BORUSAN MANNESMANN BORU SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2006, TOGETHER WITH REPORT OF INDEPENDENT AUDITORS

Borusan Mannesmann Boru Sanayi ve Ticaret Anonim Şirketi and its Subsidiaries

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Borusan Mannesmann Boru Sanayi ve Ticaret
Anonim Şirketi

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and its Subsidiaries (Borusan Mannesmann Boru and its Subsidiaries – the "Group") which comprise the consolidated balance sheet as at December 31, 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and explanatory notes, all expressed in US Dollars.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

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

The consolidated financial statements of the Group for the year ended December 31, 2005 were audited by other auditors whose report, dated February 20, 2006, expressed an unqualified opinion on those statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and its Subsidiaries as of December 31, 2006 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

March 12, 2007

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU**

CONSOLIDATED BALANCE SHEET
As at December 31, 2006
(Currency – in US Dollars)

	Notes	2006	2005
ASSETS			
Current assets			
Cash and cash equivalents	3	**6,133,124**	17,513,489
Trade receivables, net	4, 25	**80,397,548**	61,059,265
Inventories, net	5	**94,907,602**	56,487,380
Other current assets	6	**14,227,929**	4,572,374
Total current assets		**195,666,203**	139,632,508
Non-current assets			
Available for sale financial assets	9	**15,799,867**	15,831,072
Property, plant and equipment, net	7, 21	**153,987,723**	133,371,951
Intangible assets, net	8	**891,718**	1,073,921
Deferred tax asset	13	**10,126**	82,386
Other non-current assets		**223,903**	305,929
Total non-current assets		**170,913,337**	150,665,259
Total assets		**366,579,540**	290,297,767
LIABILITIES, MINORITY INTEREST AND EQUITY			
Current liabilities			
Trade payables, net	10, 25	**114,124,892**	82,752,059
Short-term bank borrowings	11	**19,306,288**	10,950,975
Current portion of long-term debt	11	**1,896,469**	1,790,344
Taxes on income	13	**1,086,109**	1,209,887
Other current liabilities	12	**8,589,733**	6,360,012
Total current liabilities		**145,003,491**	103,063,277
Non-current liabilities			
Long-term debt	11	**18,178,652**	2,094,266
Provision for employee termination benefits	14	**10,033,240**	9,481,055
Deferred tax liability	13	**8,543,662**	6,266,734
Total non-current liabilities		**36,755,554**	17,842,055
Equity			
Issued share capital	15	**68,996,872**	68,996,872
Revaluation reserve, net	7	**63,765,796**	65,138,665
Hedging reserve	12	**(22,051)**	-
Legal reserves and retained earnings	16	**51,994,914**	35,174,106
		184,735,531	169,309,643
Minority interest	2	**84,964**	82,792
Total equity		**184,820,495**	169,392,435
Total liabilities and equity		**366,579,540**	290,297,767

The accompanying policies and explanatory notes on pages 6 through 37 form an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2006
(Currency – in US Dollars)

	Note	2006	2005
Net sales	17, 25	**525,147,736**	431,407,168
Cost of sales	18, 20 ,21 ,25	**(447,082,535)**	(383,609,452)
Gross profit		**78,065,201**	47,797,716
Selling, marketing, general and administrative expenses	19, 20, 21, 25	**(39,413,935)**	(29,499,821)
Other operating income (net)	22, 25	**732,465**	1,024,066
Financial income	23, 25	**3,654,557**	2,689,160
Financial expense	23, 25	**(9,238,779)**	(7,540,272)
Translation gain	2	**3,204,374**	3,775,178
Profit before tax		**37,003,883**	18,246,027
Taxation on income	13		
- Current (Statutory)		**(9,111,229)**	(2,876,461)
- Deferred		**(4,433,365)**	(1,020,482)
Total taxation on income		**(13,544,594)**	(3,896,943)
Profit for the year		**23,459,289**	14,349,084
Attributable to:			
Equity holders of the parent		**23,457,117**	14,343,047
Minority interests	2	**2,172**	6,037
		23,459,289	14,349,084
Weighted average number of shares		2,835,000,000	2,835,000,000
Earnings per share in US dollars		0.008	0.005

The accompanying policies and explanatory notes on pages 6 through 37 form an integral part of the consolidated financial statements.

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended December 31, 2006
(Currency – in US Dollars)

	Attributable to equity holders of the parent						Minority Interest	Total Equity
	Share Capital	Revaluation Reserve	Legal Reserve	Hedging Reserve	Retained Earnings	Total		
At January 1, 2005	68,996,872	68,981,054	6,315,639	-	32,076,785	176,370,350	94,908	176,465,258
Transfers to legal reserves from prior year profit	-	-	3,667,461	-	(3,667,461)	-	-	-
Dividends paid	-	-	-	-	(21,403,754)	(21,403,754)	(18,153)	(21,421,907)
Transfer of depreciation of revaluation reserve and its deferred tax into retained earnings (Note 7)	-	(3,458,594)	-	-	3,458,594	-	-	-
Disposal from revaluation fund	-	(383,795)	-	-	383,795	-	-	-
Net profit for the year	-	-	-	-	14,343,047	14,343,047	6,037	14,349,084
At December 31, 2005	68,996,872	65,138,665	9,983,100	-	25,191,006	169,309,643	82,792	169,392,435
Transfers to legal reserves from prior year profit	-	-	**1,730,076**	-	**(1,730,076)**	-	-	-
Dividends paid	-	-	-	-	**(10,093,355)**	**(10,093,355)**	-	**(10,093,355)**
Transfer of depreciation of revaluation reserve and its deferred tax into retained earnings (Note 7)	-	**(3,379,019)**	-	-	**3,379,019**	-	-	-
Disposal from revaluation fund	-	**(78,027)**		-	**78,027**	-	-	-
Deferred tax effect of land	-	**(2,091,688)**	-	-	-	**(2,091,688)**	-	**(2,091,688)**
Effect of tax rate change on revaluation reserve	-	**4,175,865**	-	-	-	**4,175,865**	-	**4,175,865**
Hedging reserve	-	-	-	**(22,051)**	-	**(22,051)**	-	**(22,051)**
Net profit for the year	-	-	-	-	**23,457,117**	**23,457,117**	**2,172**	**23,459,289**
At December 31, 2006	**68,996,872**	**63,765,796**	**11,713,176**	**(22,051)**	**40,281,738**	**184,735,531**	**84,964**	**184,820,495**

The accompanying policies and explanatory notes on pages 6 through 37 form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended December 31, 2006
(Currency – in US Dollars)

	Notes	2006	2005
Cash flows provided from operating activities:			
Profit before taxation on income		**37,003,883**	18,246,027
Adjustments to reconcile profit before taxation on income to net cash provided by operating activities:			
Depreciation and amortization	7,8,21	**7,554,979**	7,158,063
Interest expense	23	**9,238,779**	7,540,272
Interest income	23	**(3,654,557)**	(2,689,160)
Provision for employee termination benefits	14,20	**2,548,026**	4,468,143
Gain on sale of property, plant and equipment and intangible assets	7,8	**(160,619)**	(552,972)
Operating profit before working capital changes		**52,530,490**	34,170,373
Taxes paid	13	**(9,235,007)**	(3,222,580)
Movements in working capital			
Trade receivables	4,25	**(19,338,283)**	(507,978)
Inventories	5	**(38,420,222)**	2,794,814
Other current assets and liabilities, net	6,12	**(7,447,885)**	(3,991,064)
Trade payables	10,25	**31,372,833**	53,454,823
Other non-current assets		**82,026**	475,268
Employee termination benefits paid	14	**(1,995,841)**	(1,365,447)
Net cash provided by operating activities		**7,548,112**	81,808,209
Investing activities			
Purchase of property, plant equipment and intangible assets	7,8	**(28,060,913)**	(11,687,431)
Proceeds from sale of property, plant and equipment	7,8	**232,984**	1,659,891
Net change in available for sale financial assets	9	**31,205**	50,382
Interest received	23	**3,654,557**	2,689,160
Net cash used in investing activities		**(24,142,167)**	(7,287,998)
Financing activities			
Payments of borrowings	11	**(179,240,375)**	(86,591,390)
Proceeds from borrowings	11	**202,760,135**	45,273,857
Interest paid		**(8,212,715)**	(8,081,814)
Dividends paid	16	**(10,093,355)**	(21,421,907)
Net cash (used in) / provided by financing activities		**5,213,690**	(70,821,254)
Net increase in cash and cash equivalents	3	**(11,380,365)**	3,698,957
Cash and cash equivalents at the beginning of the year	3	**17,513,489**	13,814,532
Cash and cash equivalents at the end of the year	3	**6,133,124**	17,513,489

The accompanying policies and explanatory notes on pages 6 through 34 form an integral part of the consolidated financial statements.

(Currency – in US Dollars unless otherwise indicated)

1. CORPORATE INFORMATION

General

Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. (Borusan Mannesmann Boru) ("the Company") is a joint stock company incorporated in Turkey. The Company's shares have been traded in Istanbul Stock Exchange since 1994. The Company is registered in Turkey and the address of the registered office is as follows:

Meclis-i Mebusan Caddesi No: 103
Fındıklı - İstanbul

In the extraordinary General Assembly meeting of Borusan Birleşik Boru Fabrikaları A.Ş. (Borusan Boru) held on November 25, 2004, the merger with Mannesmann Boru Endüstrisi T.A.Ş. (Mannesmann Boru) is approved. The merger of these entities under common control is effected legally through dissolution without liquidation and takes over of Mannesmann Boru by Borusan Boru by transferring all its assets, liabilities, rights and obligations. Following the merger, the registered name of Borusan Boru has been changed to Borusan Mannesmann Boru Sanayi ve Ticaret A.Ş. and the change was registered on the Trade Registry Gazette dated as December 13, 2004.

The parent and the ultimate parent of the Company are Borusan Mannesmann Boru Yatırım Holding A.Ş. and Borusan Holding A.Ş., respectively.

Borusan Mannesmann Boru has the following subsidiaries. Business segments, the location and the Company's ultimate effective shareholding in such subsidiaries' equity are as follows:

Business Segment	Subsidiary	% of ownership	Location
Steel Pipe Trade	Kartal Boru Sanayi ve Ticaret A.Ş. (*)	96.3	Istanbul - Turkey
Engineering Services	Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş.	96.9	Gemlik - Turkey

(*) As stated in detail in Note 27, the operations of Kartal Boru Sanayi ve Ticaret A.Ş. are in the liquidation process.

Consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) were authorized for issue on March 12, 2007 by the management of the Company on behalf of the Board of Directors of the Company. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend statutory financial statements after issue.

Nature of Activities of the Company

The Company is involved in the manufacturing and sale of longitudinally and spirally welded steel pipes and plastic pipes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

Borusan Mannesmann Boru and its subsidiaries ("the Group") maintain its books of account and prepare its statutory financial statements in New Turkish Lira (YTL) in accordance with regulations on accounting and reporting framework and accounting standards promulgated by the Turkish Capital Market Board (CMB), Turkish Commercial Code tax legislation and starting from January 1, 1994, the Uniform Chart of Accounts issued by Ministry of Finance.

The consolidated US dollar (USD) financial statements are based on the statutory records which are maintained under the historical cost convention (except for the revaluation of property, plant and equipment as discussed in Note 7) with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain effect.

Statement of Compliance

The consolidated financial statements of Borusan Mannesmann Boru and its subsidiaries have been prepared in accordance with IFRS.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries on the basis set out below:

(i) The balance sheets and statements of income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related shareholders' equity accounts. Intercompany transactions and balances between the Company and its subsidiaries, and unrealized gains and losses on transactions among them are eliminated.

(ii) Subsidiaries are consolidated from the date on which control is transferred to the Company.

(iii) Minority shareholders' share in the net assets of the consolidated subsidiaries is separately classified in the consolidated financial statements as minority interest.

Minority Interest

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are effective for accounting periods beginning on January 1, 2006.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 1 (revised)	Presentation of Financial Statements – Added disclosures about an entity's capital
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRIC 7	Applying Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements

IFRS 7 will expand the disclosures provided in the financial statements regarding Group's financial instruments. However, no further requirements are stated regarding the classification and valuation of the financial instruments.

The Group management believes that application of these standards will not have a significant impact on Group's financial statements, other than the expanded disclosure requirements of IFRS 7.

The management of the Group does not anticipate that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

2.3 Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities within the next financial year. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date that has a significant risk of causing a material adjustment to the carrying amounts of liabilities within the next financial year is discussed below:

Employee termination benefits:

In accordance with existing social legislation, the Group is required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are reviewed regularly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Functional and Presentation Currency

Foreign Currency Translation

The consolidated financial statements are presented in U.S. Dollars, which is the Company's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The US dollar is used to a significant extent, or has a significant impact on the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group. Therefore, all the Group companies uses the US dollar (US$) as functional currency. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies.

Based on the economic substance of the underlying events and circumstances relevant to the Group, the functional currency of all subsidiaries of the Group has been determined to be US dollars as defined by IAS 21, due to the fact that the purchase and sales prices of the Group companies and the main services and products are mainly quoted in US$.

The Turkish countrywide wholesale price index (WPI) published by State Institute of Statistics and YTL exchange rates for the purchases of USD announced by the Central Bank of the Republic of Turkey for the last two years were as follows:

Year	Year End USD/YTL Exchange Rates	Inflation Rates (WPI) %	YTL/USD Annual Devaluation Rates %
2004	1.3421	13.84	(3.85)
2005	1.3418	4.54	(0.02)
2006	1.4056	11.58	4.75

2.5 Summary of Significant Accounting Policies

Reclassifications on 2005 Financials

Certain reclassifications have been made on the balance sheet and income statement as of and for the year ended December 31, 2005 for the purpose of consistent presentation with that as of and for the year ended December 31, 2006.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balance with banks and amounts in reverse repurchase agreements having maturities of less than 3 months and checks having a maturity at December 31. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognized in the consolidated balance sheet, as the Group 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 reverse repurchase agreement.

(Currency – in US Dollars unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade Receivables

Trade receivables are recognized at original invoice amount and are carried at amortized cost (which is determined using the effective interest rate method) less an allowance for any uncollectible amounts. Interest rates used for amortized cost computation for YTL denominated trade receivables is 21% (2005 - 18%) and for USD and EUR denominated trade receivables libor rate is used. The average collection period of trade receivables is 58 (2005 - 55 days).

Inventories

Inventories are valued at the lower of cost and net realizable value after provision for obsolete stock. Cost is determined by using the monthly weighted average cost. Cost of work in progress and finished goods includes materials, direct labor and an appropriate portion of variable and fixed overhead expenditure, the latter being allocated on the basis of nominal operating capacity. Net realizable value is the selling price in the ordinary course of business less the estimated costs of completion, marketing and distribution. Provision for slow obsolete items is recognized in cost of sales at the time it is incurred. Obsolete inventories are written off against the provision.

Property, Plant and Equipment and Depreciation

Property, plant and equipment is initially recorded at cost. Land, buildings and machinery and equipment are stated at revalued amounts less accumulated depreciation and any impairment in value. The last revaluations were made in July 1999 and in December 2004 by an independent professional value. Increases or decreases in the carrying amount arising on revaluation of these assets net off the related deferred income taxes are transferred to revaluation reserve in equity. (Note 7). All other tangible assets are stated at historical cost less accumulated depreciation and any accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement. On disposal of revalued assets, amounts in revaluation reserves relating to that asset are transferred to retained earnings. Further, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is realized from the revaluation surplus to retained earnings on an annual basis as the asset is used by the Group.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhead costs, are normally charged to the income statement in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Property, plant and equipment are capitalized and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity.

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

	Years	Method
Land improvements	10 – 50	Straight-line
Buildings	25 – 50	Straight-line
Machinery and equipment	12 – 20 – 40	Straight-line
Furniture and fixtures	5	Straight-line
Motor vehicles	5	Straight-line

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment and Depreciation (continued)

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of the property, plant and equipment. In this context, the Group has reviewed useful lives of a certain group of land improvements, buildings and machinery and equipment. For certain group of machinery and equipment which have been fully amortized, but were attributed a value by the independent valuers, an additional 20 years have been assigned, thus revising the total to 40 years. For those that were not fully amortized, the useful lives have been attributed according to the remaining portion of 20 years. With the same principle, useful lives of certain group of land and buildings have been revised from 25 years to 50 years. The effect of this change recognized in the 2005 income statement is a decrease in depreciation charge of US$ 455,296.

Intangible Assets

Intangible assets comprising project development costs and software licences, are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses and intangible assets are amortized on a straight line basis over the estimated useful life of the asset (5 years). Amortization expenses are recognized in selling, marketing and general and administrative expenses in the consolidated income statement. Intangible assets excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized on a straight line basis over the best estimate of their useful lives. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible asset with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. The Group has no intangible assets with in indefinite life.

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 of Assets

The carrying values of assets with the exception of goodwill and intangible assets with indefinite life which are reviewed from impairment at least annually, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income for items carried at cost and treated as a revaluation decrease for items carried at revalued amount to the extent that impairment loss does not exceed the amount held in the revaluation surplus. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets (continued)

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or has decreased. The reversal is recorded in the income statement or as a revaluation increase.

Investments and Other Financial Assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that 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 period generally established by regulation or convention in the marketplace.

Available-for-sale financial assets

Available for sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified 'financial assets at fair value through profit or loss, held to maturity investments or loans and receivables'. After initial recognition, available for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organized financial markets is determined by reference to 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.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance Leases

Finance leases, which transfer to the Group 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 shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Related Parties

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party:

  (i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
  (ii) has an interest in the Group that gives it significant influence over the Group; or
  (iii) has joint control over the Group;

(b) the party is an associate of the Group;
(c) the party is a joint venture in which the Group is a venturer;
(d) the party is member of the key management personnel of the Group or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Borrowing Costs

Borrowing costs are expensed as incurred.

Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less any directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gains and losses are recognised in income statement when the liabilities are derecognised as well as through the amortisation process.

Trade Payables

Trade payables which generally have an average repayment period of 30 days (2005 – 30 days) are carried at amortized cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Group. Interest rate used for YTL denominated trade payables is 29% (2005 - 25%) and interest rates for USD and EURO denominated trade payables are Libor/Euribor.

The major part of the trade payables result from the purchase of raw materials and indirect materials. The trade payables resulting from the purchase of raw materials and indirect materials are interets bearing and the average maturities are 180-360 days and the average interest rates applied are in the interval of 5-5.49%.

Notes payables which are also carried at amortized cost have an average maturity of 30 days and 180 days (2005 – 90/180 days).

Income Taxes

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

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date.

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 recognized for all deductible temporary differences and carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax assets and unused tax losses can be utilized.

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 utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognized when, and only when, the enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) 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. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent Assets and Liabilities

Contingent liabilities are not recognised in the financial statements. They are disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Long-term Employee Benefits

(a) Defined Benefit Plans:

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

Provision is made for the present value of the defined benefit obligation calculated using the Projected Unit Credit Method and based upon estimated factors derived using the Group's experience of personnel terminating their service and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bond. All actuarial gains and losses are recognized in the income statement.

(b) Defined Contribution Plans:

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

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales, which exclude Value Added Taxes (VAT) and discounts, are recognized when delivery of goods or rendering of the service has taken place and transfer of risks and rewards has been completed.

Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares.

Subsequent Events

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

The Group's policy with respect to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. As the Group operates in a single business segment and in a single geographic location, there is no basis for segment reporting.

3. CASH AND CASH EQUIVALENTS

	2006	2005
Cash on hand	**4,444**	963
Banks		
-demand deposits	**1,093,756**	324,691
-time deposits	**4,222,031**	14,919,346
-repurchase agreements with banks	**298,805**	283,948
Other	**514,088**	1,984,541
	6,133,124	17,513,489

Time deposits are denominated in YTL and USD at December 31, 2006. Effective interest rates of USD denominated time deposits are 4.00% - 5.20% (Effective interest rates of USD and EUR denominated time deposits are 2.35%, 4.30% and 4.50%) per annum respectively, and they mature in six days (2005 – three days). For YTL denominated time deposits, effective interest rate is 17% and 20% (2005: 12.90% - 14.25%) per annum. Maturities of such deposits are six days (2005 - three days).

Amounts presented under repurchase agreements mature at six days (2005 - three days) and have a net interest rate of 8.6% (2005 - 7%) per annum. The market values of such securities approximate carrying values, including accrued income at the respective year-end.

Other consists of the post dated checks in collection with maturity before December 31, 2006 and 2005.

Currency breakdown of cash and cash equivalents is as follows:

	Original Currency		USD Equivalents	
	2006	2005	**2006**	2005
USD	**4.352.520**	14,654,428	**4.352.520**	14,654,428
EUR	**18.254**	166,080	**24.045**	196,491

Remaining USD 1,756,559 (2005 - USD 2,662,570) is denominated in YTL.

4. TRADE RECEIVABLES, net

	2006	2005
Trade receivables (Note 25)	**53,475,689**	46,376,243
Cheques and notes receivable	**31,364,187**	15,173,716
Less: Provision for doubtful receivables	**(4,442,328)**	(490,694)
	80,397,548	61,059,265

4. TRADE RECEIVABLES, net (continued)

The movement of the provision for doubtful receivables during the year 2006 and 2005 is as follows:

	2006	2005
At January 1,	**490,694**	371,615
Arising during the year	**3,958,665**	221,581
Recoveries	**(7,031)**	(102,502)
December 31,	**4,442,328**	490,694

Currency breakdown of trade receivables is as follows:

	Original Currency		USD Equivalents	
	2006	2005	**2006**	**2005**
USD	**24,727,081**	14,029,136	**24,727,081**	14,029,136
EUR	**9,374,570**	7,638,086	**12,348,475**	9,036,713
GBP	**2,101,354**	1,040,923	**4,121,530**	1,793,649

Remaining USD 39,200,464 (2005 - USD 36,199,767) is denominated in YTL.

5. INVENTORIES, net

	2006	2005
Raw materials	**34,351,393**	22,635,713
Work-in-process	**7,247,310**	4,224,071
Finished goods	**31,190,548**	22,169,226
Merchandise stocks	**1,633,197**	928,513
Goods-in-transit and advances given with respect to inventory purchases	**20,485,154**	6,529,857
	94,907,602	56,487,380

(Currency – in US Dollars unless otherwise indicated)

6. OTHER CURRENT ASSETS

	2006	2005
VAT receivables	**8,543,171**	2,420,511
Prepaid expenses	**2,334,227**	1,551,991
Prepaid taxes	**1,931**	170,516
Advances given	**680,166**	6,064
Other tax receivables	**2,158,332**	256,599
Other	**510,102**	166,693
	14,227,929	4,572,374

7. PROPERTY, PLANT AND EQUIPMENT, net

The movement of property, plant and equipment and related accumulated depreciation for the year ended December 31, 2006 is as follows:

	January 1, 2006	Additions	Disposals	Transfers	December 31, 2006
Cost					
Land	49,345,900	-	-	5,525,819	54,871,719
Land improvement and leasehold items	2,058,836	-	(12,328)	446,022	2,492,530
Building	29,632,221	-	-	2,234,486	31,866,707
Machinery and equipment	52,690,886	7,880	(210,483)	4,871,416	57,359,699
Motor vehicles	2,705,941	-	(40,964)	35,437	2,700,414
Furniture and fixtures	7,228,536	17,983	(16,746)	605,528	7,835,301
Construction in progress (CIP)	2,087,142	28,023,086	-	(13,859,874)	16,250,354
	145,749,462	**28,048,949**	**(280,521)**	**(141,166) (*)**	**173,376,724**
Less: Accumulated depreciation					
Land improvement and leasehold items	1,477,643	46,521	(12,328)	-	1,511,836
Buildings	1,273,142	1,302,917	-	-	2,576,059
Machinery and equipment	1,153,535	5,290,654	(139,755)	-	6,304,434
Motor vehicles	2,155,097	201,728	(40,964)	-	2,315,861
Furniture and fixtures	6,318,094	377,826	(15,109)	-	6,680,811
	12,377,511	**7,219,646**	**(208,156)**	-	**19,389,001**
Net book value	**133,371,951**				**153,987,723**

(*) Consists of transfers to intangible assets

Mortgages and Pledges on Assets

The Group's production plant in Gemlik is mortgaged at an amount of 12 million EUR, as a guarantee for the long-term loan obtained by BM Vobarno Tubi S.p.A.

(Currency – in US Dollars unless otherwise indicated)

7. PROPERTY, PLANT AND EQUIPMENT, net (continued)

	January 1, 2005	Additions	Disposals	Transfers	December 31, 2005
Cost					
Land	49,730,900	-	(385,000)	-	49,345,900
Land improvement and leasehold items	2,036,166	-	-	22,670	2,058,836
Building	28,141,541	481,139	-	1,009,541	29,632,221
Machinery and equipment	47,585,146	747,389	(4,626,047)	8,984,398	52,690,886
Motor vehicles	3,739,861	-	(1,074,580)	40,660	2,705,941
Furniture and fixtures	7,087,405	19,512	(2,669)	124,288	7,228,536
Construction in progress (CIP)	2,422,026	10,375,400	-	(10,710,284)	2,087,142
	140,743,045	**11,623,440**	**(6,088,296)**	**(528,727) (*)**	**145,749,462**
Less: Accumulated depreciation					
Land improvement and leasehold items	1,456,944	20,699	-	-	1,477,643
Buildings	-	1,273,142	-	-	1,273,142
Machinery and equipment	-	5,073,963	(3,920,428)	-	1,153,535
Motor vehicles	2,998,215	217,563	(1,060,681)	-	2,155,097
Furniture and fixtures	6,029,976	307,058	(268)	(18,672)	6,318,094
	10,485,135	**6,892,425**	**(4,981,377)**	**(18,672) (*)**	**12,377,511**
Net book value	**130,257,910**				**133,371,951**

(*) Consists of transfers to intangible assets

Movements of the revaluation reserve of land, buildings, machinery, equipment and installations were as follows:

	2006	2005
January 1	**65,138,665**	68,981,054
Depreciation difference (net of deferred tax) between the revalued and original value of assets realized from revaluation reserve into retained earnings	**(3,379,019)**	(3,458,594)
Disposals from revaluation reserve	**(78,027)**	(383,795)
Deferred tax effect of land	**(2,091,688)**	-
Change in revaluation reserve due to the change in the deferred tax rate	**4,175,865**	-
December 31	63,765,796	65,138,665

Revaluation of land, building and machinery and equipment is based on the historical cost as of December 31, 2006 and 2005 for which details are as follows:

	2006		2005	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	**12,138,267**	-	**7,302,830**	-
Building	**22,509,660**	**(12,801,299)**	**20,291,830**	**(12,389,553)**
Machinery and equipment	**124,211,139**	**(87,898,076)**	**119,340,326**	**(84,716,948)**
	158,859,066	**100,699,375**	**146,934,986**	**(97,106,501)**

(Currency – in US Dollars unless otherwise indicated)

7. PROPERTY, PLANT AND EQUIPMENT, net (continued)

As of December 31, 2006 and 2005, the gross carrying amount of property and equipment and intangibles, which are fully depreciated, but still in use, is as follows:

	2006	2005
Land improvements	**116,476**	867,790
Building	**2,328,316**	-
Machinery and equipment	**7,289,948**	141,214
Vehicles	**338,119**	268,939
Furniture and fixtures	**4,041,886**	4,011,857
Other tangible assets	**293,865**	-
Intangibles	**377,077**	227,751
	14,785,687	5,517,551

Finance (Capital) Leases

The Group recognized finance (capital) leases as assets and liabilities in the balance sheets at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Included in machinery and equipment, USD 1,268,956 (2005 – USD 1,325,247) (net book value) relates to the tube finishing line and furnace leased by the Group.

8. INTANGIBLE ASSETS, net

The movement of intangible assets during the years ending December 31, 2006 and 2005 is as follows:

	2006	2005
Cost		
At January 1,	**1,897,367**	1,304,649
Additions	**11,964**	63,991
Transfers from CIP	**141,166**	528,727
Disposals	**(1,219)**	-
At December 31,	**2,049,278**	1,897,367
Less : Accumulated amortization		
At January 1,	**823,446**	539,136
Charge for the year	**335,333**	265,638
Transfers from CIP	**-**	18,672
Disposals	**(1,219)**	-
At December 31,	**1,157,560**	823,446
Net book value at December 31,	**891,718**	1,073,921

9. AVAILABLE FOR SALE FINANCIAL ASSETS

	2006	(%)	2005	(%)
Borçelik Çelik Sanayii Ticaret A.Ş. (Borçelik)	**15,661,868**	**10.2**	15,661,868	10.2
Borusan Lojistik Dağıtım Depolama Taşımacılık ve Ticaret A.Ş. (Borusan Lojistik)	**2,282**	**3.1**	2,282	3.1
Borusan Kültür ve Sanat Hizmetleri Yayıncılık A.Ş. (Kültür)	**131,013**	**16.7**	153,853	16.7
Other	**4,704**	**(*)**	13,069	(*)
	15,799,867		15,831,072	

(*) Company's shareholding is insignificant.

10. TRADE PAYABLES, net

	2006	2005
Notes payable	**10,980,763**	23,957,749
Trade payables (Note 25)	**103,144,129**	58,794,310
	114,124,892	82,752,059

Currency breakdown of trade payables is as follows:

	Original Currency		USD Equivalent	
	2006	2005	**2006**	2005
USD	**87,940,243**	76,889,484	**87,807,524**	76,889,484
EUR	**4,073,410**	333,251	**5,365,622**	394,273
GBP	-	24	-	41

Remaining USD 20,951,746 (2005 - USD 5,468,261) was denominated in YTL.

USD 24,134,088 of the trade payables are interest bearing. The average interest rate applied to these trade payables is 5% and the average maturity of the payables is 360 days. (31 December 2005: USD 10,481,462 interest rate applied is 5 %, average maturity is 360 days). On the other hand, the average maturity of the trade payables by the amount USD 66,543,058 is 180 days and average 5,9% interest rate is applied to them (31 December 2005: USD 810,608, interest rate applied is 5.05%, maturity 180 days) .

11. BANK BORROWINGS (LONG TERM AND SHORT TERM)

As of December 31, 2006 and 2005, short-term borrowings consist of the following:

	2006	2005
Secured borrowings	**-**	4,523,109
Unsecured borrowings	**18,779,404**	6,152,184
Interest accruals	**526,884**	275,682
	19,306,288	10,950,975

(Currency – in US Dollars unless otherwise indicated)

11. BANK BORROWINGS (LONG TERM AND SHORT TERM) (continued)

Currency and interest rate breakdown of short-term borrowings are as follows:

	Interest rate per annum (%)	2006	Interest rate per annum (%)	2005
USD denominated borrowings	6.04	4,000,000	5.21-5.50	4,500,000
EUR denominated borrowings	4.74-5.70	6,190,986	3.43-3.53	6,152,184
YTL denominated borrowings	16.00	8,588,418	-	23,109
Accrued interest		526,884		275,682
		19,306,288		10,950,975

Payment terms of the interest are at the maturities of the borrowings.

As of December 31, 2006 and 2005 long-term borrowings consist of the following:

	2006	2005
Secured borrowings	641,247	3,000,000
Unsecured borrowings	19,413,490	740,515
Leasing liabilities	20,384	144,095
Less : Current portion of long-term debt	(1,876,085)	(1,664,559)
Less : Current portion of leasing liabilities	(20,384)	(125,785)
	18,178,652	2,094,266

Currency and interest rate breakdown of long term debt are as follows:

	Interest rate per annum (%)	2006	Interest rate per annum (%)	2005
EUR denominated debt	4.58	9,678,652	4.29	575,957
USD denominated debt	6.77	8,500,000	6.31	1,500,000
Leasing liabilities		-	-	18,309
		18,178,652		2,094,266

Payment plan of the long-term debt is as follows:

	2006	2005
2007	-	1,682,868
2008	4,031,962	164,559
2009	5,246,248	164,559
2010	5,154,641	82,280
2011	3,745,801	-
Total	18,178,652	2,094,266

(Currency – in US Dollars unless otherwise indicated)

12. OTHER CURRENT LIABILITIES

	2006	2005
Payroll and withholding taxes payable	**1,868,585**	2,595,085
Advances taken	**2,661,995**	1,711,140
Due to personnel	**603,687**	751,165
Premium payable	**981,787**	520,942
Other accruals	**192,278**	403,721
Accruals for export expenses	**2,255,685**	347,713
Forward foreign exchange contract accrual	**22,051**	-
Other	**3,665**	30,246
	8,589,733	6,360,012

The Group has a liability of JPY 68,000,000 as of the balance sheet date which related with the machinery and equipment investments. The Group has utilised the following currency derivatives (forward foreign exchange contracts) to hedge (JPY/EUR) future transactions and cash flows.

	31 December 2006		31 December 2005	
	Assets	**Liabilities**	Assets	Liabilities
Forward foreign exchange contract accrual	-	**22,051**	-	-
	-	**22,051**	-	-
Analyzed as:				
Current	-	**22,051**	-	-
Non-current	-	-	-	-
	-	**22,051**	-	-

The expense accrual based on the fair value of currency derivatives that are designated and effective as cash flow hedges amounting to USD 22,051 has been deferred in equity in the accompanying financial statements.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	31 December 2006	31 December 2005
Forward foreign exchange contracts	**1,170,082**	-
	1,170,082	-

At 31 December 2006, the fair value of the Group's currency derivatives is estimated to be approximately USD 1,170,082 (2005: None) . These amounts are based on quoted market prices for equivalent instruments at the balance sheet date, comprising USD 570,714 assets (2005: None) and USD 599,368 liabilities (2005: None). The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to USD 1,170,082 (2005: None) has been deferred in equity.

(Currency – in US Dollars unless otherwise indicated)

13. TAXES ON INCOME

a) Current Statutory Taxes

The Company and the subsidiaries which are incorporated in Turkey are subject to taxation in accordance with the tax procedures and the legislation effective in Turkey.

In Turkey, the corporation tax rate for the fiscal year ended December 31, 2006 is 20% (2005 – 30%). 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 20% (2005 - 30%) 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.
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.

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from April 24, 2003. This rate was changed to 15% commencing from July 23, 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the Group. The investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificates are revoked commencing from January 1, 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years so as to be deducted from taxable income of subsequent profitable years. However the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

The tax rate that the companies can use in the case of deducting the tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the Group cannot use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be cancelled.

January 1, 2005, Ministry of Finance ceased the inflation accounting application in the statutory books of Accounts, based on the decline in the inflation rate.

As of December 31, 2006 and 2005, the current statutory tax charges for the Group can be analyzed as follows:

	2006	2005
Tax charge at the consolidated income statement		
Taxes on income - Current statutory	**9,111,229**	2,876,461
Prepaid taxes	**(8,025,120)**	(1,666,574)
Taxes on income currently payable	**1,086,109**	1,209,887

(Currency – in US Dollars unless otherwise indicated)

13. TAXES ON INCOME (continued)

a) Current Statutory Taxes (continued)

A reconciliation of statutory tax expense for the years ended December 31, 2006 and 2005 is as follows :

	2006	2005
Historical income before taxation as per statutory financial statements	**39,010,171**	14,826,688
Non-deductible expenses	**10,571,659**	3,020,443
Tax exempt income and prior year losses used in current year	**(4,025,683)**	(5,128,309)
Investment incentive allowances	-	(3,130,619)
Taxable income as per Turkish Tax Legislation	**45,556,147**	9,588,203
Corporation tax at 20% (2005- 30%)	**9,111,229**	2,876,461
Total taxation on income - current statutory	**9,111,229**	2,876,461

Reconciliation of taxes by applying effective tax rates to profit before tax provision as reflected in the consolidated income statement for the years ended December 31, 2006 and 2005 is as follows:

	2006	2005
Profit before taxation on income	**37,003,883**	18,246,027
At statutory tax rate at 20% (2005 - 30%)	**(7,400,776)**	(5,473,808)
Effect of expenditures not allowable for income tax purposes	**(1,531,358)**	(467,161)
Effect of income not subject to tax	**683,432**	1,346,821
Investment incentive allowances	-	375,674
Effect of tax rate changes	**(2,061,449)**	-
Effect of non-tax deductible translation gain/(loss) arising from re-measurement	**(3,234,443)**	321,531
	(13,544,594)	(3,896,943)

(Currency – in US Dollars unless otherwise indicated)

13. TAXES ON INCOME (continued)

b) Deferred Taxes

The revised IAS 12 "Income Taxes" requires deferred taxation to be provided on the temporary differences which arise on the remeasurement of the non-monetary assets. Deferred taxes reflected in the consolidated balance sheets are summarized as follows:

	2006	2005
- Deferred tax asset	**10,126**	82,386
- Deferred tax liability	**(8,543,662)**	(6,266,734)
Deferred tax liability, net	**(8,533,536)**	(6,184,348)

Deferred tax assets and liabilities are based on temporary differences arising between the financial statements as reported for IFRS purposes and the statutory tax financial statements. Such temporary differences usually result in the recognition of income and expenses in different reporting periods for IFRS and tax purposes.

Deferred tax assets are recognized for the carry forward of unused tax losses and unused tax credits to the extent that is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

The breakdown of deferred tax assets/(liabilities) provided at December 31, 2006 and 2005 using the current tax rates are as follows:

	Balance Sheet		Income Statement	
	2006	2005	2006	2005
Net difference between the tax base and the carrying value of				
- property, plant and equipment and intangible assets	**(11,586,206)**	(9,760,860)	**(1,825,346)**	(532,299)
- inventories	**495,719**	247,919	**247,800**	(1,307,298)
Provision for employee termination benefits	**2,006,648**	2,844,317	**(837,669)**	739,459
Obligation under finance leases	-	27,523	**(27,523)**	(35,599)
Other provisions and accruals	**550,303**	456,753	**93,550**	115,255
Deferred tax liability, net	**(8,533,536)**	(6,184,348)	**(2,349,188)**	(1,020,482)

Movements in deferred taxes are analyzed as follows:

	2006	2005
Beginning balance	**(6,184,348)**	(5,163,866)
Tax credit recognized in the statement of income	**(4,433,365)**	(1,020,482)
Tax credited to equity (Note 7)	**2,084,177**	-
	8,533,536	(6,184,348)

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported for IFRS purposes and the statutory tax financial statements. Such temporary differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

As each company is a separate legal entity, their respective deferred tax assets and liabilities cannot be offset against each other. The deferred tax asset/(liability) balances of each consolidated entity are analyzed as follows:

(Currency – in US Dollars unless otherwise indicated)

13. TAXES ON INCOME (continued)

c) Deferred Taxes (continued)

	2006		2005	
	Deferred Tax		Deferred Tax	
	Asset	**Liability**	Asset	Liability
Borusan Mühendislik İnşaat ve Sanayi Makinaları İmalat A.Ş.	**10,126**	-	82,386	-
	10,126	-	82,386	-

14. PROVISION FOR EMPLOYEE TERMINATION BENEFITS

Under the Turkish Labor Law, the Group is required to pay termination benefits to each employee whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women), achieves the retirement age (58 for women and 60 for men) if the employee has completed one year of service. The amount payable consists of one month's salary limited to a maximum for each year of service at December 31, 2006 of YTL 1,857.17 (USD 1,321.26) (December 31, 2005 - YTL 1,727 (USD 1,287)).

The maximum payment for retirement payment liability per year of employment is increased to YTL 1,960.69 (USD 1,394.91) as of January 1, 2007.

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Accordingly, as at December 31, 2006 and 2005, the following actuarial assumptions were used in the calculation of the liability:

	2006	2005
Discount rate	**5.71%**	5.49%
Expected rates of salary/limit increases	**5%**	6.175%
Turnover rate to estimate the probability of retirement	**98%**	98%

Movements of the provision for employee benefits obligation during the years ended December 31, 2006 and 2005 are as follows:

	2006	2005
Beginning of the year	**9,481,055**	6,378,359
Interest expense	**520,152**	764,776
Current service cost	**1,262,632**	3,961,926
Actuarial(gains) /losses	**765,242**	(258,559)
Payments	**(1,995,841)**	(1,365,447)
At the end of the year	**10,033,240**	9,481,055

(Currency – in US Dollars unless otherwise indicated)

15. SHARE CAPITAL

The Company's share capital consists of the 2.835.000.000 number of shares with par value of YTL 0.01.The composition of shareholders' and their respective shares are as follows:

	2006		2005	
	YTL	**Share %**	YTL	Share %
Borusan Mannesmann Boru Yatırım Holding A.Ş.	**20,831,453**	**73.48**	20,831,453	73.48
Publicly traded	**4,555,045**	**16.07**	4,555,045	16.07
Lumbro Nominees Jersey Ltd	**1,890,000**	**6.67**	1,890,000	6.67
Türkiye Selüloz ve Kağıt Fabrikaları A.Ş.	**337,554**	**1.19**	337,554	1.19
Other	**735,948**	**2.59**	735,948	2.59
	28,350,000	**100.00**	28,350,000	100.00

16. RETAINED EARNINGS AND LEGAL RESERVES

Legal Reserves

Legal reserves consist of first and second legal reserves in accordance with Turkish Commercial Code (TCC). First legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserves reach a maximum of 20% at the Company's restated share capital. A second legal reserve is appropriated at the rate of 10% of all distribution in excess of 5% of the Company share capital. Companies whose shares are quoted on the Istanbul Stock Exchange Market perform their dividend appropriation in accordance with Turkish Capital Market Board regulations.

As of December 31, 2006 and 2005, reserves and retained earnings/accumulated deficit and net profit for the year (as per the statutory financial statements of the Company) in YTL are as follows:

	2006	2005
Legal reserve	**15,364,777**	13,397,473
Extraordinary reserves	**5,787,944**	5,408,918
Special reserves	**2,130**	2,130
Net profit for the year	**42,154,846**	16,034,939

Dividends

Dividend distributed from the distributable profit of 2005 and 2004 during the years 2006 and 2005 is as follows:

	2006	2005
Dividends to common stock holders	**9,392,142**	18,796,964
Dividend per share	**0.004**	0.007
Dividends to usufructuary	**701,213**	2,606,790
Dividends to member of board and personnel	**-**	1,317,338

(Currency – in US Dollars unless otherwise indicated)

17. NET SALES

	2006			2005		
	Domestic Sales	**Export**	**Total**	Domestic Sales	Export	Total
Steel and Plastic Pipe	**327,869,375**	**192,881,097**	**520,750,472**	276,718,662	151,297,778	428,016,440
Engineering Services	**4,397,264**	**-**	**4,397,264**	3,390,728	-	3,390,728
	332,266,639	**192,881,097**	**525,147,736**	280,109,390	151,297,778	431,407,168

18. COST OF SALES

	2006	2005
Raw material	**402,185,407**	332,160,859
Direct labor	**30,096,300**	30,090,742
Depreciation and amortization	**4,431,176**	3,320,942
Repair, maintenance and other production expenses	**17,438,725**	14,736,325
Net change in finished goods	**(9,021,322)**	(1,010,195)
Net change in work-in-process	**(3,023,239)**	673,744
Cost of trade goods sold	**4,282,763**	2,452,222
Cost of other sales	**692,725**	1,184,813
	447,082,535	383,609,452

19. SELLING, MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES

	2006	2005
Personnel expenses	**14,677,336**	13,068,894
Depreciation expenses	**2,924,605**	2,351,860
Consultancy expenses	**2,682,412**	2,586,083
Sales and distribution expenses	**1,659,584**	944,862
Service charges	**1,336,518**	1,227,592
Provision for bad debt receivables	**3,800,140**	221,581
Other	**12,333,335**	9,098,949
	39,413,935	29,499,821

20. PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES

	2006	2005
Wages and salaries	**37,099,179**	32,787,434
Termination benefits	**2,548,026**	4,468,143
Other social benefits	**5,126,436**	5,904,059
	44,773,641	43,159,636
Average number of employees	**1,423**	1,326

(Currency – in US Dollars unless otherwise indicated)

21. DEPRECIATION AND AMORTIZATION EXPENSES

	2006	2005
Cost of production	**4,431,176**	3,320,942
Selling, marketing, general and administrative expenses	**2,924,605**	2,351,860
Other	**199,198**	1,485,261
	7,554,979	7,158,063

22. OTHER OPERATING INCOME, net

	2006	2005
Dividend income	**1,331,824**	2,599,142
Rent income	**474,937**	720,839
Insurance claim recoveries	**166,774**	27,524
Gain on sale of scrap	**423,463**	249,653
Idle capacity expenses	**(1,227,286)**	(2,950,270)
Claim expenses	**(776,684)**	(563,204)
Gain on sale of property, plant and equipment	**61,248**	552,973
Gain on sale of investment	**-**	986,360
Other, net	**278,189**	(598,951)
	732,465	1,024,066

23. FINANCIAL EXPENSE, net

	2006	2005
Financial Income		
Interest income	**136,238**	367,333
Due date income	**3,518,319**	2,321,827
	3,654,557	2,689,160
Financial Expense		
Interest expense	**(6,759,026)**	(4,432,237)
Due date expenses	**(356,143)**	(687,817)
Other financial expenses	**(2,123,610)**	(2,420,218)
	(9,238,779)	(7,540,272)
Financial (expense) – net	**(5,584,222)**	(4,851,112)

24. FINANCIAL INSTRUMENTS

Interest Rate, Funding, Credit and Currency Risk

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

The ability to fund the Group's existing and prospective debt requirements is managed by maintaining long-term relationships with lenders, by maintaining the availability of adequate committed funding lines from high quality lenders and by managing USD liquidity to match obligations to expected cash flows.

The Group is not exposed to funding risk as no short-term borrowing but equity is used to finance non-current assets.

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and limiting the aggregate risk to any individual counterparty. The Group considers that its maximum exposure is reflected by the amount of trade receivables and other current assets, net of provision for impairment recognized at the balance sheet date plus the amount of guarantees given.

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

Fair value of financial instruments

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

For monetary assets, the fair value approximates carrying value. 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 unearned income and uncollectibility are estimated to be their fair values.

Financial liabilities

Monetary liabilities for which fair value approximates carrying value; 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 cost and transaction costs are included in the initial measurement of loans and bank borrowings. The fair value of loans and 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 along with the related allowance for unrealized cost is estimated to be their fair values.

25. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Guarantee Letters

As of December 31, 2006 letter of guarantees and collaterals received from customers amount to USD 2,141,861 (2005 – USD 1,613,579) and USD 6,205,375 (2005 – USD 6,251,878) respectively.

As of December 31, 2006, the Group is contingently liable for guarantee letters given to customs authorities amounting to YTL 1,476,864 (2005 - YTL 9,004,052), given to domestic customers amounting to YTL 351,706 and USD 16,329,719 (2005: YTL 405,503 and, USD 16,790,927) and given to foreign customers USD 15,026,126; EUR 2,328,169 and 38,256,631 Algerian Dinar (2005 - USD 8,899,751 and EUR 11,990,272).

There is a letter of guarantee by the amount of YTL 9.700.000 given to Ereğli Demir Çelik Fabrikaları A.Ş. which is one of the domestic supplier of the Company to guarantee the payment of its payables and to compensate the losses in case of violation of the general sales conditions.

(b) Guarantee Provided

Borusan Mannesmann Boru has signed the loan agreement as co-obligor for the long-term loan of USD 25 million that is borrowed by Borusan Holding A.Ş from the Bank Group led by Citibank N.A. Within this framework, Borusan Mannesmann Boru provides guarantees for the long-term loan borrowed by Borusan Holding (2005: Borusan Mannesmann Boru has signed the loan agreement as co-obligor for the long-term loan of USD 40 million that is borrowed by Borusan Holding A.Ş from International Finance Corporation.) Within this framework, Borusan Holding provides guarantees for the long-term loan borrowed by Borusan Mannesmann Boru).

(c) Export Commitments

There are no export commitments as of December 31, 2006. (December, 31 2005: USD 55,222,921).

(d) Anti-dumping investigations

On July 1, 2004 an anti-dumping duty administrative review commenced in the United States covering imports of certain carbon steel welded pipe and tube entering the United States during the period of May 1, 2003 to April 30, 2004. In relation with this review, the Company has provided responses to questionnaires issued by the United States Department of Commerce (USDC). On December 5, 2005 USDC announced the anti dumping rate that would be applied to the Company as 0.86%. As the Company further appealed to USDC, the rate has been decreased to 0.74% and it has become effective from January 24, 2006.

(Currency – in US Dollars unless otherwise indicated)

26. RELATED PARTY BALANCES AND TRANSACTIONS

	2006	2005
Due from related parties (trade receivables)		
Borusan İstikbal Ticaret T.A.Ş. (İstikbal)	**17,183,255**	15,300,803
İmpa Bursa İnşaat Malzemeleri Pazarlama A.Ş. (İmpa)	**-**	6,875,669
Kerim Boru Ticaret ve Pazarlama A.Ş. (Kerim Boru)	**34,626**	4,598,227
Bozoklar İnşaat Malzemeleri Pazarlama ve Ticaret A.Ş.	**-**	3,858,280
Borusan Ankara İnşaat Malzemeleri Pazarlama A.Ş. (Borusan Ankara)	**-**	3,156,915
Borusan Akdeniz İnşaat Malzemeleri Pazarlama A.Ş. (Borusan Akdeniz)	**30,246**	2,081,416
Gaziantep Boru ve Profil Ticaret A.Ş. (Gaziantep)	**-**	593,873
Samsun Çelik Ticaret A.Ş. (Samsun Çelik)	**-**	589,640
Borçelik	**128,691**	438,552
Borusan Mannesmann Boru Yatırım Holding A.Ş.	**228,161**	109,162
Other	**293,872**	256,298
Less: Allowance for imputed interest	**(150,102)**	(415,556)
Less: Provision for doubtful receivable	**(703,433)**	(226,000)
	17,045,316	37,217,279
Due to related parties (trade payable)		
Borusan Lojistik	**1,074,854**	1,140,630
Borusan Holding	**32,467**	83,232
Kerim Çelik	**-**	26,889
Borusan Birlik Danışmanlık	**21,156**	24,980
Borgüm Gümrükleme Hizmetleri Limited Şirketi	**349,040**	-
Other	**210,866**	93,834
	1,688,383	1,369,565
Other payable		
İstikbal	**4,481,360**	-
	6,169,743	1,369,565

(Currency – in US Dollars unless otherwise indicated)

26. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Transactions with related parties

The most significant of these transactions are as follows:

	2006	2005
a) Product purchases		
Borçelik	**2,109,824**	2,229,358
Kerim Çelik	**813,741**	948,176
	2,923,565	3,177,534
b) Service purchases		
Borusan Lojistik	**37,094,689**	26,762,160
Borusan Holding	**1,604,090**	1,434,896
İstikbal	**831,244**	747,449
Borusan Birlik Danışmanlık	**483,257**	535,966
Borusan Otomotiv İthalat ve Dağıtım A.Ş. (Borusan Otomotiv)	**-**	60,753
Other	**426,625**	346,852
	40,439,905	29,888,076
c) Financial income from related parties		
Borusan Mannesmann Boru Yatırım Holding A.Ş.	**7,214**	12,271
	7,214	12,271
d) Financial expense charged by related parties		
Borusan Holding	**369,674**	1,093,391
Other	**13,439**	97,007
	383,113	1,190,398
e) Product sales		
İstikbal	**128,629,705**	132,356,161
İmpa	**4,324,516**	24,553,960
Borçelik	**2,787,114**	2,806,158
Borusan Akdeniz	**1,493,850**	7,808,479
Borusan Ankara	**1,189,347**	12,113,954
Birlik Galvaniz	**1,125,643**	-
Kerim Boru	**745,848**	19,472,682
Bozoklar	**-**	14,555,073
Samsun Çelik	**328,709**	4,827,788
Gaziantep	**-**	4,469,171
Other	**600,679**	710,067
	141,225,411	223,673,493

Compensation of key management personnel:

The remuneration of directors and other members of key management during 2006 is amounting to USD 1,516,869 (2005 –USD 1,860,071).

(Currency – in US Dollars unless otherwise indicated)

27. DISCOUNTINUED OPERATIONS

The Group has decided to establish regional branch offices to increase the effectiveness of the domestic distribution channel. As a part of this new formation, by the ordinary general shareholder's meeting on 21 February 2006, the Group has decided to cease the operations of Kartal Boru Sanayi ve Ticaret A.Ş. which is one of the subsidiry and at the same time sales entity of the Group. The result of operations and the balance sheet amounts of Kartal Boru Sanayi ve Ticaret A.Ş. that were consolidated in the accompanying financial statements are as follows:

	1 January-31 December 2006	1 January-31 December 2005
Net Sales (*)	**793,385**	**830,169**
Gross Operating Income	**111,360**	**83,015**
Loss before tax	**(130,559)**	**(140,224)**
Net Loss	**(130,559)**	**(158,672)**

The amount represents the balance after elimination of the sales made to the Group by the amount of USD 5,014,924 (YTL 7.169.186) (1 January- 31 December 2005: USD 22,818,586).

	31 December 2006	31 December 2005
Total Assets	**42,902**	5,762,553
Total Shareholders' Equity	**42,902**	129,276

Due to the minor effect of the balances in the consolidated financial statements, the balances are not presented in accordance with IFRS 5 (Discontinued Operations and Intangible Assets ready for sale) (31 December 2005: None).

28. SUBSEQUENT EVENTS

The retirement pay ceiling has been raised to 1,960.69 TRY effective from 1 January 2006.