

DOĐAN GAZETECİLİK A.Ő.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2006
TOGETHER WITH AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Doğan Gazetecilik A.Ş.

1. We have audited the accompanying consolidated financial statements of Doğan Gazetecilik A.Ş., its subsidiaries and its joint-venture (the "Group") which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated statement of income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 the Group management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Doğan Gazetecilik A.Ş. as of 31 December 2006, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

Additional paragraph for convenience translation into English

5. The financial reporting standards described in Note 2 (defined as “CMB Accounting Standards”) to the consolidated financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of primary financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers



Haluk Yalçın, SMMM
Partner

İstanbul, 6 April 2007

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

DOĞAN GAZETECİLİK A.Ş.

**CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2006 AND 31 DECEMBER 2005**

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

DOĞAN GAZETECİLİK A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2006 AND 31 DECEMBER 2005

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

	Notes	31 December 2006	31 December 2005
ASSETS			
Current assets		65.861.237	62.998.892
Cash and cash equivalents	4	3.339.411	1.379.108
Trading securities, net	5	-	-
Trade receivables, net	7	48.493.656	45.983.530
Finance lease receivables, net	8	-	-
Due from related parties, net	9	5.686.525	5.123.409
Other receivables, net	10	2.934.338	5.857.063
Biological assets, net	11	-	-
Inventories, net	12	4.010.709	3.234.488
Construction contract receivables, net	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	1.396.598	1.421.294
Non-current assets		99.032.960	102.825.202
Trade receivables, net	7	-	-
Finance lease receivables, net	8	-	-
Due from related parties, net	9	-	-
Other receivables, net	10	50.644	52.673
Financial assets, net	16	135.138	134.637
Positive/negative goodwill, net	17	60.428.513	60.428.513
Investment properties, net	18	699.560	766.703
Property, plant and equipment, net	19	34.550.705	36.967.354
Intangible assets, net	20	904.830	1.042.732
Deferred tax assets	14	2.263.570	3.432.590
Other non-current assets	15	-	-
Total assets		164.894.197	165.824.094

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

DOĞAN GAZETECİLİK A.Ş.

**CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2006 AND 31 DECEMBER 2005**

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

	Notes	31 December 2006	31 December 2005
LIABILITIES			
Current liabilities		29.590.250	29.452.096
Financial liabilities, net	6	-	-
Short-term portion of long-term financial liabilities, net	6	2.891.847	5.441.583
Financial lease liabilities, net	8	-	-
Other financial liabilities, net	10	-	-
Trade payables, net	7	3.838.504	3.727.963
Due to related parties, net	9	16.325.572	13.283.346
Advances received	21	-	-
Construction progress billings	13		
Provisions	23	1.807.999	-
Deferred tax liabilities	14		2.414.004
Other current liabilities, net	10	4.726.328	4.585.200
Non-current liabilities		6.510.587	6.120.653
Financial liabilities, net	6	2.811.200	2.683.600
Financial lease liabilities, net	8	-	-
Other financial liabilities, net	10	-	-
Trade payables, net	7	-	-
Due to related parties, net	9	-	-
Advances received	21	-	-
Provisions	23	3.699.387	3.437.053
Deferred tax liabilities	14	-	-
Other non-current liabilities, net	10	-	-
MINORITY INTERESTS	24	226.472	304.929
SHAREHOLDERS' EQUITY		128.566.888	129.946.416
Share capital	25	78.000.000	78.000.000
Adjustment to share capital of affiliates	25	-	-
Capital reserves	26	45.910.057	45.910.057
Share premium		-	-
Revaluation funds		-	-
Revaluation funds of financial assets		-	-
Inflation adjustment to shareholders' equity		45.910.057	45.910.057
Profit reserves	27	3.751.062	286.834
Legal reserves		191.878	-
Status reserves		-	-
Extraordinary reserves		3.645.686	-
Investment and property sales gains to be transferred to the share capital			-
Translation reserves		(86.502)	286.834
Net income/(loss) for the year		(1.006.192)	6.727.508
Retained earnings/(Accumulated deficit)	28	1.911.961	(977.983)
Total shareholders' equity and liabilities		164.894.197	165.824.094
Commitments and contingent liabilities	31		

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

DOĞAN GAZETECİLİK A.Ş.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2006 AND 31 DECEMBER 2005

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

	Notes	2006	2005
Revenues (net)	36	283.010.544	262.482.283
Cost of revenues (-)	36	(189.449.481)	(169.675.062)
Revenues from services		-	-
Other operating income (net)	36	-	-
Gross operating profit (loss)		93.561.063	92.807.221
Operating expenses (-)	37	(96.397.735)	(86.408.616)
Net operating profit/(loss)		(2.836.672)	6.398.605
Other operating income	38	8.270.903	8.507.210
Other operating expenses (-)	38	(3.835.742)	(3.810.798)
Financial expenses (-)	39	(1.180.344)	(1.324.773)
Operating income		418.145	9.770.244
Gain/(loss) on net monetary position	40	-	-
Income/(loss) before minority interest	24	78.457	24.686
Income/(loss) before taxation on income		496.602	9.794.930
Taxation on income	41	(1.502.794)	(3.067.422)
Net income/(loss) for the year		(1.006.192)	6.727.508
(Loss)/Earnings per share (YKr)	42	(1.3)	8.6

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

DOĞAN GAZETECİLİK A.Ş.

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED AT 31 DECEMBER 2006 AND 31 DECEMBER 2005**

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

	Share capital	Share premium	Inflation adjustment to shareholder's equity	Translation reserves	Legal reserves	Extraordinary reserves	Net profit/(loss) for the year	Retained earnings/(accumulated deficit)	Total shareholder's equity
Balance at 1 January 2005	78.000.000	172.241	151.663.369	-	467.971	1.119.169	7.459.133	(114.971.826)	123.910.057
Transfer of losses of minority interest	-	-	-	-	-	-	-	(977.983)	(977.983)
Cumulative translation differences	-	-	-	286.834	-	-	-	-	286.834
Net income/(loss) for the year	-	-	-	-	-	-	6.727.508	-	6.727.508
Transfers	-	(172.241)	(105.753.312)	-	(467.971)	(1.119.169)	(7.459.133)	114.971.826	-
Balance at 31 December 2005	78.000.000	-	45.910.057	286.834	-	-	6.727.508	(977.983)	129.946.416
Balance at 1 January 2006	78.000.000	-	45.910.057	286.834	-	-	6.727.508	(977.983)	129.946.416
Transfer of losses of minority interest	-	-	-	-	-	-	-	-	-
Cumulative translation differences	-	-	-	(373.336)	-	-	-	-	(373.336)
Net income/(loss) for the year	-	-	-	-	-	-	(1.006.192)	-	(1.006.192)
Transfers	-	-	-	-	191.878	3.645.686	(6.727.508)	2.889.944	-
Balance at 31 December 2006	78.000.000	-	45.910.057	(86.502)	191.878	3.645.686	(1.006.192)	1.911.961	128.566.888

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

DOĞAN GAZETECİLİK A.Ş.

STATEMENTS OF CASH FLOWS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER

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

	Notes	2006	2005
Net Profit		(1.006.192)	6.727.508
Adjustments :			
Depreciation	18.19	4.280.875	4.519.057
Amortisation	20	557.302	537.937
Employment termination benefit provision	23	470.894	925.126
Tax expense/(income)	41	1.502.794	3.067.422
Adjustments to reconcile net income to net cash from operating activities		5.805.673	15.777.050
Trade receivables		(2.510.127)	(9.539.545)
Receivables from related parties		(563.116)	2.587.150
Inventory		(776.221)	(337.441)
Other current assets		2.947.423	(500.735)
Trade payables		110.541	1.948.559
Payable to related parties		3.042.225	(7.384.116)
Other short-term debts		(798.651)	(2.272.691)
Other fixed assets		2.029	539
Employment termination benefits paid	23	(208.560)	(158.852)
Net cash provided from operating activities		7.051.216	119.918
Investing activities:			
Available for sale financial asset sale/(purchase)		(502)	685.567
Net tangible fixed asset purchase	19	(1.810.550)	(1.353.197)
Net intangible fixed asset purchase	20	(419.399)	(321.753)
Purchase/Sale of real assets		13.467	222.897
Net cash outflow from investing activities		(2.216.984)	(766.486)
Financing activities:			
Decrease in bank credits		(2.422.136)	(1.164.837)
Currency translation differences		(373.336)	286.834
Minority interest		(78.457)	(24.686)
Net cash provided from financing activities		(2.873.929)	(902.689)
Net decrease in the cash and cash equivalents		1.960.303	(1.549.257)
Cash and cash equivalents at the beginning of period	4	1.379.108	2.928.365
Cash and cash equivalents at the end of period		4	3.339.411
			1.379.108

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

DOĞAN GAZETECİLİK A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2006**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Doğan Gazetecilik A.Ş. (“the Company”) and its Subsidiaries and Affiliates (“the Group”) operate in the media sector; mainly in newspaper and magazine publishing, and undertake related distribution and sales activities.

The address of the registered office is as follows:

Doğan Gazetecilik A.Ş.
Yüzyıl Mahallesi Doğan Medya Center Bağcılar. İstanbul-Türkiye

Doğan Gazetecilik A.Ş. is registered in the Capital Markets Board (“CMB”) and its shares have been quoted on the Istanbul Stock Exchange (“ISE”) since 1993. At 31 December 2006 the shares quoted on the ISE are approximately 24,86% of the total shares.

The information regarding the Subsidiaries and the Affiliates of the Company have been presented in Note 2 to the consolidated financial statements. All Subsidiaries and Affiliates of the Company are registered in Turkey apart from Milliyet Verlags, which is established in Germany.

At 31 December 2006 the average number of employees of the Group is 1.041(31 December 2005: 1000).

Since the Company operates mainly in the media sector and the majority of the sales and assets of the Company are local, the financial information has not been reported on a segment basis.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting and reporting principles published by the Capital Markets Board (“CMB”), namely “CMB Accounting Standards”. The CMB published a comprehensive set of accounting principles in Communiqué No: XI-25 “The Accounting Standards in the Capital Markets”. In the aforementioned communiqué, it has been stated that applying the International Financial Reporting Standards “IFRS” issued by the International Accounting Standards Board (“IASB”) is accepted as an alternative to conform to the CMB Accounting Standards.

With the decision taken on 17 March 2005. the CMB has announced that. effective from 1 January 2005. the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly. International Accounting Standard (“IAS”) 29 (“Financial Reporting in Hyperinflationary Economies”) issued by IASB, has not been applied in the consolidated financial statements for the accounting periods commencing from 1 January 2005. The consolidated financial statements presented for comparison purposes are expressed in the purchasing power of YTL at 31 December 2004. These consolidated financial statements and the related notes have been prepared under the alternative application defined by the CMB as explained above and presented in accordance with the formats required by the CMB, and with the formats required by the CMB with the announcement dated 20 December 2004.

The Company and its Turkish Associates maintain their books of account and prepare their statutory financial statements in YTL in accordance with the Turkish Commercial Code and Tax Procedural Law. The consolidated financial statements. which are in accordance with CMB Accounting Standards. are prepared in YTL based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

DOĞAN GAZETECİLİK A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2006**

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

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

2.2 Translation of foreign Subsidiaries' financial statements

The assets and liabilities of the foreign Subsidiaries are translated into New Turkish lira ("YTL") using the relevant foreign exchange rates prevailing at the balance sheet date. Exchange differences arising on the retranslation of the opening net assets of foreign Subsidiaries arising from using closing and average exchange rates are included in the shareholders' equity as translation reserve.

2.3 Consolidation principles

- (a) The consolidated financial statements include the accounts of the parent company, Doğan Gazetecilik A.Ş. and its Subsidiaries and Associates (collectively referred to as the "Group") on the basis set out in sections (b) (c) and (d) below. The financial statements of the companies included in the consolidation have been prepared at the date of the consolidated financial statements and are based on the statutory records, which are maintained under the historical cost convention with adjustments and reclassifications, including the restatement for changes in the general purchasing power of the Turkish lira, for the purpose of fair presentation in accordance with IFRS and the application of uniform accounting policies and presentation.
- (b) Subsidiaries are companies over which Doğan Gazetecilik A.Ş. has the power to control the financial and operating policies for the benefit of Doğan Gazetecilik A.Ş., either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies.

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 Doğan Gazetecilik A.Ş. and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Doğan Gazetecilik A.Ş. and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Doğan Gazetecilik A.Ş. and its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

The table below sets out all Subsidiaries included in the scope of consolidation and shows their shareholding structure at 31 December 2006 and 31 December 2005:

	Proportion of the voting power held by the Company 31 December 2006	Proportion of the voting power held by the Company 31 December 2005
Milliyet Verlags und Handels GmbH (“Milliyet Verlags”)	74,03	74,03
DYG İlan ve Reklam Hizmetleri A.Ş. (“DYG İlan”)	50,02	50,02
Milliyet Haber Ajansı A.Ş. (“Milha”)	66,99	66,99

Milliyet Verlags, which is situated in Germany undertakes newspaper distribution activities.

DYG undertakes advertising and marketing activities and Milha operates as a news agency.

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DOĞAN GAZETECİLİK A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2006**

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

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

- (c) Available-for-sale equity investments in which the Group; has interests below 20% are carried at cost less any provision for diminution in value.

Available-for-sale equity investments in which the Group has interests above 20% over which the Group does not exercise a significant influence. or which are immaterial with regard to the consolidated financial statements are carried at cost less any provision for diminution in value. These financial assets have not been recorded using equity accounting since they are immaterial to the financial position, operations and the net assets of the Company (Note 16).

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

The table below sets out the Joint Ventures included in the scope of consolidation and shows their shareholding structures at 31 December 2006:

	Proportion of joint management (%)	Total voting right (%) 31 December 2006
Birey Seçme ve Değerlendirme Danışmanlık Ltd. Şti (*)	50	50

- (*) Joint venture has been purchased in 2006.

- (e) The assets and liabilities of foreign Subsidiaries are translated into New Turkish lira ("YTL") using the relevant foreign exchange rates prevailing at the balance sheet date. Exchange differences arising on retranslation of the opening net assets of foreign Subsidiaries and arising from using closing and average exchange rates are included in the shareholders' equity as translation reserve.
- (f) The minority shareholders' share in the net assets and results for the year of Subsidiaries are separately classified in the consolidated balance sheets and statements of income as minority interest
- (g) Minority shares refer to the shares of the parties with minority interest in the net assets and operational results of the subsidiaries. In case the losses regarding the minority interest are greater than the share of the party with the minority interest in the net assets of the Subsidiary and there are obligations as to payment of such losses. the accounting of the aforementioned losses are recognised over the Group in the consolidated financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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DOĞAN GAZETECİLİK A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2006**

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

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

2.4 Approval of the consolidated financial statement

The consolidated financial statements as of 31 December 2006 have been approved by the Board of directors on 6 April 2007.

2.5 Comparatives

Where necessary, comparative amounts have been reclassified to conform to changes in presentation in the current period so that the reclassification will result in a more appropriate presentation of events or transactions.

2.6 Offsetting

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

2.7 The use of accounting estimates

In accordance with the Communiqué No: XI-25 by the Capital Markets Board ("CMB"), the company management has to make assumptions and estimates regarding the probable liabilities, income and expenses at and for the period ended at the balance sheet date, which could affect the reported asset and liabilities of the Company. The actual results might differ from the estimates. Therefore the management regularly revises the assumptions and estimates and reflects the corrections made to the statement of income.

2.8 Convenience translation into English of consolidated financial statements originally issued in Turkish

As of 31 December 2006, the accounting principles described in Note 2.1 (defined as CMB Accounting Standards) differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and the notes to them. Accordingly, these financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the consolidated financial statements have been summarised below:

3.1 Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Doğan Şirketlere Grubu Holding A.Ş. ("Doğan Holding") and Doğan Yayın Holding A.Ş. ("Doğan Yayın") are considered and referred to as related parties (Note 9).

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Trade receivables and provision for doubtful receivables

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

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

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

3.3 Credit finance income/charges

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges calculated by using the effective interest method are recognised as financial income or expenses over the period of credit sale and purchases, and included under financial income and expenses.

In the event that a loan is deposited at a bank directly as cash supplied by a company, securities purchased in accordance with a repurchasing agreement with banks at a future date previously determined, are taken under guarantee by Republic of Turkey government bonds and treasury bills, and valued over their discounted values. Accrued interest represents the difference amount between the cash amount supplied by the Company and the future sales price, which corresponds to the current period. These loans, for which the original maturity as at the date the money was directly transferred to the bank is shorter than 3 months, are recognised at their cash values in line with the purpose of the cash flow statements.

3.4 Financial assets

Financial assets with fixed maturity and fixed payments schedule that the management has the intent and ability to hold to maturity are classified as “held-to-maturity”. Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates. are classified as “available-for-sale”; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its financial assets at the time of the purchase and re-evaluates such designations on a regular basis.

All financial assets are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. For the financial assets which the Company owns less than %20 of the shares are measured at their acquisition cost less the impairment amount if the fair value cannot be reliably estimated. Gains and losses resulting from the fair value changes of the financial assets which are classified as “available-for-sale” are reflected to financial statements at the year end.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Inventories

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

3.6 Investment properties

Buildings and land held to earn rent or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property. Investment properties are carried at cost less accumulated depreciation. Investment properties (except land) are amortised on a straight-line basis. Depreciation is calculated over the investment properties' book values. The depreciation periods for investment properties, which approximate the economic useful lives of such assets, are between 25 and 50 years.

Investment properties are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price or value in use (Note 18).

3.7 Property, plant, equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. They are amortised on a straight-line basis. The depreciation is calculated over tangible assets' purchasing power at the balance sheet date.

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

Buildings	25-50 years
Machinery and equipment	3-15 years
Furniture and fixtures	4-15 years
Motor vehicles	5-10 years
Special costs	5 years

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

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit (Note 19).

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Intangible assets and amortisation

Intangible assets comprise computer of software programmes, established information systems and other identified rights. They are recorded at their acquisition cost and amortised using the straight-line method over their estimated useful lives for a period not exceeding 10 years. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount (Note 20)

Within the context of IFRS 3 - "Business Combinations", effective from 1 January 2005, the difference between the fair value of assets, liabilities, contingent liabilities and their respective costs are recognised as goodwill. Goodwill arising from the acquisitions is not amortised and the carrying value of goodwill is reviewed annually and adjusted for permanent impairment where it is considered necessary. Negative goodwill in connection with the acquisitions after 31 December 2005 is recognised as income in the related period. In accordance with IFRS 3 in consolidated financial statements positive and negative goodwill resulting from previous periods are amortised using the straight line method over their useful lives until 31 December 2005. The recorded value of the negative goodwill resulting from these acquisitions has been rearranged in the Company's financial statements (Note 17).

3.9 Deferred tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes.

The principal temporary differences arise from the accounting of income and expenses in accordance with UFRS and the Turkish tax legislation in different periods.

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

Deferred tax assets and deferred tax liabilities, related to income taxes levied by the same taxation authority, are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities (Note 14).

3.10 Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method in the consolidated financial statements. Any difference between proceeds, net of transaction costs and the redemption value is recognised in the consolidated income statement over the period of the borrowings (Note 6).

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Employment termination benefits

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service, whose employment is terminated without due cause, is called up for military service or who dies. The provision for employment termination benefit represents the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law and Press Labour Law (Note 23).

3.12 Provisions

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

3.13 Share capital and dividends

Ordinary shares are classified as equity. Pro-rata capital increases to existing shareholders are accounted for at par value as approved. Dividends on ordinary shares are recognised in equity in the period in which they are declared (Note 25 - 26).

3.14 Foreign currency transactions

Foreign currency transactions during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into New Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the consolidated statements of income.

3.15 Revenue recognition

Revenue from newspaper sales is recognised at the time of delivery of the newspapers by the distribution company to the vendor at the invoiced values. Revenue arising through advertising is recognised at the time of publishing, at the invoiced values. The amount of recorded income should be measurable, economic benefits should arise as a result of the transactions, and the income should be accounted for with respect to the fair value of the receivable income. If the sales transaction includes a financing transaction, the fair value of the sales amount should be calculated according to the receivables dates related to the net sales representing the invoiced value of goods shipped less sales returns and commission, and excluding sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income on a time proportion basis that takes into account the effective yield on the asset. Newspaper sale returns are recorded at the time of sale, based on previous experience and other relevant factors.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income:

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

Rental income:

Rental income of investment properties is recognised on an accrual basis.

Service income:

Service income consisting of building contribution shares, electricity, and heating is recognised on an accrual basis.

3.16 Barter agreements

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

3.17 Earnings per share

Earnings per share disclosed in the consolidated statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

3.18 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid assets, whose maturity at the time of purchase is less than three months (Note 4).

3.19 Financial instruments and financial risk management

Interest-rate risk

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

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funding risk

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

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by limiting the aggregate risk to any individual counterparty. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases and their dispersion across many different industries.

Foreign currency risk

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by the analysis of the foreign currency position (Note 29).

Fair value of the financial instruments

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

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

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

Monetary assets

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

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

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

Monetary liabilities

The fair values of short-term bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

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

Trading liabilities have been estimated at their fair values.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Offsetting

Balances which are material as nature and amount are separately stated in consolidated financial statements, even if they are similar. Immaterial balances are cumulatively stated with respect to their natures and functions. When substance of an operation or event requires offsetting, it is not assessed as violation of offsetting principle that stating an operation or event via offsetting or an asset via offsetting impairment. Gains other than revenues which are described as generated from operations by the Group are stated with their net amounts, if this is suitable for substance of an operation or event.

3.21 Changes and errors in accounting policies and estimates

Material changes in accounting policies and material errors are corrected retrospect from previous periods' financial statements. If the accounting policy changes are only related with the current period, they are only reflected to the current period's financial statements; whereas if they are related with both the current and following periods, they are reflected to both periods in consideration of the definition of net income of the period.

In the case of the occurrence of subsequent events after the date of the balance sheet which require the balance sheet to be adjusted, the Group corrects its financial statements in consideration of the new events.

The subsequent events comprise of all the events; which occurred between the balance sheet date and the authorisation date for the disclosure of the financial statements. even if they occurred after the disclosure of financial information regarding company profit.

3.22 Subsequent events

Subsequent events consist of all events between balance sheet date and date of authorization for validity, even if they have been existed after public explanation of an announcement about profit or other financial information.

The Company adjusts amounts in financial statements accordingly, when an operation or event to be adjusted exists after balance sheet date.

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NOTE 4 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2006 and 31 December 2005 is as follows:

	31 December 2006	31 December 2005
Cash	89.179	53.107
Banks		
- time deposits	1.516.037	995.000
- demand deposits	1.734.127	329.148
Other liquid assets	68	1.853
	3.339.411	1.379.108

At 31 December 2006, interest rates for local currency time deposits are 17-18 % (31 December 2005: 14,5%). Days to maturity for the time deposits open as of 31 December 2006 and 31 December 2005 are in less than 30 days.

At 31 December 2006, cash and cash equivalents amounting to YTL 11.361 (31 December 2005: YTL 11.906) are held in blocked bank accounts as guarantees for bank borrowings.

NOTE 5 - MARKETABLE SECURITIES

None.

NOTE 6 - FINANCIAL LIABILITIES

	<u>Interest Rate (%)</u>		<u>Original Balance</u>		<u>YTL</u>	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Short-term portion of long-term bank borrowings:						
- USD	6,55	6,00	2.057.376	2.048.583	2.891.847	2.748.789
- EURO	-	5,00	-	1.558.988	-	2.474.894
- CHF	-	4,00	-	213.879	-	217.900
Total short-term bank borrowings					2.891.847	5.441.583
Long-term bank borrowings:						
- USD	7,27	6,55	2.000.000	2.000.000	2.811.200	2.683.600
- CHF	-	-	-	-	-	-
Total long-term bank borrowings					2.811.200	2.683.600

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables, net

	31 December 2006	31 December 2005
Trade receivables	54.647.998	51.388.306
Cheques and notes receivable	725.784	766.918
	55.373.782	52.155.224
Provision for doubtful receivables	(6.231.907)	(5.557.201)
Deferred financial income	(648.219)	(614.493)
Trade receivables.net	48.493.656	45.983.530

In accordance with the factoring contract signed with Doğan Factoring, trade receivable amounting to YTL 43.404.710 (31 December 2005: YTL 41.280.328) regarding advertisement revenues is followed by Doğan Factoring.

Movement of the “provision for doubtful receivables” during the period is as follows:

	2006	2005
At 1 January	5.557.201	4.479.302
Provisions booked	855.080	1.187.252
Collections	(180.374)	(109.353)
At 31 December	6.231.907	5.557.201

Trade Payables,net

	2006	2005
Short-term trade payables	3.595.117	3.319.951
Cheques and notes payable	41.520	245.740
Other payables	201.867	162.272
Trade payables. net	3.838.504	3.727.963

NOTE 8 - FINANCIAL LEASE RECEIVABLES AND LIABILITIES

None.

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NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Due from related parties:

	31 December 2006	31 December 2005
Medyanet İletişim Reklam Paz. Turizm A.Ş. ("Medyanet")	1.009.540	-
Doğan Müzik Kitap Satış Pazarlama A.Ş. ("Doğan Müzik Kitap")	872.481	696.548
Doğan Dış Ticaret ve Mümessillik A.Ş. ("Doğan Dış Ticaret")	826.615	972.731
Işıl İthalat İhracat Mümessillik A.Ş. ("Işıl İthalat İhracat")	703.380	-
Doğan Media International ("DMG")	634.903	145.281
Doğan Dağıtım Satış ve Pazarlama A.Ş. ("Doğan Dağıtım")	513.109	1.793.996
Doğan Kitapçılık A.Ş. ("Doğan Kitapçılık")	209.026	238.051
D Market Elektronik Hizmetleri Tic. A.Ş. ("D Market")	186.768	1.281
Doğan Portal Elektronik Ticaret A.Ş. ("Doğan Portal")	152.500	-
DTV Haber ve Görsel Yayıncılık A.Ş. ("Kanal D")	21.227	513.806
Fun Televizyon Yayıncılık Yapımcılık San. ve Tic. A.Ş. ("Fun TV")	-	575.005
Other	556.976	186.710
	5.686.525	5.123.409

b) Due to related parties:

	31 December 2006	31 December 2005
Hürriyet Gazetecilik ve Matbaacılık A.Ş. ("Hürriyet")	8.019.407	7.141.670
Hürriyet Zweigniederlassung ("Hürriyet Zweigniederlassung")	2.876.395	2.573.517
Doğan Yayın Holding A.Ş. ("Yayın Holding")	1.675.054	864.588
Işıl TV Yayıncılık Yapımcılık San. ve Tic. A.Ş. ("Star TV")	1.212.841	330.976
Doğan İletişim Telekomünikasyon Elektronik Servis Hizmetleri Turizm ve Yayıncılık A.Ş. ("Doğan Online")	879.976	37.691
Süper Kanal Televizyon Video Radyo Basın Yapım Yayın Tanıtım ve Haber Hizmetleri A.Ş. ("Süperkanal")	375.445	226.187
Eko TV Televizyon Yayıncılık A.Ş. ("CNN Türk")	332.156	923.814
Doğan Ofset Yayıncılık ve Matbaacılık A.Ş. ("Doğan Ofset")	283.859	330.696
Milta Turizm İşletmeleri A.Ş. ("Milta Turizm")	395.061	283.142
DTV Haber ve Görsel Yayıncılık A.Ş. ("Kanal D")	282.646	-
D Yapım Yayın Reklamcılık A.Ş.	-	111.604
Doğan Şirketler Grubu A.Ş. ("Doğan Holding")	-	180.052
Other	179.477	332.053
	16.512.317	13.335.990
Less: Unearned credit finance charged to related parties	(186.745)	(52.644)
	16.325.572	13.283.346

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NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Related party transactions:

a) Service and product sales:

	2006	2005
Doğan Dağıtım	116.089.484	99.340.658
Kanal D	7.777.240	14.197.634
Star TV	2.962.211	-
Petrol Ofisi A.Ş.	2.843.432	1.209.247
Medyanet	2.772.643	1.091.700
DMG	2.555.820	1.563.715
Other	5.477.432	7.121.402
	140.478.262	124.524.356

b) Service and product purchases:

	2006	2005
İşıl İthalat İhracat	71.092.319	-
Doğan Dış Ticaret	36.469.162	96.696.676
Hürriyet	23.569.438	22.973.875
Other	11.961.135	8.984.061
	143.092.054	128.654.612

c) Other transactions:

Other income

	2006	2005
Kanal D	1.851.921	2.067.513
Doğan Ofset	196.049	183.711
Doğan Dağıtım	-	82.833
Other	27.727	185.706
	2.075.697	2.519.763

Other Expense

	1 Ocak- 31 Aralık 2006	1 Ocak- 31 Aralık 2005
Medyanet	(468.815)	-
	(468.815)	-

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NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Financial income and expenses:

	2006	2005
Dışbank	-	42.904
Financial income	-	42.904
Doğan Factoring	(454.882)	(413.847)
Hürriyet	(261)	(258.902)
Yayın Holding	-	(61.285)
Dışbank	-	(13.494)
Financial expenses:	(455.143)	(747.528)
Financial (expense)/income. net	(455.143)	(704.624)

General administrative expenses

	2006	2005
Doğan Dağıtım	22.353.674	22.365.478
Kanal D	7.010.819	10.991.855
Yayın Holding	4.638.479	3.079.952
Star TV	3.570.581	287.622
D Yapım Reklamcılık ve Dağıtım A.Ş. (*)	2.224.706	1.654.981
Doğan Online	1.335.182	171.200
Milta Turizm	1.097.927	951.675
CNN Türk	492.213	985.818
D Market	276.845	233.766
Hürriyet	271.007	211.018
DMC	230.780	514.312
Doğan Kitapçılık	80.000	324.037
Other	1.991.612	1.376.814
	45.573.825	43.148.528

(*) In 2006 GPS Film Pordüksiyon A.Ş. name was changed to D Yapım Reklamcılık ve Dağıtım A.Ş.

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NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Benefits provided to top management:

	2006	2005
Benefits provided to top management	1.956.439	1.184.081

iii) Ownerships in Joint Ventures

Balances of joint venture assets, liabilities and net income which is included in consolidation and disclosed in note 2.d. is as follows:

The figures indicate the balances before consolidation adjustments.

Balance Sheet	2006
Current Assets	53.172
Non-current Assets	139.082
Total Assets	192.254
Short Term Liabilities	109.331
Shareholders' Equity	82.923
Total Liabilities and Shareholders' Equity	192.254
Income Statement	
Sales Revenue, net	48.570
Operating Expenses (-)	(106.967)
Net Operating Loss	(58.397)
Income from Other Operations, net	
Financial Expenses, net	399
Loss Before Tax	(57.998)
Net Period Loss	(57.998)

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NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other current receivables, net

	31 December 2006	31 December 2005
Advances given	772.103	2.799.485
Personnel advances	757.917	459.485
Receivables from personnel	638.470	490.948
Transferred VAT	584.266	2.107.145
Prapaid taxes and funds	181.582	-
	2.934.338	5.857.063

Other non-current receivables, net

	31 December 2006	31 December 2005
Deposits and guarantees given	50.644	52.673
	50.644	52.673

Other current liabilities, net

	31 December 2006	31 December 2005
Taxes and funds payable	3.274.670	3.036.936
Payables to personnel	727.750	448.117
Income regarding future months	604.182	944.613
Other	119.726	155.534
	4.726.328	4.585.200

NOTE 11 - BIOLOGICAL ASSETS

None (2005: None).

NOTE 12 - INVENTORIES

	31 December 2006	31 December 2005
Promotion stocks	3.611.202	2.527.694
Finished goods and merchandise	628.833	921.965
Raw materials and supplies	141.962	156.117
	4.381.997	3.605.776
Impairment for inventories	(371.288)	(371.288)
	4.010.709	3.234.488

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NOTE 13 - BALANCES RELATED TO CONSTRUCTION CONTRACTS

None (31 December 2005: None).

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

The Company calculates deferred tax assets and liabilities based on the temporary differences between the IFRS financials and financials prepared according to Turkish tax legislation. In substance, differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with IFRS and tax legislation.

Deferred income taxes are calculated using a principal tax rate of 20% on temporary differences that are expected to be realised or settled in the following periods.

The temporary differences and deferred income tax assets and deferred tax liabilities which have been calculated using the enacted tax rates at 31 December 2006 are as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	2006	2005	2006	2005
Inflation adjustment of tangible and intangible assets	(3.652.814)	(3.927.318)	730.563	1.178.196
Provision for employment termination benefits	3.699.387	3.437.053	739.878	1.031.116
Unaccrued financial income	648.219	614.493	129.644	184.348
Allowances for legal expenses	914.339	1.012.766	182.868	303.830
Net difference between the tax base and the carrying value of inventories	(371.038)	(371.038)	74.208	111.311
Provision for doubtful receivables	1.562.062	1.285.106	312.413	385.532
Provision allowances	-	185.939	-	55.782
Prepaid expenses	(660.894)	(660.894)	132.179	198.268
Deferred tax assets			2.301.753	3.448.383
Unaccrued financial expenses	(186.745)	(52.644)	(38.183)	(15.793)
Deferred tax liabilities			(38.183)	(15.793)
Deferred tax assets. net			2.263.570	3.432.590

Since each Company within the Group are separate legal entities. the deferred tax assets and liabilities have not been netted-off.

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NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred tax assets and liabilities is as follows:

	2006	2005
At 1 January	3.432.590	3.301.444
Deferred tax income	(1.169.020)	131.146
31 December	2.263.570	3.432.590

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

Other current assets

	31 December 2006	31 December 2005
Prepaid expenses	1.682.617	1.523.364
Income accruals	432.583	558.824
	2.115.200	2.082.188
Provision for diminishing in value	(718.602)	(660.894)
	1.396.598	1.421.294

Provision for diminishing in value comprise of prepaid expenses regarding related parties.

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NOTE 16 - FINANCIAL ASSETS

	<u>31 December 2006</u>		<u>31 Aralık 2005</u>	
	<u>YTL</u>	<u>Equity (%)</u>	<u>YTL</u>	<u>Equity (%)</u>
Milliyet İnternet	82.287	30.50	82.287	30.50
Doğan Haber	51.590	2.65	51.590	2.65
DMG International SA	502	0.01	-	-
Ak Enerji	478	0.01	478	0.01
Doğan Dağıtım	275	0.04	275	0.04
Doğan Dış Ticaret	4	0.01	4	0.01
D&R	3	001	3	0.01
Others (11 subsidiaries)	649.737		649.737	
	784.875		784.374	
Provision for impairment	(649.737)		(649.737)	
	135.138		134.637	

Since Milliyet İnternet, a current financial asset, has no material effect on the financial statements, it has not been recorded according to the equity method. and is displayed with its indexed cost amount.

NOTE 17 - POSITIVE/ NEGATIVE GOODWILL

	<u>1 January 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>31 December 2006</u>
Goodwill	66.526.804	-	-	66.526.804
Accumulated depreciation	(6.098.291)	-	-	(6.098.291)
Net book value	60.428.513	-	-	60.428.513

Goodwill consists of the acquisition premium amounting YTL66.526.804 arising from the complete purchase of assets and liabilities of Simge Yayıncılık A.Ş by the Group on 31 December 2003.

Since 1 January 2005 in accordance with IFRS 3, the Group has ceased amortising goodwill (Note 38); however the Group has regularly reviewed the reported goodwill amount for impairment and has reflected any impairment in the financial statements. At 31 December 2006, there is no impairment on goodwill.

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NOTE 18 - INVESTMENT PROPERTIES

	1 January 2006	Additions	Disposal	31 December 2006
Cost	1.626.408	-	(118.823)	1.507.585
Accumulated depreciation	(859.705)	(53.676)	105.356	(808.025)
Net book value	766.703			699.560

	1 January 2005	Additions	Disposal	31 December 2005
Cost	1.957.966	-	(331.558)	1.626.408
Accumulated depreciation	(906.944)	(61.422)	108.661	(859.705)
Net book value	1.051.022			766.703

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NOT 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2006	Currency translation differences	Additions	Disposals	31 December 2006
Cost					
Land and land improvements	1.426.290	-	46.915	(1.306)	1.471.899
Buildings	40.066.475	-	50.000	-	40.116.475
Machinery and equipment	64.780.575	9.452	133.625	(288.271)	64.635.381
Motor vehicles	1.254.503	-	193.812	(340.875)	1.107.440
Furnitures and fixtures	25.709.833	-	1.508.669	(2.294.890)	24.923.612
Special cost	876.678	-	2.659	-	879.337
	134.114.354	9.452	1.935.680	(2.925.342)	133.134.144
Accumulated depreciation					
Land and land improvements	1.211.857	-	53.022	-	1.264.879
Buildings	12.871.867	-	1.090.049	-	13.961.916
Machinery and equipment	61.454.343	4.803	975.652	(281.778)	62.153.020
Motor vehicles	528.275	-	166.350	(221.039)	473.586
Furnitures and fixtures	20.269.061	-	1.897.865	(2.292.746)	19.874.180
Special cost	811.597	-	44.261	-	855.858
	97.147.000	4.803	4.227.199	(2.795.563)	98.583.439
Net book value	36.967.354				34.550.705

Total value of collateral and mortgage on property, plant and equipment as of 31 December 2006 is YTL12.450.000 (31 December 2005: YTL12.450.000).

The Company has depreciation expenses YTL4.227.199 (2005: YTL4.457.635) for tangible assets, YTL560.012 (2005: YTL537.938) for intangible assets and, YTL53.676 (2005: YTL61.422) for assets for investment as of 31 December 2006. YTL1.725.362 (2005: YTL1.887.571) of depreciation expense was included in production expenses and YTL3.115.525 (2005: YTL3.169.423) was included in operating expenses.

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2005	Currency differences	Translation additions	Disposals	31 December 2005
Cost:					
Land and land improvements	1.364.531	-	61.759	-	1.426.290
Buildings	40.009.921	-	56.554	-	40.066.475
Machinery and equipment	64.658.769	(8.568)	365.592	(235.218)	64.780.575
Motor vehicles	1.441.682	-	465.770	(652.949)	1.254.503
Furnitures and fixtures	25.977.385	-	724.420	(991.972)	25.709.833
Other	135.949	-	1.508	(137.449)	8
Special costs	876.670	-	-	-	876.670
Total	134.464.907	(8.568)	1.675.603	(2.017.588)	134.114.354
Accumulated depreciation:					
Land and land improvements	1.158.134	-	53.723	-	1.211.857
Buildings	11.785.259	-	1.086.608	-	12.871.867
Machinery and equipment	60.511.009	(2.234)	1.175.992	(230.424)	61.454.343
Motor vehicles	706.490	-	200.293	(378.508)	528.275
Furnitures and fixtures	19.382.994	-	1.878.039	(991.972)	20.269.061
Other	82.552	-	18.060	(100.612)	-
Special costs	766.677	-	44.920	-	811.597
Total	94.393.115	(2.234)	4.457.635	(1.701.516)	97.147.000
Net book value	40.071.792				36.967.354

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NOTE 20 - INTANGIBLE ASSETS

	1 January 2006	Purchases(*)	Additions	Disposals	31 December 2006
Cost					
Rights	2.448.009	141.792	235.622	-	2.825.423
Other	2.146.945	-	44.696	-	2.191.641
	4.594.954	141.792	280.318	-	5.017.064
Accumulated amortisation					
Rights	2.387.721	2.710	17.698	-	2.408.129
Other	1.164.501	-	539.604	-	1.704.105
	3.552.222	2.710	557.302	-	4.112.234
Net book value	1.042.732				904.830

(*) Balances arising from purchase of Birey Seçme ve Değerlendirme Danışmanlık Ltd. Şti is indicated in purchases column.

	1 January 2005	Additions	Transfers	31 December 2005
Cost				
Rights	2.446.839	1.170	-	2.448.009
Other	1.826.361	320.584	-	2.146.945
	4.273.200	321.754	-	4.594.954
Accumulated amortisation				
Rights	2.374.623	13.098	-	2.387.721
Other	639.661	524.840	-	1.164.501
	3.014.284	537.938	-	3.552.222
Net book value	1.258.916			1.042.732

NOTE 21 - ADVANCES RECEIVED

None (31 December 2005: None).

NOTE 22 - RETIREMENT PLANS

None (31 December 2005: None).

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NOTE 23 - PROVISIONS

a) Current provisions

	31 December 2006	31 December 2005
Provision for lawsuits	1.778.847	1.808.480
Corporate and income taxes	12.811	599.664
Other	16.341	5.860
	1.807.999	2.414.004

b) Non-current provisions

Non-current provisions compromise employee termination benefit liabilities.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and who achieves the retirement age (58 for women and 60 for men) and whose employment is terminated without due cause, is called up for military service, or dies. Since the legislation was changed on 8 September 1999 there are certain transitional provisions relating to length of service prior to retirement. At 31 December 2006 the amount payable consists of one month's salary limited to a maximum of YTL 1,857.44 (31 December 2005: YTL 1,727.15) for each year of service.

In addition, according to press sector regulations, companies should make payments to personnel who work for a minimum of 5 years and whose employment is terminated without due cause. The maximum payable amount is 30 days' salary for each year of service. The monthly salary figure is calculated by adding all cash and non-cash payments received during the year and dividing by twelve.

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

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Company. International Accounting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total provision:

	31 December 2006	31 December 2005
Discount rate	5.71%	5.49%
Turnover rate to estimate the probability of retirement	88%	90%

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NOTE 23 - PROVISIONS (Continued)

The principal assumption is that the maximum liability, which is YTL 1.857,44 for 2006 (31 December 2005: YTL 1.727,15) will increase in line with inflation each year. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL 1,960.69 (1 January 2006 YTL 1,770.64), which is effective from 1 January 2007, has been taken into consideration in calculating the reserve for employment termination benefits of the Group.

Movements in the provision for employment termination benefits during 2006 and 2005 are as follows:

	2006	2005
At 1 January	3.437.053	2.670.779
Increase during the year	470.894	925.126
Paid during the year	(208.560)	(158.852)
31 December	3.699.387	3.437.053

NOTE 24 - MINORITY INTERESTS

	1 January 2006	Minority interest (loss)/income	Transfers	31 December 2006
DYG İlan	304.929	(78.457)	-	226.472
	304.929	(78.457)		226.472
	1 January 2005	Minority interest (loss)/income	Transfers	31 December 2005
DYG İlan	329.615	(24.686)	-	304.929
Milha	(376.756)	-	376.756	-
Milliyet Verlags	(601.227)	-	601.227	-
	(648.368)	(24.686)	977.983 (*)	304.929

In 2005, accumulated deficit amounting to YTL977.983 assigned to the minority interest has been transferred to the prior year losses of the Group since the minority shareholders have no obligation for payment in case of losses.

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NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Ykr 1. There are no privileged shares. The Company's historical authorised and paid-in share capital at 31 December 2006 and 31 December 2005 was as follows:

	31 December 2006	31 December 2005
Limit on registered share capital (historical)	150.000.000	150.000.000
Historical authorised and paid-in share capital	78.000.000	78.000.000

Companies in Turkey may exceed the limit for registered share capital in cases of the issuance of free capital shares to existing shareholders.

The shareholding structure of the company is as follows:

	%	31 December 2006	%	31 December 2005
Doğan Gazetecilik A.Ş.	74.47	58.089.243	74.47	58.089.243
Public offering	24.86	19.388.302	24.86	19.388.302
Other	0.67	522.455	0.67	522.455
	100.00	78.000.000	100.00	78.000.000
Adjustment to share capital		45.910.057		45.910.057
Total paid-in capital		123.910.057		123.910.057

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

At 31 December 2006, Doğan Yayın Holding A.Ş. holds the possession of 5.29% of the publicly traded shares (31 December 2005: 5.29%).

The Company has no cross equity capital adjustment.

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NOTE 26 - CAPITAL RESERVES

As of 31 December 2006 and 31 December 2005 details of the restatement difference of shareholders' equity are as follows:

31 December 2006

	Historical amount	Restated amount	Inflation adjustment to shareholder's equity
Share capital	78.000.000	123.910.057	45.910.057
	78.000.000	123.910.057	45.910.057

31 December 2005

	Historical amount	Restated amount	Inflation adjustment to shareholder's equity
Share capital	78.000.000	123.910.057	45.910.057
	78.000.000	123.910.057	45.910.057

NOTE 27 - PROFIT RESERVES

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

Public companies distribute dividends according to CMB regulations as follows:

In accordance with Communiqué XI/25, effective from 1 January 2004, companies are obliged to distribute at least 20% of their distributable profit arising from the activity, which is calculated based on the financial statements prepared in accordance with accounting principles described in Note 2. Based on the decision of the General Assembly, the distribution of a minimum of 20% of the distributable profit can be made as cash or as bonus share or as a combination of a certain percentage of cash and bonus shares. If the first dividend amount is lower than 5% of the issued share capital, the amount should be retained within the company without distribution.

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NOTE 27 - PROFIT RESERVES (Continued)

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders' equity such as "share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves", are presented at their historical amounts. The difference between the inflated and historical amounts of these items is presented in shareholders' equity as "inflation adjustment to shareholders' equity".

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' losses, used in distribution of bonus shares and distributions of dividends to shareholders.

In accordance with the Communiqué No: XI-25, at 31 December 2006 and 2005, the shareholders' equity schedule, is as below:

	31 December 2006	31 December 2005
Legal reserves	191.878	-
Extraordinary reserves	3.645.686	-
Translation reserve	(86.502)	286.834
	3.751.062	286.834

At statutory meeting held on 2 May, 2006, the Company decided that consolidated net period income was YTL 6.727.508 and net distributable profit was determined as YTL 6.535.630 after deducting YTL 191.878 as 1st degree legal reserve according to TTK. 466/1, statutory net period income was YTL 3.837.564 and YTL 3.645.686 of the remaining income after deducting 1st degree legal reserve was retained as extraordinary reserves. According to CMB regulations, the Company did not distribute dividend, since determined net distributable income, amounting to YTL 3.645.686 was below 5% of capital stock amount of YTL 78.000.000.

NOTE 28 - RETAINED EARNINGS

	31 December 2006	31 December 2005
Retained earnings	1.911.961	(977.983)

NOTE 29 - FOREIGN CURRENCY POSITION

YTL equivalents of foreign currency denominated assets and liabilities held by Group at 31 December 2006 and 31 December 2005 are as follows:

	31 December 2006	31 December 2005
Assets	962.739	37.266
Liabilities	(5.703.047)	(8.125.183)
Net foreign currency position	(4.740.308)	(8.087.917)

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NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

Original amounts of the foreign currency denominated assets and liabilities held by Group at 31 December 2006 and 31 December 2005 are as follows:

	31 December 2006			
	USDS	EURO	GBP	CHF
Assets				
Cash and banks	650.771	23.007	1.965	-
Liabilities				
Bank borrowings	4.057.376	-	-	-
31 December 2005				
	USDS	EURO	GBP	CHF
Assets				
Cash and banks	6.293	17.306	583	-
Liabilities				
Bank borrowings	4.048.583	1.558.988	-	213.879

At 31 December 2006, assets and liabilities denominated in foreign currency have been translated into New Turkish lira using the following foreign exchange rates: YTL 1.40560 =USD 1 and YTL 1.85150 =Euro 1 (31 December 2005: YTL 1.34180= 1 USD ve YTL 1.58750=Euro 1).

NOTE 30 - GOVERNMENT GRANTS

None (31 December 2005: None)

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES

a) Guarantees given

There is no indemnity given as of 31 December, 2006 (31 December 2005: YTL450.000 to Doğan Dış Ticaret ve Mümesillik A.Ş.).

Total guarantees given to courts, customs offices, national lottery offices and other parties amount to YTL4.350.774 as of 31 December 2006 (31 December 2005: YTL2.362.161).

b) Barter agreements:

The Group, as a common practice in the media sector, has entered into barter agreements, which involve the exchange of goods or services without cash collections or payments

The Company has the right to use various types of goods and services amounting to YTL2.626.306 (31 December 2005: 2.514.339) and is under the obligation to provide advertisement services amounting to YTL752.942 (31 December 2005: YTL565.775) of various types of services has been used in connection with the barter agreements as of 31 December 2006.

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NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

c) Lawsuits:

The nature and monetary values of the litigations against the Company at 31 December 2006 and at 31 December 2005 are as follows:

	31 December 2006	31 December 2005
Legal cases	31.083.069	24.224.885
Lawsuits regarding trade relations	1.486.927	1.471.132
Business lawsuits	1.379.718	9.761.527
	33.949.714	35.457.544

A provision for lawsuits amounting to YTL1.778.847 (31 December 2005: YTL1.808.480) has been provided with reference to the opinions of the Group's lawyers and past experiences of management related to similar litigations against the Group (Note 23).

NOTE 32 - BUSINESS COMBINATIONS

Acquisitions

The Company acquired Birey ("Birey") Seçme ve Değerlendirme Danışmanlık Ltd. Şti in consideration of a total of USD180.502 in cash. Birey's 98 shares with a nominal value of YTL2,450 were purchased from Ernst&Young İnsan Kaynakları Danışmanlık A.Ş for YTL2,450 and 2 shares with a nominal value of YTL50 were purchased from Ernst&Young Kurumsal Finansman Danışmanlık A.Ş for YTL50. After the share transfer, the company has a 50% shareholding in Birey and accounted for it as a joint ventures in consolidated financial statements.

NOTE 33 - SEGMENT REPORTING

None (31 December 2005: None)

NOTE 34 - SUBSEQUENT EVENTS

The Group, who has %50 capital shares of Birey Seçme ve Değerlendirme Danışmanlık Ltd. Şti., has participated in the increase of Birey Seçme ve Değerlendirme Danışmanlık Ltd. capital from YTL 5.000 to YTL 400.000 by paying in cash.

The pledge, amounting to YTL 12.450.000, over the Company's tangible assets was dissolved at 27 February, 2007.

Doğan Yayın Holding A.Ş., main shareholder of the Group, has purchased % 9,69 shares of the Company from ISE between 14 February 2007 and 30 March 2007. As a result, Doğan Yayın Holding A.Ş. has 14,98% shares of total of publicly traded shares.

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NOTE 35 - DISCONTINUING OPERATIONS

None (31 December 2005: None)

NOTE 36 - OPERATING INCOME

	2006	2005
Domestic sales	273.383.857	250.340.144
Foreign sales	7.250.631	6.853.120
Other sales income	2.376.056	5.289.019
Sales income. net	283.010.544	262.482.283
Cost of goods sold	(189.449.481)	(169.675.062)
Operating income	93.561.063	92.807.221

NOTE 37 - OPERATING EXPENSES

	2005	2004
Marketing, sales and distribution expenses	73.534.997	67.339.694
General administration expenses	22.862.738	19.068.922
	97.503.509	86.408.616

Marketing, selling and distribution expenses

	2006	2005
Distribution expenses	23.286.355	23.021.222
Advertisement expenses	16.589.723	12.303.119
Promotion expenses	12.108.445	13.257.946
Personnel expenses	10.170.284	7.858.124
Presentation and marketing expenses	2.522.391	2.422.500
Consulting expenses	2.256.756	1.306.656
Sponsorship expenses	1.668.414	1.629.247
Travel expense	863.197	786.598
Communication expenses	312.415	306.038
Packaging Expense	232.717	292.555
Other	3.524.300	4.155.689
	73.534.997	67.339.694

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NOTE 37 - OPERATING EXPENSES (Continued)

General administration expenses

	2006	2005
Personnel expenses	10.733.121	9.206.935
Consulting expenses	4.894.863	3.104.757
Depreciation expenses	3.112.870	2.997.442
Legal expenses	731.940	586.884
Communication expenses	474.743	407.324
Transportation expenses	428.359	452.579
Maintenance expenses	357.801	365.741
Electricity expense	222.998	201.040
Taxes and funds	201.137	206.205
Cleaning expense	200.143	183.690
Other	1.504.763	1.356.325
	22.862.738	19.068.922

NOTE 38 - OTHER OPERATING INCOME/(EXPENSES)

Other operating income:

	2006	2005
Interest income due to credit sales	4.760.777	4.723.326
Rent income	2.096.677	2.582.857
Interest income	454.509	377.247
Other allowances	274.737	222.069
Foreign exchange gain	229.667	472.264
Other	454.536	129.447
	8.270.903	8.507.210

Other operating expenses:

	2006	2005
Interest expense due to credit purchases	(1.200.898)	(1.107.103)
Provision for doubtful receivables	(855.080)	(1.187.252)
Foreign exchange loss	(567.423)	(156.735)
Loss on tangible fixed assets sales	(43.269)	(38.052)
Expenses related to lawsuits	-	(9.782)
Other	(1.169.072)	(1.311.874)
	(3.835.742)	(3.810.798)

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NOTE 39 - FINANCIAL EXPENSES

	2006	2005
Factoring expenses	454.882	413.846
Interest expenses	400.251	681.575
Bank Fees	239.939	105.829
Other	85.272	123.523
Financial expenses	1.180.344	1.324.773

NOTE 40 - GAIN ON NET MONETARY POSITION

The inflation effect on the Company's net monetary position is reflected to the income statement as net monetary position loss.

In accordance with the resolution by the CMB. dated 18 March 2005 (resolution number 152-7642). the Company did not apply inflation accounting. therefore there is no monetary gain/loss for the year ended 31 December 2006.

NOTE 41 - TAXATION

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

The corporation tax rate of the fiscal year 2006 is 20% (2005: 30%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional article 61).

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is to be declared by the 10th day of the second month following each calendar quarter end and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to be set off against other liabilities to the government.

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NOTE 41 - TAXATION (Continued)

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

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

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

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

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

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

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

The participation income of corporations participating in 10% or more of the capital of a limited liability or joint stock company which does not have its legal or business centre in Turkey (except for corporations whose principal activity is financial leasing or investment of marketable securities) for at least one continuous years until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries are subject to corporate income tax, or alike, in their country of legal or business centre at the rate of at least 15% (at corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance) and 75% of the income generated consists of commercial, agricultural or independent professional service income.

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NOTE 41 - TAXATION (Continued)

The income of corporations arising from their offices or permanent representatives abroad are exempt from corporate income tax provided that the foreign office or permanent representative must be subject to corporate income tax, or alike, in the country it is located at the rate of at least 15% (this rate is applied as the corporate income tax rate applicable in Turkey at the minimum for those companies whose core business is financial assurance or insurance), and 75% of the income generated must consist of commercial, agricultural or independent professional service income, and the income must be transferred to Turkey until the end of the third month following the date of filing of the corporate income tax return of the fiscal year in which the income is generated.

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

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

Investment incentive allowance, calculated as 40% of tangible asset purchases above a determined amount, was ended in accordance with the law 5479 on 30 March, 2006. But, according to related law and temporary article 69 added to Income Tax Law, income or corporate taxpayers are able to deduct exceptional investment incentive allowances from income generated in only 2006, 2007, and 2008 years. These exceptional investment incentives are:

- a) the amount, which they could not deduct from their 2005 incomes, exists as of 31 December, 2005,
- b) investments to be made after 1 January, 2006 with respect to certificate for investments which started in accordance with supplement articles 1, 2, 3, 4, 5, and 6 before falling into desuetude based on law 4842 of Income Tax Law 193 on 9 October, 2003 within the context of investment incentive arranged for responding applications made before 24 October, 2003,
- c) investments, which are completely consistent on technical and economical basis, made after 1 January, 2006, within the meaning of article 19 of Income Tax Law,

Apart from the abovementioned exemptions considered in the determination corporate income tax base, allowances stated in Corporate Income Tax Law article 8, 9, and 10 and Income Tax Law article 40 are also taken into consideration.

Earnings from investment funds defined in Corporate Tax Law article 5/d are exempted from corporate tax. These earnings (excluding retirement investment funds) are subject to 15% withholding tax. However, Board of Ministers is authorized to change withholding tax rate according to distribution of assets included funds or partnership types of funds.

Since there is no minute of board of ministers about above mentioned changes, withholding tax rate for these funds is 0%.

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NOTE 41 - TAXATION (Continued)

On the other hand, effective from 1 January, 2006, portfolio earnings of investment funds, launched according to CMB and Income Tax Law temporary article 67/8, which are exempted from corporate tax are subject to 15% withholding tax rate via not concerning whether they are distributed or not. There is no advance corporate tax for these earnings in accordance with Income Tax Law article 94.

The taxes on income reflected to the consolidated income statements for the years ended 31 December. are summarised as follows:

	2006	2005
Current	(333.774)	(3.198.568)
Deferred	(1.169.020)	131.146
Total tax income/(expenses)	(1.502.794)	(3.067.422)

	31 December 2006	31 December 2005
Income before tax	418.149	9.770.244
%20 (30 December 2005 - %30) provision for corporate tax calculated by effective tax rate	83.630	2.931.073
Disallowable expense	274.967	136.349
Effect of change in tax rate	1.144.197	-
Tax provision	1.502.794	3.067.422

In accordance with the tax legislation circular number 17, "Inflation Adjustment Practise", dated 24 March 2005, the Company classified a premium arising from a company merger which occurred in 2003 as "a balancing account", which is neither an asset nor a liability, in the financial statements which were subjected to inflation adjustment for the 2004 corporate tax calculation. The premium has not been adjusted for inflation but it does reflect the resulting effect as an expense item.

NOTE 42 - EARNINGS PER SHARE

	2006	2005
Net (loss)/income	(1.006.192)	6.727.508
Weighted average number of shares with face value of YTL0.001 each	78.000.000	78.000.000
(Loss)/earnings per share (YKr) (1YKr for 1YTL share)	(1.3)	8.6

No dividend payment occurred during the period between 1 January - 31 December 2006. Therefore the Board of Directors did not calculate a dividend distribution.

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NOTE 43 - CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash flow statements as of 31 December, 2006 and 31 December, 2005 are presented together with financial statements.

**NOTE 44 - DISCLOSURE OF OTHER MATTERS. WITH A MATERIAL EFFECT ON THE
CONSOLIDATED FINANCIAL STATEMENTS. REQUIRED FOR THE
PURPOSE OF UNDERSTANDING AND INTERPRETING THE FINANCIAL
STATEMENTS**

None (31 December 2005: None).

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