, 2005 totaling YTL 1.092.403 (2004 - YTL 1.012.830). This mainly includes matters relating to cases opened against the Company by its employees or the families of employees due to accidents raised at work and cases opened by third parties due to accidents because of the alleged negligence of the Company's personnel. As of December 31, 2005, the Company has provided a provision at an amount of YTL 500.354 for the litigations, which will probably require an outflow of resources in the future.

32. BUSINESS COMBINATIONS

There is no business combination of the Company as of December 31, 2005 and 2004.

33. SEGMENT INFORMATION

The Company does not have any operation that requires segment information as of December 31, 2005 and 2004.

34. SUBSEQUENT EVENTS

Based on the Board of Directors Decision No:587, the Company has decided to increase the Company's statutory share capital by 15% from YTL 166.475.712 to YTL 191.447.068. The increase will be realized from gain on marketable securities with the amount of YTL 21.372.144 (Note 27 and 28), from the special reserves derived from the investments in other reserves with the amount of YTL 1.358.666 and from the restatement differences with YTL 2.240.546.

Effective from January 1, 2006, ceiling for retirement pay has been increased to YTL 1.771.

35. DISCONTINUING OPERATIONS

There is no discontinuing operations of the Company as of December 31, 2005 and 2004.

36. OPERATING INCOME

Net Sales

	December 31, 2005	December 31, 2004
Domestic sales	399.208.151	325.836.275
Foreign sales	41.354.838	61.444.432
Sales discounts (-)	(16.577.250)	(11.218.785)
Other discounts (-)	(8.936.547)	(7.226.791)
	415.049.192	368.835.131

Cost of Sales

	December 31, 2005	December 31, 2004
Direct raw materials and supplies expenses	203.275.386	184.132.810
Direct labour expenses	24.905.240	25.235.766
Depreciation and amortization expenses	30.998.035	28.377.151
Other production expenses	27.919.483	27.499.343
Total production cost	287.098.144	265.245.070
Change in work in process	(821.764)	2.447.478
Work in process at the beginning of the year	3.393.791	5.841.269
Work in process at the end of the year	4.215.555	3.393.791
Change in finished goods	767.755	(193.920)
Finished goods at the beginning of the year	3.689.201	3.495.281
Finished goods at the end of the year	2.921.446	3.689.201
Cost of goods sold	5.440.025	4.437.386
Cost of domestic service income	716.092	654.266
Total	293.200.252	272.590.280

Service Income (Net)

	December 31, 2005	December 31, 2004
Domestic service income	3.497.784	2.481.857
	3.497.784	2.481.857

37. OPERATING EXPENSES

	December 31, 2005	December 31, 2004
Selling and marketing expenses	(4.491.722)	(4.270.951)
General and administration expenses	(16.417.809)	(17.086.509)
	(20.909.531)	(21.357.460)

38. OTHER OPERATING INCOME AND EXPENSES

As of December 31, 2005 and 2004 breakdown of other operating income is as follows:

Other Operating Income:

	December 31, 2005	December 31, 2004
Dividend income (*)	30.248.914	6.257.103
Interest income	14.645.074	13.391.748
Foreign exchange gains	4.455.915	3.808.142
Gain on sale of property, plant and equipment, net	1.778.394	1.043.326
Rent income	590.646	656.085
Interest charged to customers, net	430.162	168.527
Income on sale of auxiliary materials	95.859	178.571
Collections from doubtful receivables	2.615	915.539
Consulting income	-	135.915
Discount income, net	-	199.016
Back payment of vehicle taxes	-	127.493
Forward income, net	-	472.225
Other	696.893	1.159.878
	52.944.472	28.513.568

(*) As of December 31, 2005 and 2004 breakdown of dividend income is as follows:

	December 31, 2005	December 31, 2004
Akbank (Note 27 - 28)	23.240.129	2.674.776
Çimsa	4.730.918	2.652.622
Oralitsa (Cash received as a result of liquidation)	1.090.653	-
Arpaş	1.050.170	863.198
Other investments available for sale	137.044	66.507
	30.248.914	6.257.103

Other Operating Expenses (-):

	December 31, 2005	December 31, 2004
Foreign exchange losses	4.727.966	5.442.887
Donations	1.682.998	1.081.956
Depreciation expense of rented terminals	1.611.258	1.498.651
Idle time expense (comprise mainly of depreciation expense)	1.349.718	3.192.788
Forward expense, net	1.198.569	-
Property and estate taxes	1.116.448	546.316
Provision for litigations	513.546	4.840.054
Rediscount expenses, net	204.399	-
Provision for doubtful receivables	136.550	115.943
Write-off of investment in subsidiary which had been permanently impaired	-	671.966
Other	1.053.548	1.052.973
	13.595.000	18.443.534

38. OTHER OPERATING INCOME AND EXPENSES (continued)

Depreciation and Amortization Expenses

	2005	2004
Property, plant and equipment		
Cost of production	30.998.035	28.377.151
Other expense from operations	2.759.628	4.440.900
General and administrative expenses	136.580	708.352
Selling and marketing expenses	75.830	103.405
Total depreciation expenses	33.970.073	33.629.808
Intangible assets		
General and administrative expenses	1.053.455	867.666
Total amortization expenses	1.053,455	867.666

	2005	2004
Personnel expenses and average number of employees		
Wages and salaries	26.972.756	26.988.113
Other social expenses	8.135.732	7.797.937
Provision for employee termination benefits	2.704.532	2.484.800
	37.813.020	37.270.850

The average number of employees (all employed in Turkey) for the years ended December 31, 2005 and 2004 was 869 and 898 respectively.

39. FINANCIAL EXPENSE (Net)

As of December 31, 2005 and 2004 breakdown of financial expense is as follows:

	December 31, 2005	December 31, 2004
Short-term financial expense	296.812	296.894
Total financial expense	296.812	296.894

40. MONETARY GAIN/LOSS (Net)

Based on a decision of CMB dated March 17, 2005, no: 11/367 and declared that application of the financial statements as of 2005 has been terminated due to the objective conditions for restatement in hyperinflationary economies is no longer available. Therefore, the consolidated financial statements as of December 31, 2005 are not restated for inflation accounting and no monetary gain or loss was recognized in the consolidated financial statements. As of December 31, 2004, monetary loss in the consolidated income statement is YTL 9.194.605

41. TAXES

General Information

The Company is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey.

In Turkey, the corporation tax rate as of December 31, 2005 is 30% (2004-33%). Corporate tax returns are required to be filed until the fifteenth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 30% (2004-33%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In 2003 and prior years, corporation tax was computed on the statutory income tax base without any adjustment for inflation accounting. Starting from second temporary tax period in 2004, taxable income is derived from the financial statements which are adjusted for inflation accounting. Accumulated earnings arising from the first application of inflation accounting on December 31, 2003 balance sheet is not subject to corporation tax, and similarly accumulated deficits arising from such application is not deductible for tax purposes. Moreover, accumulated tax loss carry-forwards related with 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years. A tax amnesty law, which was enacted in 2003 provided immunity for tax inspection and additional assessments to those taxpayers who utilized the option. According to the law, companies, who accepted to use this option, also accepted a 50% reduction from their corporate tax losses incurred in the same year. The Company benefited from the related law, and accrued YTL 3.420 (in historical terms) additional tax, and paid the all amount.

Effective from April 24, 2003, investment allowances provide a deduction from the corporate tax base of 40% of the purchases of the brand-new fixed assets having economic useful life and exceeding YTL 10.000 (2004 - YTL 6.000) and directly related with the production of goods and services. Investment allowance that arose prior to April 24, 2003 are taxed at 19.8% (withholding tax) unless they are converted to new type at the will of the companies. Investment allowances can be carried forward indefinitely with indexed amounts.

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

10% withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Capital gains derived from cash sales of participation shares that have been held for at least two years are exempt from corporation tax if the gains are added to share capital. Furthermore, in the event the profit arising from the dividend receipt is not distributed or included in capital, no withholding tax shall be applicable.

41. TAXES (continued)

Income tax payables as of December 31, 2005 and 2004 are summarized as follows:

	December 31, 2005	December 31, 2004
Current income tax	31.094.415	22.247.457
Prepaid taxes	(22.213.406)	(18.871.977)
Income tax payable (Note 23)	8.881.009	3.375.480

Major components of income tax expense for the years ended December 31, are:

	December 31, 2005	December 31, 2004
Consolidated income statement		
Current income tax	(31.094.415)	(23.330.547)
Deferred income tax (Note 14)	3.535.928	11.709.824
Income tax expense reported in consolidated income statement	(27.558.487)	(11.620.723)

A reconciliation of income tax expense applicable to profit before income tax at the statutory income tax rate to income tax expense reported in the income statements for the years ended December 31 was as follows:

	December 31, 2005	December 31, 2004
Profit before income tax and minority interest	143.489.853	77.947.783
At the effective statutory income tax rate of 30% (2004 - 33%)	(43.046.956)	(25.722.768)
Net effect of investment allowances	4.606.434	1.864.433
Income not subject to tax	9.648.757	2.064.848
Permanent non-taxable items	(248.982)	(189.540)
Net effect of change in tax rate	1.482.260	2.199.177
Net effect of change in tax base	-	8.163.127
	(27.558.487)	(11.620.723)

42. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making distribution of free shares from various internal resources. For the purpose of the EPS calculation, such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly, the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through December 31, 2005.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

43. CASH FLOW STATEMENT

	December 31, 2005	December 31, 2004
Cash flows from operating activities:		
Profit before tax, minority interest and loss on net monetary position	143.489.853	87.142.388
Adjustments to reconcile net profit before monetary loss, minority interest and income tax to net cash provided by operating activities:		
Unrealized foreign exchange losses	14.625	(1.626.096)
Depreciation and amortization	35.023.478	34.497.474
Provision for employee termination benefits	2.704.532	2.484.800
Gain on sale of property, plant and equipment	(1.778.394)	(1.043.326)
Interest expense	296.812	296.894
Interest expense from discounting of litigation provisions	345.284	44.129
Amortization of investment grants	(35.589)	(90.521)
Provision for doubtful receivables	136.550	115.943
Operating profit before changes in operating assets and liabilities	180.197.151	121.821.685
Changes in operating assets and liabilities		
Trade receivables (net) (Current)	(14.396.504)	(16.683.068)
Trade receivables (net) (Non Current)	1.847	-
Due from related parties (net)	(201.666)	(1.487.971)
Other receivables (net)	(835.838)	(390.549)
Inventories	(2.531.930)	1.251.948
Other current Assets	(15.712)	(105.210)
Other non current Assets	3.350	814.611
Trade payables (net)	(1.495.726)	11.615.519
Due to related parties (net)	(174.178)	(281.618)
Advances taken	(494.266)	895.717
Other Liabilities (net)	(206.688)	1.377.825
Provisions (Current)	512.091	4.884.183
Interest paid	(308.846)	(347.491)
Taxes paid	(25.588.886)	(22.225.263)
Employee termination benefits paid	(1.158.860)	(1.960.639)
Net cash provided by operating activities	133.305.339	99.179.679
Cash flows from investing activities		
Change in marketable securities and financial assets	53.322.244	(37.087.469)
Purchase of property, plant and equipment	(33.900.148)	(18.106.263)
Purchase of intangible assets	(1.128.215)	(954.253)
Proceeds from sale of property, plant and equipment	1.906.359	1.938.533
Net cash provided by/(used in) investing activities	20.200.240	(54.209.452)
Cash flows from financing activities		
Proceeds from short-term borrowings	12.395.724	12.825.361
Repayment of short-term borrowings	(14.095.777)	(14.431.965)
Dividend paid	(52.273.374)	(21.353.507)
Repayment of finance lease obligations	(99.153)	(135.211)
Net cash used in financing activities	(54.072.580)	(23.095.322)
Net monetary loss on restatement of cash transactions	-	(3.138.842)
Net increase in cash and cash equivalents	99.432.999	18.736.063
Cash and cash equivalents at the beginning of the year	48.865.902	30.129.839
Cash and cash equivalents at the end of the year	148.298.901	48.865.902
Supplemental disclosure of cash flows information		
Cash received by the Company for interest	21.161.302	9.293.604

44. OTHER MATTER WHICH ARE SIGNIFICANT TO THE FINANCIAL STATEMENTS OR WHICH SHOULD BE DISCLOSED FOR THE PURPOSE OF INTERPRETATION, TRUE AND FAIR PRESENTATION OF THE FINANCIAL STATEMENTS

None.

(Convenience Translation of Financial Statements and Footnotes Originally Issued in Turkish)

Akçansa Çimento Sanayi ve Ticaret Anonim Şirketi

PROFIT DISTRIBUTION TABLE

For the year ended December 31, 2005

(Currency-New Turkish Lira unless otherwise indicated)

A- APPROPRIATION OF CURRENT YEAR PROFIT	31 December 2005	31 December 2004
CURRENT YEAR PROFIT	141.123.582	74.952.524
TAXES PAYABLE AND OTHER LEGAL LIABILITIES	(27.558.487)	(11.620.723)
NET CURRENT YEAR PROFIT	113.565.095	63.331.801
LEGAL RESERVE - TYPE I	(4.608.735)	(3.505.125)
PROFIT AVAILABLE FOR APPROPRIATION	108.956.360	59.826.676
FIRST DIVIDENT TO SHAREHOLDERS	(32.452.668)	(17.336.974)
SECOND DIVIDENT TO SHAREHOLDERS	(47.904.061	(34.936.400)
LEGAL RESERVE - TYPE II	(7.203.294)	(4.394.959)
EXTRAORDINARY RESERVES	(21.396.337)	(3.158.344)
B- APPROPRIATION OF RESERVES	(10.311.047)	0
SECOND DIVIDENT TO SHAREHOLDERS	(9.373.679)	0
LEGAL RESERVES TYPE 2	(937.368)	0
C- EARNINGS PER SHARE		
(YTL)	0,6822	0,3804
(%)	68,22	38,04
D- DIVIDENT PER SHARE (GROSS)		
(YTL)	0,539	0,314
(%)	53,90	31,40

It has been resolved to present the Annual Report for the year 2005 and the Financial Statements to our shareholders at the ordinary shareholders' meeting scheduled on 27 March 2006 in accordance with the principles and rules, and to distribute the 2005 consolidated balance sheet profit amounting to YTL 141.123.582 after the deduction of Legal Reserve - Type 1, taxes and legal liabilities amounting to 108.956.360, after the addition of Extraordinary Reserves of YTL 10.311.047 amounting to YTL 119.267.407 compliant with the Article 33 of our Articles of Association and Capital Markets Board Communiqué as follows:

Share of first dividends	: YTL 32.452.668
Share of Second dividends	: YTL 57.277.740
Legal Reserves type 2	: YTL 8.140.662
Extraordinary Legal reserves (accumulated profits)	: YTL 21.396.337

Thus, shareholders representing the share capital of YTL 166.475.712 will be receiving YTL 89.730.409 in total, which corresponds to 53.90% gross and 48.51% net earnings per share. We hereby request approval for the related Board Resolution dated 13 March 2006 for the aforementioned profit distribution scheme as of 29 March 2006.

Board of Directors

PROFIT DISTRIBUTION POLICY

The profit distribution policy of the company is to distribute minimum 50% of the distributable profit to the shareholders.

This policy is subject to revisions each year according to new projects on the agenda, funds and the national and global economic conditions.

Board of Directors.

(Convenience Translation of Financial Statements and Footnotes Originally Issued in Turkish)

Akçansa Çimento Sanayi ve Ticaret Anonim Şirketi

RATIOS

For the year ended December 31, 2005

Liquidity Ratios		2004	2005
Current Ratio	%	3,74	4,69
Liquidity Ratio	%	2,99	3,93
Inventories/Current Assets	%	0,20	0,16
Working Capital	(000) YTL	56.836.487	70.689.541
Financial Structure Ratios		2004	2005
Total Debt/Total Assets	%	0,16	0,14
Non-current Assets/Equity	%	0,85	0,80
Financial Debt/Equity	%	0,02	0,01
Net Financial Debt/Equity	YTL	93.056.048	139.829.018
Profitability Ratios			
Asset Turnover Rate	Times	0,51	0,49
Gross Profit Margin	%	0,27	0,30
Return on Assets	%	0,09	0,13
Operating Profit/Sales Revenues	%	0,23	0,34
Net Profit per Share	YKR	0,3804	0,6822

FINANCIAL STRUCTURE

The cement sector exhibited a dramatic improvement in 2005 which bolstered our sales. The construction sector was buoyed on the back of improvements in the Turkish economy, with falling inflation and lower interest rates, combined with the significant progress in negotiations for EU accession.
Against such a backdrop, Akçansa managed to effect a considerable improvement in its financial indicators in 2005, supported greatly by the company's policies regarding both clients and manufacturers, as well as its financial management.

Losses which might have been written on our exports due to the appreciation of the Turkish Lira against foreign currencies were compensated by actively employing some financial instruments; an optimal financial strategy was implemented based on market conditions, taking into consideration parameters such as risk aversion and optimum financial profit. As such, the company achieved net financial income of 8.35% in 2005, exceeding the annual rate of inflation during the year.

Liquidity Ratios:

Liquidity ratios displayed an improvement of 25-30% in 2005 when compared to those of 2004. The most important factor behind this improvement was the additional revenue stemming from the increasing sales, and its financial effect. The increase in the current and liquidity ratios draws attention to the financial strength of our company.

Financial Structure Ratios:

Although there has been no dramatic change in our total debt stock with respect to the 2004 level, the increase in Akçans's total and fixed assets has underpinned the company's financial structure and ratcheted up profitability ratios into a stronger position, testament to the company's much improved ability with respect to debt repayment.

Profitability Ratios:

The Gross profit margin rose from 27% in 2004 to 30% in 2005 as a result of increased sales revenue. The net profit, meanwhile, surged by 79% when compared to its 2004 level. It should be noted here that 34% of the increase in profitability in 2005 stemmed from the sale of Akbank founder shares during 2005 (bringing in YTL 21,372,144 of revenues).

REPORT OF BOARD OF AUDITORS
(For the term 01/01/2005 - 31/12/2005)

TO THE SHAREHOLDERS' MEETING OF
AKÇANSA ÇİMENTO SANAYİ VE TİCARET A.Ş.

Title of the Company	: Akçansa Çimento San. ve Tic. A.Ş.
Headquarters	: Istanbul
Registered Capital Ceiling	: YTL 500,000, 000
Issued Capital	: YTL 166,475,712
Line of Activity	: Production, and sales of cement; production, and sales of ready mixed concrete and other activities defined in the Articles of Association.
Name(s) of the auditor(s) and their period of office	: Mevlüt Aydemir and Fuat Öksüz. Period of office of the Board of Auditors is 1 year. Neither of the auditors are employees or shareholders of the Company.
Number of Board of Directors meetings	: The auditors have participated in two Board of Directors meetings and have once participated, and number of Board of Auditors meetings held held a Board of Auditors meeting.
Scope of the audit made on the Company's accounts, books and documents; dates of auditing and the results thereof	: General audits have been conducted on the accounts, books and documents of Company on the dates given below. It has been established that the records were compliant with regulations and the principles of General Accounting.
Dates and results of the cash counts made at the cash desk of the Company, according to Turkish Commercial Code, Article, 353, Paragraph 1/3	: Four cash counts have been made during the year and it has been established that the existing petty cash was compliant with the records.
Dates and results of the audits made according to Turkish Commercial Code, Article, 353, Paragraph 1/4	: During 2005, audits have been run on 30 April, 30 June, 26 August and 31 December and it has been established that the existing securities were compliant with the records.
Complaints and corruption assertions acknowledged and actions taken	: There has been no complaint or corruption assertion.

We have examined the accounts and transactions of Akçansa Çimento Sanayi ve Ticaret A.Ş. for the period 01/01/2005 -31/12/2005, in accordance with the Turkish Commercial Code, the Articles of Association of the Company, other legislation and generally accepted accounting rules and standards.

According to our opinion, the balance sheet issued as of 31/12/2005, the content of which we acknowledge, reflects the true financial status of the Company at the said date properly, and the income statement for the term 01/01/2005 -31/12/2005 reflects the true results of the activities made during the said term properly, and that the proposal on dividends are in compliance with laws and the Articles of Association of the Company.

We hereby submit the balance sheet and the profit and loss statement, as well as the discharge of the Board of Directors from their financial accountabilities, to your approval.

Mevlüt AYDEMİR

Fuat ÖKSÜZ

ADDRESSES

HEADQUARTERS
Hüseyin Bağdatlıoğlu İş Merkezi
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