YÜNSA

YÜNLÜ SANAYİ VE TİCARET A.Ş.

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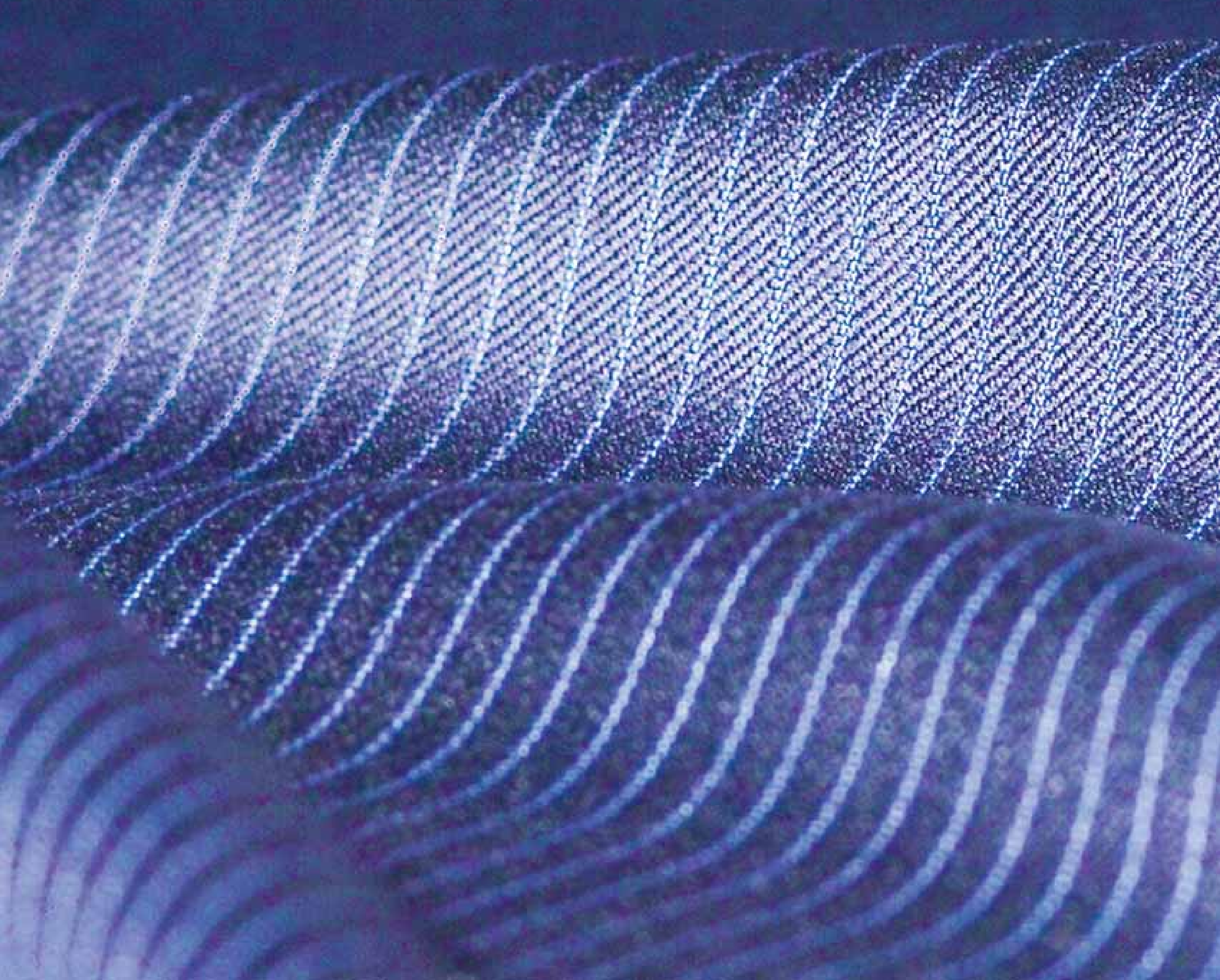

AGENDA

1. Opening and forming the Chairman's Panel.

2. Authorization of the Chairman's Panel to sign the minutes of the Ordinary General Assembly.

3. Presentation and discussion on the Board of Directors' 2007 Activities Report and Auditors' Report.

4. Presentation, discussion and approval of the Balance Sheet and Income Statement for the year 2007 and voting upon the appropriation of the proposal for dividend pay-out.

5. Approval of the Member of the Board of Directors who was appointed for the remaining term of office of the Board Member position that became vacant during the year.

6. Ratification of the acts of the Board of Directors and the Auditors for the year 2007.

7. Election and determining the term of office of the Members of the Board of Directors and of Auditors for those positions where the relevant term of office has expired.

8. Determining the remuneration and honoraria for the Members of the Board of Directors and Auditors.

9. Ratification of the independent auditors, determined by the Board of Directors.

10. Authorization of the Chairman and the members of the Board of Directors to conduct the procedures stated by the articles 334 and 335 of the Turkish Commercial Code.

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Chairman's Message

Distinguished shareholders,

We invited you to the Ordinary General Assembly of Shareholders to inform you about the results of 2007 and to present for your approval the Balance Sheet and Income Statement for this period.

It is a pleasure to meet with you again after a successful year for the company.

2007 was a difficult year for the textile sector, as were the previous couple of years. The sales price of wool raw materials increased by approximately 40% from the beginning until the end of 2007. The fact that the sector was unable to reflect this increase onto product prices was a negative factor for the sector; on the other hand, there was an additional burden on costs due to the excessive valuation of the New Turkish Lira.

In the textile sector where market players lost ground and market share due to severe competition, Yünsa moved its quality and production norms to the highest level and became number one, based on both production quantity and quality, in Europe in woolen textiles in 2007. 2007 was a very good year for Yünsa from the perspective of production efficiency and order volume. Yünsa adapts rapidly to market conditions and trends due to its customer-focused approach and remains ahead of competition due to its differentiation strategy.

In spite of the disadvantages created by sectoral realities and negative conditions, Yünsa's consolidated net sales reached YTL 164.2 million in 2007, exceeding US$ 100 million for the first time.

Turkey's proximity to European countries and other markets due to its geographical position and its improving relations with these economies are an important opportunity for Yünsa. Yünsa used this advantage, as well as its pace and ability to create new products and successful collections and designs, to become a preferred supplier for European buyers. It strengthened its position among top fabric vendors in Europe through its effective marketing organization's sales to the UK, Germany, France and Spain; it continues to increase its market share. Ready-to-wear manufacturers in the domestic market liked the company's new products and collections; the sales of both men's and women's fabrics increased in parallel with the increase in capacity.

In line with these developments, in 2007:

• Fabric sales increased by 14.3% in comparison with 2006 and reached 11.7 million meters.

• The share of exports in net turnover was 57%.

• The activities in 2007 created a consolidated net profit of YTL 2.6 million.

• The investments in 2007 focused on increasing the capacity and modernization .

The company entered the ready-to-wear retail sector as a new line of business in 2007. Through vertical integration, the company established a new partnership called SKT Giyim Sanayi with Basmacı Tekstil Konfeksiyon Sanayi ve Ticaret, a player in the men's ready-to-wear sector with the UPTOWN brand through an extensive store network in Turkey. The company aims at creating a global brand by adopting a consistent and long-term approach in the ready-to-wear retail business.

In 2007, we saw the initial results of the "Yünsa Touch" project which benefits from the knowledge and experience of Yünsa's technical and sales teams and manufactures products outside its Çerkezköy plant with Yünsa's know-how. This projects offers customers products that meet the usual and guaranteed Yünsa qualities and at Yünsa's service standards.

I believe that the company's consistent development and sustainable, profitable growth will continue in the years ahead of us and I would like to thank you on behalf of the Board of Directors for the confidence and support you showed the company in 2007.

Sincerely,
Ziya Engin TUNÇAY

Sales

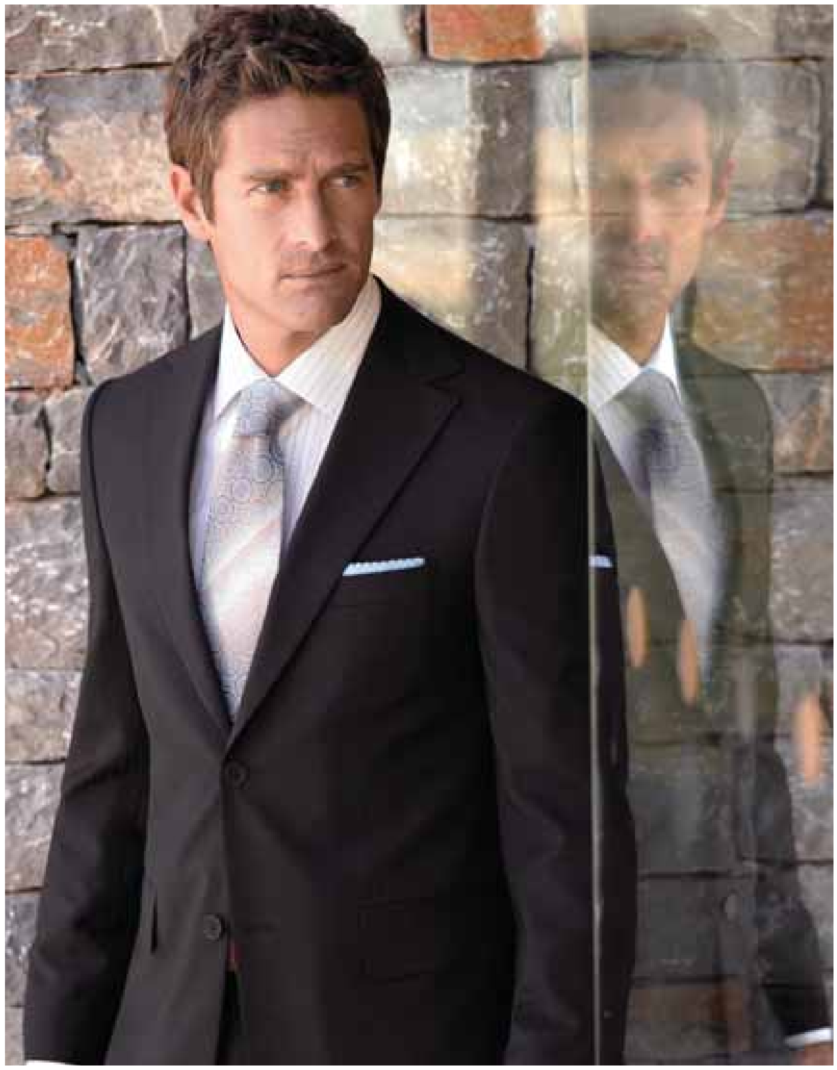
As Turkey's exports leader in wool and wool blend fabrics, Yünsa is among the top five companies in the world in wool fabric production thanks to its vision, high product quality, sectoral position and flexible production.

Yünsa has a customer-focused approach that allows it to respond rapidly to market conditions and trends and remains ahead of competition due to its differentiation strategy.

In the first days of 2007, Yünsa formed a new partnership called SKT Giyim Sanayi with Basmacı Tekstil Konfeksiyon Sanayi ve Ticaret, which is active in men's ready-to-wear sector with its UPTOWN brand and extensive store network. Yünsa has a 69.99% share in the company that continues its activities with the UPTOWN brand. SKT's sales totaled approximately US$ 15 million by the end of 2007. Taking confident steps in its sector, UPTOWN added 12 new stores to its store network and brought the number of its stores to 22 and distributors to 5.

The consolidated turnover of Yünsa reached 164.2 million YTL in 2007.

Yünsa has integrated a rich textile culture in its structure and worked with more than 900 customers around the world thanks to its strong international connections. In 2007, its fabric sales increased by 14.3% in comparison with the previous year and reached 11,724 km.; the sales turnover of the fabrics marketed to many countries reached 7,315 km in 2007. The company exports 60.4% of its fabric production and sells 39.6% of its production to the domestic market. In 2007, the share of exports was US$ 69.4 million out of a total fabric production turnover of US$ 115 million. These results are a reflection of customer satisfaction and of the strategies to enter new markets with the right steps.



Production and Technology

The main objective of the company is to create a difference by putting emphasis on a customer-focused approach and to continue producing high quality products. The main factors to reach this objective are to give importance to innovation, to constantly develop knowledge and technology, and to use these in the most productive manner. These priorities translated into high production efficiency and order levels in 2007. Yünsa also puts emphasis on R&D activities in all of its collections.

Under the difficult conditions of the textile sector, Yünsa uses state-of-the-art technologies in production through its innovation and expansion investments in order to further improve its competitive power that is sustainable from the perspectives of both quality and price. The company made investments in 2007 mostly for improvements and modernization of its facilities. It also continued its investments to improve product quality.

In 2007, Yünsa, which adopted the philosophy of corporate excellence in parallel with the rapidly changing quality approaches, continued its work on the EFQM Excellence Model in order to not limit this approach to production only and to expand it to all processes to reach maximum quality.

Yünsa products manufactured in accordance with the ISO 9001 Quality System Standard also have Eko-Tex 100 certification given by the German Hohenstein Institute which certifies that the products do not harm the environment or human health.

Investments

Yünsa aims at creating a global brand in the ready-to-wear sector by vertical integration; it entered the ready-to-wear retail market by becoming a partner to the Uptown brand in January 2007. The company set up a partnership with Basmacı Tekstil Konfeksiyon Sanayi ve Ticaret, which owned the Uptown brand in the men's ready-to-wear sector, and became a founding partner of SKT Giyim Sanayi ve Ticaret AŞ, which has a nominal capital of YTL 20.880.000, YTL 14.615.900 (69.99%) of which was paid by Yünsa.

2007 also marked the beginning of the "Yünsa Touch" project. Yünsa Touch benefits from the knowledge and experience of Yünsa's technical and sales teams and manufactures products outside its Çerkezköy plant with Yünsa's know-how. This projects offers customers products that meet the usual and guaranteed Yünsa qualities and at Yünsa's service standards. The infrastructure of this project which will be expanded in 2008 was completed in 2007.

As a player in the textile sector where there is severe competition and where market players lost ground and market share in 2007, Yünsa continued its marketing and sales activities to maintain its market leadership through high added value, high quality and differentiated products and short delivery times; it also maintained its modernization and improvement investments to improve product quality and decrease industrial costs.

Today countries with cheap labor make large-scale technological investments and move rapidly in the textile ready-to-wear sectors. Yünsa foresaw the negative picture created by this market and production model and increased its investments significantly in the past 6 years by making the right strategic preparations and creating the right structure.

Companies that invest in technology, infrastructure and human resources will survive based on the assumption that companies that have a strong financial structure, as well as sectoral motivation, knowledge and experience, will be able to grow in the textile sector in the near future. As an important player of the textile market, Yünsa is aware of the fact that cost- and price-focused approaches will be insufficient under the current conditions. It does not limit its investments to improving its technologies and puts maximum emphasis on improving its innovation capabilities and on the vocational training of its human resources as its most important asset.

Activities

A. Investments

1) Developments in investments

In 2007, investments worth 2.624.678 YTL were made for domestic and imported goods' subsidized investments in accordance with the Investment Subsidy Certificate number 79575, dated 10.05.2005 and granted by the Subsidy and Implementation Department of the State Planning Organization.

Taking into consideration other unsubsidized investments, the company's investments reached approximately US$ 5.4 million on a US Dollar basis and YTL 6.9 million on a New Turkish Lira basis in 2007.

2) Investment incentives

In 2007, the company benefited from subsidies such as customs exemption, investment deduction, VAT exemption, tax and duty exemptions in accordance with its subsidy certificate.

B. Activities regarding the production of goods and services

1) Capacity utilisation and progress

In 2007, the capacity use of our production lines was as follows:

	2007	Annual change
Worsted yarn	% 100	-
Fabric	% 100	-

2) Improvements in finished-product production in fabric sales

		2007	Annual change
Worsted yarn	ton	3,037	(+) % 8,6
Fabric	km	12,744	(+) % 15,4

3) Sales volumes and revenues and changes in sales conditions in finished products in fabric sales

		2007	Annual change
Fabric	km	11,724	(+) % 14,3
Domestic market	km	4,409	(+) % 23,7
Exports	km	7,315	(+) % 9,3

Breakdown of net fabric sales in 2007

	2007	Annual change
Domestic market (YTL)	59,121.1	(+) % 27,8
Exports (YTL)	89,635.7	(+) % 2,7

4) SKT Activities

Production

	2007(*)
Total jackets (unit)	106,500
Total trousers (unit)	150,216

Sales

	2007(*)
Total (unit)	289,209

* As SKT was established in 2007, a comparison with previous years cannot be made.

1. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Yünsa A.Ş. complies with the "Corporate Governance Principles" of the Capital Market Board (CMB).

PART 1 – SHAREHOLDERS

2. Shareholder Relations Unit

Our company's relations with shareholders are coordinated by the Finance Chief Serdar AKKAŞ (Tel : 0212 385 87 00, Fax : 0212 282 50 68, e-mail : sakkas@yunsa.com) who reports to the Financial Affairs Department.

The reason for not establishing a separate unit is that we have a limited number of shareholders and requests for information. In 2007, an average of one shareholder per month contacted us about requests to which the company responded promptly.

3. Shareholders' Exercise of the Right to Information

In the event of developments of interest to the shareholders, the Capital Market Board (CMB) and Istanbul Stock Exchange (ISE) are informed promptly with a special condition report. Our company web site also includes all kinds of information shareholders may need. In addition, we also handle the limited number of information requests by telephone and give relevant information to shareholders.

Individual request by each shareholder from the general assembly to appoint a special auditor devoted to exclusive survey and clarification of a particular material case has not been set as a right in our Company's Articles of Association; and we have not received any requests from shareholders about this right.

4. Information on General Assemblies

The invitation to the General Assembly held on 30 March 2007 was announced to the shareholders with a notice in the Commercial Registry Gazette and one of the national newspapers. Shareholders representing 65.93% of the shares attended this meeting. Since all of the shares are issued in the bearer's name, there are no time limitations on registry in the stock register. There were no proposals and/or questions brought by shareholders. The results of the activities in 2006 were prepared and ready for the perusal of shareholders 15 days prior to the General Assembly; they were also sent by mail to the shareholders that requested them.

The Articles of Association does not contain a provision about the General Assembly taking decisions of importance. No need was felt for such a provision since the Board of Directors represents the will of the General Assembly.

The minutes of the General Assembly are available at www.yunsa.com .

5. Voting and Minority Rights

The Articles of Association does not envisage privileged voting rights. Shareholders have one vote per share. The Articles of Association does not include any arrangements concerning cumulative votes.

6. Profit Distribution Policy and Period

In line with the provisions of the CMB and legal regulations, the company has the tendency to distribute at least half of the profit that can be distributed. Every year, the Board of Directors prepares a profit distribution proposal based on the national and macroeconomic conditions of Turkey, projects on the company's agenda and its financial resources.

The Annual Report contained a separate section on the proposal for profit distribution which was communicated to the shareholders before the General Assembly. The said Annual Report is also available to the public at www.yunsa.com.

7. Transfer of Shares

There are no provisions contained in the Company's Articles of Association restricting the transfer of shares.

PART II – INFORMING THE PUBLIC AND TRANSPARENCY

8. Company Policy on Sharing Information

The company does not have a special policy on sharing information. The company makes its financial statements for the 3, 6, 9 and 12th months of the year public through its Internet site, CMB and ISE.

9. Special Situation Reports

The company issued 19 Special Condition Reports in 2007. Neither CMB, nor ISE requested an additional explanation about any of these reports. The company's shares are not traded in any overseas stock exchange.

10. Company's Internet Site and its Contents

The company has an Internet site with the following address:

www.yunsa.com

The company's Internet site includes the commercial registry information, the company's current shareholding and management structure, detailed information on shares, the current version of the Articles of Association along with the dates and numbers of the Commercial Registry Gazettes in which the amendments were published, special condition reports, periodic financial statements and reports, memoranda and public offering circulars, the agendas of General Assemblies, lists of participants and meeting minutes, form for proxy voting, mandatory information forms and other forms for collecting shares or powers of attorney by invitation, minutes of important Board of Directors decisions which may have an impact on the value of the Capital Market instruments, and frequently asked questions which include the information requests, questions and notices received by the company and its responses to these.

The restructuring of our website will be completed in 2008, to furnish our visitors with effective and update information.

The web site also includes information on products, production activities, human resources and international fairs that the company participated in.

The information on the Internet site is also available in English for the benefit of foreign investors.

11. Disclosing the Natural Person(s) Holding Dominant Shares

The company does not have any natural persons who hold the dominant of the shares.

12. Disclosing the Individuals who have Access to Insider's Information

The list of individuals who have access to insider's information is given in the Annual Report under the heading of Members of the Board of Directors and Top Management and is disclosed to the public with the Annual Report.

PART III – STAKEHOLDERS

13. Informing Stakeholders

The company's employees are kept informed through meetings, seminars and trainings held on their areas of expertise or on subjects of general interest.

The company's network also hosts a portal which gives the employees access to all sorts of information and documents that may be of interest to them.

14. Stakeholders' Participation in Management

The employees participate in management through periodic company meetings, the annual target setting and performance evaluation meetings and procedures such as the Proposal and

Award System, Business Evaluation and Career Management, the Contracted and Outsourced Employee Performance Management System.

Thanks to meetings and process improvement interviews with customers and suppliers, the company receives feedback to ensure its effective management and their outputs are used to contribute to the business processes.

15. Human Resources Policy

Aware of the fact that its most important asset to succeed in the changing future is its human resources, the company has the objective of maintaining a working environment where:

- The employees are proud to be a part of the company,
- The employees can manifest their creativity,
- There is an environment based on mutual trust and open communication,
- Successes are appreciated, and
- Individuals take responsibility to reach common objectives.

Therefore, the company recruits and hires its human resources, according to the principle of equal opportunity, from among individuals who have a good potential for development, are flexible and can make positive contributions to change. We offer trainings and development opportunities that contribute to our employees' personal and professional development, business efficiency and productivity. We use fair, systematic, comprehensible and measurable performance systems based on predefined criteria to evaluate the extent to which our employees reach their targets. The employees have not filed any complaints about discrimination in or before 2007.

16. Information on Relations with Customers and Suppliers

The office of the Vice President for Sales and Marketing establishes direct links with the market to reach its sales objectives in target markets, ensures the production within the plant's limits of the products and designs the market needs, and adopts flexible pricing strategies to ensure the company's survival and growth under changing market and competitive conditions. Taking into consideration the significance of personal relationships in marketing and selling fabrics, it tries to enhance and strengthen customer relations through means such as trade fairs and customer visits. It ensures the commercial confidentiality of information about costumers and suppliers and takes all sorts of measures to create harmonious working relationships.

Our mission is to establish and maintain sound and long-term purchasing relationships with suppliers, to work with suppliers who are sensitive about laws on unfair competition, other relevant laws and ethical values, to prefer working with companies that are sensitive towards issues concerning quality, cost, productivity, delivery, occupational health and safety, and environmental health.

17. Social Responsibility

Our company`s top priority in all of its activities includes health, environment and quality. The environmental policy of the company had been prepared and information regarding the policy was shared with all employees.

Our Cerkezkoy plant is granted ISO 14001 certification and also all permits and certifications obtained in compliance with the regulation is being monitored periodically.

In accordance with our ISO 14001 system, all environmental impacts of our activities are defined and necessary precautionary measures to reduce and eliminate such impacts are taken.

Yunsa, with its respect to the nature and awareness of its social responsibility, has planted a nursery with an area of 25.000 m2 at Cerkezkoy junction of Istanbul - Edirne motorway.

Our Çerkezköy plant treats its waste waters beyond legal limits in order to prevent the pollution of above- and underground waters. Yünsa's priorities include management, monitoring and measurement activities for the residential and industrial waste waters the facility generates, classifying, collecting, transporting, treating, recycling, utilization of solid wastes so that they do not harm the environment or public health, and the proper disposal of those wastes that cannot be recycled.

The company also fulfills its social responsibilities by making profit share contributions to Hacı Ömer Sabancı Foundation and by making donations to the schools, health centers, foundations and associations in Çerkezköy where our plant is, offering internship positions to approximately 75 students every year and hiring disabled individuals or ex-convicts.

There were no suits filed against the company in 2007 concerning environmental pollution.

PART IV – BOARD OF DIRECTORS

18. The Structure and Formation of the Board of Directors and the Independence of its Members

The company is managed and represented by a Board of Directors composed of 5 members elected by the General Assembly from among shareholders and in accordance with the provisions of the Turkish Commercial Code.

NAME & LAST NAME	TITLE	POSITION
Engin Ziya Tunçay	Chairman	Non-executive
Mevlüt Aydemir	Deputy Chairperson	Non-executive
Can Piyale	Member	Non-executive
Demet Çetindoğan	Member	Non-executive
Mehmet Yaşar Atacık	Member	Non-executive
Cem Çelikoğlu	General Manager	Executive

There are no rules concerning the employment of members of the Board of Directors outside the company, neither are there any limitations on such employment. The members of the Board of Directors have been given freedom by the General Assembly to execute duties and transactions in accordance with Articles 334 and 335 of the Turkish Commercial Code.

19. Qualities of the Members of the Board of Directors

In principle, qualified individuals who have extensive knowledge and skills, have a certain background and experience, are knowledgeable about the company's sector and corporate management, have gained experience by working in the private or public sectors, and preferably hold a university degree shall be nominated for and elected member of the Board of Directors.

The Articles of Association does not stipulate the minimum qualities members of the Board of Directors should have.

20. The Company's Mission, Vision and Strategic Objectives

The company's mission is to become a preferred, value-generating and leading company by adopting pioneering and competitive approaches in different areas of textiles. In addition, our vision is set forth as to grow by creating a difference in textile products and services and to become a global power.

The company's Board of Directors has knowledge about creating, approving and implementing the strategic targets adopted by top management. The monthly Board of Directors meetings enable the monitoring of target realization and of the company's performance.

21. Risk Management and Internal Control Mechanism

The Quality Assurance Department established according to our Quality Certificate carries out the company's risk management and internal control activities. The Corrective Action Procedure ensures the correction of problems and the Preventative Action Procedure takes measures before potential risks arise. In addition, the regular internal examinations carried out by the Quality Assurance Department keep all of the departments informed about these issues.

In our Company, in addition to the Audit Committee, formed by two members of the Board of Directors, there is an Internal Audit Unit. Proposing measures and practices for minimization of all internal and external risks to protect rights and interests of the Company and auditing, monitoring of such practices constitute the basic duties of this unit.

22. The Authorities and Responsibilities of the Directors and Members of the Board of Directors

The authorities and responsibilities of the Board members are explicitly laid down in the Articles of Association of our Company with references to the Turkish Commercial Code. However, the Articles of Association does not stipulate the authorities and responsibilities of the company's directors. The said authorities and responsibilities have been determined by

the company's Board of Directors.

23. The Working Principles of the Board of Directors

In 2007, the company's Board of Directors held a total of 29 meetings; 12 of these were held after obtaining one-on-one approvals and 17 after obtaining written approvals according to the provisions of the Turkish Commercial Code and the Articles of Association. The Board of Directors meets when the company's business and transactions necessitate it. However, it must meet at least once a month. The duties of the Secretariat are carried out by the Office of the Assistant General Manager for Financial Affairs. The Secretariat is responsible for information sharing and communication about meeting agendas and for preparing the meeting minutes.

In 2007, there were no dissenting opinions concerning the decisions taken by the members of the Board of Directors.

When the Board of Directors met to take decisions about issues falling under Section IV., Article 2.17.4 of the CMB Corporate Governance Principles, the active participation of members without excuses in the Board of Directors meetings has been ensured. Since the members of the Board of Directors had no questions about these issues, there is no such record in the minutes. The members of the Board of Directors are not granted weighted vote and/or veto rights on decisions concerning such issues. The members of the Board of Directors have the right to state their negative opinions in writing or orally. This right was not exercised by any of the members of the Board of Directors in meetings held in 2007.

24. Prohibition on Doing Transactions with or Competing against the Company

In 2007, the members of the Board of Directors have not done any transactions with or been involved in initiatives which may compete with the company in the same sector.

25. Ethics Rules

The ethics rules for the company and its employees were prepared and shared with all employees. The written consent forms of all employees for these ethics rules are completed. The new employees are also informed about these ethics rules. Also renewals are made by Business Ethics Compatibility Declarations once a year.

26. The Number, Structure and Independence of the Committees of the Board of Directors

The company has set up an Audit Committee in order to ensure that the Board of Directors fulfills its duties and responsibilities in a sound manner. This committee works according to its authorities and responsibilities and makes recommendations to the Board of Directors. The Audit Committee is composed of two people who are also members of the Board of Directors. There were no conflicts of interest between the committee members in 2007. Also the Internal Audit Committee has started to practice its duties, the results of which are reported directly to the Board of Directors by one of its members.

Since the Board of Directors is directly involved with the corporate governance principles and the compliance with these principles, there was no need to establish a separate committee for this purpose.

27. Financial Rights Granted to the Board of Directors

The per diems and fees of the members of the Board of Directors are determined by the General Assembly according to the Articles of Association. There is no award system which bases the financial rights of the members of the Board of Directors according to the performance of the members or of the company.

In 2007, our Company has neither lent any loan or credit to any Board Member, nor extended the terms of any loans or credits, improved the credit conditions or served any personal loan to any beneficiary through any third party and has not served any security or guarantee such as indemnity to the interest of any third party.

Ziya Engin TUNÇAY
Chairman of the Board of Directors

Mevlüt AYDEMİR
Deputy Chairperson of the Board of Directors

Demet ÇETİNDOĞAN
Member of the Board of Directors

Can PİYALE
Member of the Board of Directors

Mehmet Yaşar ATACIK
Member of the Board of Directors

Auditors' Report Summary

To the General Assembly of Yünsa Yünlü Sanayi ve Ticaret A.Ş.

Trade Name	:	Yünsa Yünlü Sanayi ve Ticaret A.Ş.
Head Office	:	İstanbul
Issued Capital	:	YTL 29,160,000.-
Business Line	:	Production of worsted line and fabric
Auditors' names, duty periods, and relations with the company	:	Cezmi KURTULUŞ, Levent DEMİRAĞ, Rıza Murat YILMAZ We are not shareholders of the company We are not the personnel of the company Our term of office is 3 years.
Number of board meetings attended and auditors' meeting held	:	6 board meetings were attended by the auditors and 6 Auditors' Meetings were held
Scope of examination conducted on the Company's records, documents, shareholder accounts and dates of examinations and related findings	:	As a result of the controls realised at the end of 3rd, 6th, 9th and 12th months, nothing that is not in accordance with the Turkish Tax Legislation and Commercial Code, was found.
Number and findings of cash inventory conducted in accordance with subparagraph 3 of paragraph 1 of Article 353 of the Turkish Commercial Code	:	It is found that the results of 4 cash inventories are in line with the records.
Dates and findings of audits in accordance with subparagraph 4 of paragraph 1 of Article 353 of Turkish Commercial Code	:	Examinations conducted every last working day of each month revealed that existing documents are in line with the records.
Irregularities and complaints noted and measures taken	:	There are no complaints or irregularities.

We have examined the records and transactions of YÜNSA YÜNLÜ SANAYİ ve TİCARET A.Ş. for the period 01.01.2007 – 31.12.2007 in accordance with generally accepted accounting principles, the Turkish Commercial Code, the Articles of Association of the Company and other related regulations.

In our opinion, the accompanying balance sheet as of December 31, 2007 fairly represents the financial position of the company at this date and the income statement for the period 01.01.2007 – 31.12.2007 reflects the accurate results of operations.

We, hereby, submit the balance sheet and the ratification of the actions of Board of Directors to the approval of the General Assembly.

AUDITORS' COMMITTEE

Cezmi KURTULUŞ   Levent DEMİRAĞ   Rıza Murat YILMAZ

Profit Distribution Policy

In line with the provisions of the CMB and legal regulations, the company has the tendency to distribute at least 50% of the profit that can be distributed. Every year, the Board of Directors prepares a profit distribution proposal based on the national and macroeconomic conditions of Turkey, projects on the company's agenda and its financial resources.

Proposal for Profit Distribution

The distribution chart of our profit which was calculated by abstracting taxes, and first group of statutory reserves from our profit for the term 01.01.2007 – 31.12.2007 and prepared in accordance with the Article 30 of Articles of Association, is given below:

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

Profit Distribution Chart of the Year 2007 (in YTL)

A. DISTRIBUTION OF TERM PROFIT	
1. Term profit	**4.115.232**
2. Taxes payable	**(1.546.371)**
3. First group of statutory reserves	**(339.068)**
B. DISTRIBUTABLE NET TERM PROFIT	**2.229.793**
4. First dividend to shareholders	**-**
5. Second dividend to shareholders	**-**
6. Second group of statutory reserves	**-**
7. Extraordinary reserves	**(2.229.793)**

The Board of Directors hereby submits and requests resolution for segregation as extraordinary reserves.

Chairman of the Board of Directors
Ziya Engin TUNÇAY

Cem ÇELİKOĞLU

General Manager

Born in 1962, he graduated from METU Faculty of Administrative Sciences, International Relations Department. He has been working in our company since 17.12.1987 and was appointed as the General Manager of the company on 01.12.2002.

Semih UTKU

Assistant General Manager
(Finance)

Born in 1962, he graduated from University of Baltimore with a BS degree in Business Administration-Finance. He has joined our company on 01.06.1999 and has been appointed to his current position on 01.01.2000.

Derya KINIK

Assistant General Manager
(Technical)

Born in 1957. He graduated from Manchester University with BS and MS degrees in Textile Engineering. He has joined our company on 01.04.1999 and been appointed to his current position on 01.05.2000.

Hakan DEĞİRMENCİ

Assistant General Manager
(Marketing and Sales)

Born in 1965. He graduated from Middle East Technical University, Faculty of Administrative Sciences and has been working for the company since 17.12.1990. He was appointed to his current position on 01.01.2004.

Mehmet Emin ÇİĞDEM

Technical Coordination Director

Born in 1952, graduated from Istanbul Technical University, Faculty of Electronics and Communications Engineering. He has been working in our company since 17.02.1981 and was appointed to his current position on 20.01.2003.

Top Management

Muhterem BAHÇIVANOĞLU

(Production Planning Manager)

Born in 1958. He graduated from the Istanbul University, Faculty of Economics. He has been working for the company since 03.10.1984 and was appointed to his current position on 01.03.1995.

Ercan ÖZDEMİR

(Production and Product Management Manager)

Born in 1959. He graduated from the Marmara University, Faculty of Fine Arts. He joined our company in 01.09.1987 and was appointed to his current position on 01.04.2004.

D. Hakan AYDINLIK

(Chief Designer-Men's Fabric)

Born in 1965. He graduated from the Marmara University, Faculty of Fine Arts. He has been working for the company since 03.07.1989 and was appointed to his current position on 01.12.1997.

Tarkan AYDIN

(Chief Designer-Ladies'Fabric)

Born in 1967. He graduated from the Marmara University, Faculty of Fine Arts. He has been working for the company since 01.12.1997.

Mehmet Kemal AKIN

(Spinning and Weaving Manager)

Born in 1967. He graduated from Ege University, Textile Engineering. He has joined our company in 01.10.1990 and was appointed to his current position on 10.11.2005.

Muhammet EKEN

(Yarn Manager)

Born in 1968. He graduated from Istanbul Technical University, Textile Engineering with BS degree and from Victoria University of Manchester Textile Tech. with MS degree. He has joined our company on 15.06.1995 and was appointed to his current position on 10.11.2005.

Necdet ATMACAN

(Accounting and Finance Manager)

Born in 1951. He graduated from i li School of Political Sciences. He has been working for the company since 01.08.1982 and was appointed to his current position on 22.05.2001.

Melik ERDİNÇ

(Purchasing Manager)

Born in 1970. He graduated from Istanbul University, Faculty of Business Administration. He received further education in Finance - Management at Fairleigh Dickinson University, from where he received his master's degree. He has joined our company on 26.07.1999 and was appointed to his current position on 01.01.2003.

Birol KANTUR

(Marketing Manager - Domestic Market and Uniform Fabric)

Born in 1973. He graduated from Istanbul University, Economics Department. He received his master's degree from NY Business Institute of Technology. He has joined our company in 01.12.1999 and was appointed to his current position on 01.06.2004.

Bora BİRGİN

(Marketing Manager - Export - Men's Fabric)

Born in 1973. He graduated from University of Nottingham, Industrial Economics Department. He received his master's degree at UMIST. He has been working in the company since 19.03.1998 and was appointed to his current position on 01.06.2004.

ZEYNEP ÇELİKOĞLU

(Marketing Manager - Ladies' Fabric)

Born in 1972, she graduated from Marmara University, Faculty of Business Administration. She has joined our company on 04.05.1998 and was appointed to her current position on 01.06.2004.

Erdal IHLAMUR

(Finishing Manager)

Born in 1949. He graduated from Yıldız Technical University, Chemical Engineering Department. He has worked for our company between 01.05.1985 - 16.02.1998. He joined us back in 25.10.2005 and was appointed to his current position on 01.05.2006.

Gürhan AKINCIOĞLU

(Dyeing Manager)

Born in 1971. He graduated from Trakya University, Chemistry Department. He has been working in our company since 16.09.1996 and was appointed to his current position on 29.12.2006.

Murat YILDIRIM

(Quality Control Manager)

Born in 1968. He graduated from Uludag University, Textile Engineering Department. He has been working in our company since 19.07.1993 and was appointed to his current position on 01.05.2006.

Tamer TOK

(Human Resources Manager)

Born in 1967. He graduated from Ankara University Faculty of Political Sciences, Business Administration Department. He has been working in our company since 01.04.1996 and was appointed to his current position on 29.12.2006.


YÜNSA

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

Consolidated Financial Statements for the Year Ended 31 December 2007
Together with Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Yünsa Yünlü Sanayi ve Ticaret A.Ş.

1. We have audited the accompanying consolidated financial statements of Yünsa Yünlü Sanayi ve Ticaret A.Ş. and its subsidiary (the "Group") which comprise the consolidated balance sheet as of 31 December 2007 and the related consolidated statement of income, consolidated statement of changes in shareholders' 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 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 auditing standards issued by the CMB. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing independent audit techniques to obtain audit evidence about the amounts and disclosures in the financial statements. The techniques selected depend on the auditor's judgement, 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 in 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 Yünsa Yünlü Sanayi ve Ticaret A.Ş. as of 31 December 2007, 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 accounting principles described in Notes 2 and 3 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005, measurement principles and disclosure requirements for retirement benefits and presentation of basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations of the Group in accordance with IFRS.

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

Gökhan Yüksel, SMMM
Partner
Istanbul, March 17, 2008

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

Consolidated Balance Sheets at 31 December 2007 and 2006

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

	Notes	2007	2006
ASSETS			
Current assets:		**109.171.516**	**95.905.684**
Cash and cash equivalents	4	533.251	3.994.462
Trade receivables (net)	7	22.438.229	23.419.019
Due from related parties (net)	9	28.412.285	29.018.915
Other receivables (net)	10	653.297	372.061
Inventories (net)	12	54.360.966	37.610.857
Other current assets	15	2.773.488	1.490.370
Non-current assets:		**66.776.401**	**49.503.491**
Financial assets (net)	16	791.035	783.025
Property, plant and equipment (net)	19	63.343.840	47.068.481
Intangible assets (net)	20	456.624	164.155
Deferred income tax assets	14	1.727.437	1.487.767
Other non-current assets	15	457.465	63
Total assets		**175.947.917**	**145.409.175**
LIABILITIES			
Current liabilities:		**94.062.795**	**66.199.765**
Short-term borrowings (net)	6	71.333.356	50.164.433
Trade payables (net)	7	17.770.469	12.392.287
Due to related parties (net)	9	693.783	762.856
Advances received	21	410.138	10.845
Provisions	23	750.810	337.994
Other current liabilities (net)	10	3.104.239	2.531.350
Non-current liabilities:		**4.395.142**	**3.932.584**
Provisions	23	4.395.142	3.932.584
Minority Interest	**24**	**5.038.893**	**-**
Shareholders' Equity		**72.451.087**	**75.276.826**
Share capital	**25**	**29.160.000**	**29.160.000**
Capital reserves	**26**	**30.753.885**	**30.753.885**
Share premium		2.319	2.319
Inflation adjustment to shareholders' equity		30.751.566	30.751.566
Profit reserves	**27**	**9.968.341**	**3.960.705**
Legal reserves		2.335.436	1.314.590
Extraordinary reserves		7.632.905	2.646.115
Net income for the year		**2.568.861**	**11.402.236**
Total shareholders' equity and liabilities		**175.947.917**	**145.409.175**

These consolidated financial statements were approved by the Board of Directors for issue on March 17, 2008.

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

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

Consolidated Statements of Income for the Years Ended 31 December 2007 and 2006

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

	Notes	2007	2006
Revenue		**40.847.909**	**37.888.138**
Net sales	33, 36	164.247.222	133.540.590
Cost of sales	33, 36	(123.399.313)	(95.652.452)
Gross operating profit		**40.847.909**	**37.888.138**
Operating expenses	33, 37	(30.570.791)	(20.805.083)
Net operating profit		**10.277.118**	**17.083.055**
Other income	38	1.841.135	881.940
Other expenses	38	(2.257.997)	(837.858)
Financial expenses (net)	39	(7.049.996)	(1.928.170)
Income before monetary gain/ loss, taxes and minority interest		**2.810.260**	**15.198.967**
Minority interest	**24**	**1.304.972**	**-**
Income before tax		**4.115.232**	**15.198.967**
Taxes on income	41	(1.546.371)	(3.796.731)
Net income		**2.568.861**	**11.402.236**
Earnings per share (YKr)	42	0,088	0,391

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

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended 31 December 2007 and 2006

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

	Share capital	Share premium	Inflation adjustment to shareholders' equity	Legal Reserves	Extraordinary Reserves	Net income for the period	Shareholder's equity
Balances at 1 January 2006	**29.160.000**	**2.319**	**30.751.566**	**482.497**	**2.576.682**	**6.733.526**	**69.706.590**
Transfers	-	-	-	832.093	69.433	(901.526)	-
Dividends paid	-	-	-	-	-	(5.832.000)	(5.832.000)
Net income for the period	-	-	-	-	-	11.402.236	11.402.236
Balances at 31 December 2006	**29.160.000**	**2.319**	**30.751.566**	**1.314.590**	**2.646.115**	**11.402.236**	**75.276.826**
Balances at 1 January 2007	**29.160.000**	**2.319**	**30.751.566**	**1.314.590**	**2.646.115**	**11.402.236**	**75.276.826**
Transfers	-	-	-	1.020.846	4.986.790	(6.007.636)	-
Dividends paid	-	-	-	-	-	(5.394.600)	(5.394.600)
Net income for the period	-	-	-	-	-	2.568.861	2.568.861
Balances at 31 December 2007	**29.160.000**	**2.319**	**30.751.566**	**2.335.436**	**7.632.905**	**2.568.861**	**72.451.087**

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

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

Consolidated Statements of Cash Flows for the Years Ended 31 December 2007 and 2006

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

	Notes	2007	2006
Operating activities:			
Net income for the period		2.568.861	11.402.236
Adjustments to reconcile net cash provided from operating activities to net income for the period:			
Minority interest	24	(1.304.972)	-
Depreciation and amortisation	19-20	7.208.033	6.587.037
Taxes on income		1.546.371	3.796.731
Provision for employement termination benefits	23	1.113.811	1.343.828
Other provisions	23	750.810	-
Interest income	39	(754.517)	(1.850.887)
Interest expense	39	7.122.727	4.707.365
Gain from sales of tangible and intangible assets (net)	38	(182.425)	(113.700)
Net gain from sales of financial assets	16	(3.557)	-
Net cash provided by operating activities before changes in operating asstes and liabilitties:		**18.065.142**	**25.872.610**
Trade receivable		4.680.579	(4.003.564)
Due from related parties		606.630	(6.143.858)
Inventories		(7.348.856)	(1.653.623)
Other current assets		(1.109.706)	(85.320)
Other non-current assets		(8.907)	-
Trade payables		(4.665.606)	726.337
Due to related parties		(69.073)	408.940
Other current liabilities		(582.221)	(986.748)
Taxes paid		(2.259.091)	(2.869.154)
Employment termination benefits paid		(790.339)	(1.255.749)
Net cash provided from operating activities		**6.518.552**	**10.009.871**
Investing activities			
Purchase of tangible assets	19	(22.329.774)	(8.820.908)
Purchase of intangible assets	20	(473.983)	(38.661)
Proceeds from sale of tangible assets		401.104	113.700
Proceeds from sale of financial assets	16	14.255	-
Cash outflow on acquisition of financial assets		(18.708)	-
Capital contribution of minority interest on establishment of subsidiary		6.830.762	-
Interest received		754.517	1.850.887
Net cash used in investing activities		**(14.821.827)**	**(6.894.982)**
Financing activities			
Proceeds from bank borrowings (net)		16.921.183	11.125.916
Dividends paid		(5.394.600)	(5.832.000)
Interest paid		(6.684.519)	(4.607.340)
Net cash provided from financing activities		**4.842.064**	**686.576**
Net (decrease)/increase in cash and cash equivalents		(3.461.211)	3.801.465
Cash and cash equivalents at the beginning of the period		**3.994.462**	**192.997**
Cash and cash equivalents at the end of the period	**4**	**533.251**	**3.994.462**

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

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Yünsa" or the "Company") was established on 21 July 1973. The main operation of the Company is production and marketing of woolen textile products. The main shareholder of the Company is Hacı Ömer Sabancı Holding (Note 25) and the shares of the Company are publicly traded in the Istanbul Stock Exchange.

The Company is registered in Turkey and the address of the registered office is as follows:

Sabancı Center
Kule 2 34330, 4.Levent
ISTANBUL

Subsidiary

On 25 January 2007, Yünsa established SKT Giyim Sanayi ve Ticaret A.Ş. by contributing a nominal capital amounting to TRY14.615.900 corresponding to the 69,99% of total shares (Note 32). The nature of business of the Subsidiary is as follows:

Subsidiary	Nature of Business	Industrial Segment
SKT Giyim Sanayi ve Ticaret A.Ş. ("SKT Giyim")	Textile	Confection

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting standards

The consolidated financial statements of the Company have been prepared in accordance with the accounting and reporting principles published by the Capital Markets Board ("CMB"), namely "CMB Financial Reporting 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 was 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 Financial Reporting 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 Financial Reporting Standards. Accordingly, International Accounting Standard ("IAS") 29 ("Financial Reporting in Hyperinflationary Economies") issued by the IASB, has not been applied in consolidated financial statements for the accounting periods commencing from 1 January 2005.

The 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 with the announcement dated 10 December 2004.

The consolidated financial statements are prepared in New Turkish lira ("TRY") based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

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

2.2 Group accounting

a) The consolidated financial statements include the accounts of the parent company, Yünsa Yünlü Sanayi ve Ticaret A.Ş., and its subsidiary (the "Group") on the basis set out in sections (b) to (d) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards as stated in Note 2.1. The results of operations of Subsidiaries are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale, respectively.

b) Subsidiaries are companies in which the Company has power to control the financial and operating policies for the benefit of the Company, 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 using rights, through the exercise of actual dominant influence over the financial and operating policies.

The table below sets out subsidiary included in the scope of consolidation and shows its direct and indirect ownership, which are identical to their economic interests, at year ended 31 December 2007:

Subsidiary	Direct and indirect ownership by the Group (%)	Proportion of effective interest (%)
SKT Giyim	69,99	69,99

The balance sheet and statement of income of the Subsidiary are consolidated on a line-by-line basis and the carrying value of the investment held by Group is eliminated against the related shareholders' equity. Intercompany transactions and balances between Yünsa and its Subsidiary are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Yünsa in its Subsidiary are eliminated from shareholders' equity and income for the period, respectively.

The Group has shareholding percentage of 100% in Exsa Deutschland Gmbh, Yünsa Italia SRL, Yünsa UK Limited, and 70% in S.K.T. Polska. These companies are not consolidated due to the insignificance of their combined impact on the net worth, financial position and results of the Group, and are carried at cost at 31 December 2007.

c) Investments in which the Group has interest below 20%, and do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

d) The results of subsidiaries are included or excluded from consolidation regarding to their effective dates of acquisition and disposal, respectively.

The portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through the subsidiaries, by the parents, is presented as minority interest.

2.3 Comparatives and restatement of prior period financial statements

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

2.4 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 recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.5 Significant accounting estimations and decisions

Preparation of the consolidated financial statements in accordance with CMB Financial Reporting Standards necessitates the usage of estimations and assumptions that can affect amounts of reported assets and liabilities as of balance sheet date, the explanation for the contingent assets and liabilities and income and expenses reported during the accounting period. Although these estimations and assumptions are based on the best judgement of the Group management related with the current conditions and transactions, actual results may differ from these estimations.

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

The accounting principles described in Note 2 to the consolidated financial statements (defined as "CMB Financial Reporting Standards") differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005 and presentation of basic financial statements and the notes to them. Accordingly, these consolidated 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 applied in the preparation of the consolidated financial statements are summarised below:

a) Related parties

For the purpose of these consolidated financial statements, shareholders, key management personel 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 Group are considered and referred to as related parties (Note 9).

b) Cash and cash equivalents

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

c) Trade 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. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

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 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.

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

d) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount for factory overheads. The cost of inventories is determined on the moving average basis for each purchase. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

e) Financial assets

Investments 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 investments at the time of the purchase and re-evaluates such designation on a regular basis.

All financial assets are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associates with the investment. After initial recognition, financial assets that are classified as available-for-sale are measured at fair value unless fair value cannot be reliably measured.

Other financial assets in which the Group has interest below 20%, that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost, if applicable, less any provision for impairment. Available for sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value.

In accordance with the revised IAS 39 "Financial Instruments", unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are deferred in the equity until the financial asset is sold, collected or otherwise disposed of. When available for sale financial assets are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement. For the periods presented in the accompanying consolidated financial statements there is no fair value reserve.

f) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any. Depreciation is provided on property, plant and equipment using the straight-line method based on the estimated useful lives of the assets (Note 19). Land is not depreciated since it has indefinite useful life but its carrying amount is reviewed annually and adjusted for impairment where it is considered necessary. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

	Years
Land improvements	10-25
Buildings	25-50
Machinery and equipment	4-12
Vehicles	5
Fixtures	3-10
Special costs	5

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset.

Expenses for the repair of property, plant and equipment are normally charged against income. They are, however, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

g) Intangible assets

Intangible assets comprise of acquired information systems, trademarks and software. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 20).

h) Borrowing cost

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

International Accounting Standard No 23 "Borrowing Costs" was revised on 29 March 2007 by the IASB. The revised IAS 23 is effective from 1 January 2009, yet voluntary early transition to the application right is reserved. The Company opted for early adoption and changed its accounting policy, choosing the policy envisaged in IAS 23 related to borrowing costs at 1 January 2007. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred (Note 6).

i) Taxes on income

Taxes on income for the period comprise of current tax and the change in deferred taxes. Current year tax liability consists of the taxes calculated over the taxable portion of the current year income by reference to corporate income tax rates enacted as of the balance sheet date and adjustments provided for the previous years' income tax liabilities.

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.

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 and are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities (Note 14).

j) Employment termination benefits

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 23).

k) Foreign currency transactions

Transactions in foreign currencies 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 TRY at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statement of income.

l) Revenue recognition

Revenues are recognised on an accrual basis at the fair values incurred or to be incurred when the goods or services are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the Group. Net sales represent the fair value of goods shipped less sales discounts and commissions and excluding sales taxes.

Retail sales are made in exchange for cash or credit card receipts. Recorded sales represent gross amounts including credit card transaction fees.

Other revenues earned by the Group are recognised on the following bases:
Royalty and rental income- on an accrual basis.
Interest income- on an effective yield basis.
Dividend income- when the Group's right to receive payment is established.

m) Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

n) Provisions

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

o) Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are treated as contingent assets or liabilities and not included in the financial statements (Note 31).

p) Financial risk management

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

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

Market risk

Foreign exchange risk

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

As of 31 December 2007, had US Dollars had strengthened/weakened by 10% against TRY, ceteris paribus, profit before tax would have been lower/higher by TRY2.410.216 (2006: TRY2.105.313), mainly as a result of foreign exchange losses/gains on the translation of the foreign currency denominated assets and liabilities.

As of 31 December 2007, had Euro had strengthened/weakened by 10% against TRY, ceteris paribus, profit before tax would have been lower/higher by TRY583.609 (2006: 146.503), mainly as a result of foreign exchange losses/gains on the translation of the foreign currency denominated assets and liabilities.

As of 31 December 2007, had Sterling had strengthened/weakened by 10% against TRY, ceteris paribus, profit before tax would have been lower/higher by TRY107.771 (2006: 30.478), mainly as a result of foreign exchange losses/gains on the translation of the foreign currency denominated assets and liabilities.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The company manages its not used cash on hand by time deposits. Income, other than not used cash on hand, and cash flows from operations are considerably free from market interest rate changes. The interest risk of the company arises from fixed rate short term borrowings.To keep this exposure at a minimum level, the Group tries to borrow at the most suitable rates.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Group aims at maintaining flexibility in funding by keeping committed credit lines available. The maturities of the borrowings of the Group are less than a year.

Funding risk

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

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group performs the major portion of banking transactions through Akbank T.A.Ş ("Akbank"). The Group works with other banks to drive well the payment and collection relationship with the customers and suppliers. As of balance sheet dates significant bank balances were as follows:

	2007	**2006**
Akbank (Note 9)	473.367	3.988.514
Other	26.977	4.700
	500.344	3.993.214

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

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital like the other companies in the same sector on the basis of net liability / invested capital. This ratio is calculated by dividing total net liability to invested capital. Net liability is calculated as the total liability less cash and cash equivalents (including borrowings, trade payables and other payables). Total invested capital is calculated as the total of equity and net liability.

The net liability/invested capital ratios at 31 December 2007 and 2006 are as follows:

	2007	**2006**
Total liability	98.457.937	70.132.349
Cash and cash equivalents	(533.251)	(3.994.462)
Net liability	97.924.686	66.137.887
Total invested capital	72.451.087	75.276.826
Total equity	170.375.773	141.414.713
Net liability/invested capital	%57	%47

Fair value of financial assets and liabilities

Fair value is the amount at which a financial asset or liability 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 assets and liabilities have been determined by the Group using available market information and appropriate valuation methodologies. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group can realize 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 values.

The carrying values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective fair 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 bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.
Trading liabilities have been estimated at their fair values.

r) 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 year concerned.

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

In Turkey, companies can increase their share capital by ("Bonus Shares") by the previous year income. For the purpose of earnings per share computations, such Bonus Shares 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. There is no difference between basis and comparative earnings per share for all the periods.

s) Reporting of cash flows

Consolidated statements of cash flows are reported by presenting cash flows from operating, investing and financing activities separately.

Cash flows from operating activities are the cash flows from Group's principal revenue-producing activities.

Cash flows from investing activities are the cash flows from Group's acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Cash flows from financing activities are the cash flows from Group's changes in the size and composition of the contributed equity and borrowings.

Cash and cash equivalents include cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within 3 months.

t) Segment reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has selected business segments as the Group's primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise's risks and returns (Note 33).

NOTE 4 - CASH AND CASH EQUIVALENTS

	2007	2006
Bank		
- demand deposits	500.344	972.282
- time deposits	-	3.020.932
Other	32.907	1.248
	533.251	**3.994.462**

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

NOTE 5 - MARKETABLE SECURITIES

None (31 December 2006: None).

NOTE 6 - BORROWINGS

	2007		2006	
	Yearly weighted average effective interest rate %	TRY	Yearly weighted average effective interest rate %	TRY
Short-term bank borrowings:				
TRY denominated	15,19	24.769.546	14,50	7.000.000
Euro denominated	5,07	21.240.684	4,37	17.718.855
USD denominated	5,71	19.067.304	6,36	18.645.284
Sterling denominated	7,38	5.303.052	6,08	6.285.732
		70.380.586		49.649.871
Interest accrued		952.770		514.562
		71.333.356		**50.164.433**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables:	**2007**	**2006**
Trade receivables	23.476.858	23.977.014
Notes receivables	107.930	355.000
	23.584.788	**24.332.014**
Less: Unearned credit finance income (-)	(658.283)	(593.423)
Less: Provision for doubtful receivables (-)	(488.276)	(319.572)
Trade receivables, net	**22.438.229**	**23.419.019**

As of 31 December 2007, TRY948.858 of trade receivables consist of credit card slip receivables with maturities less than 3 months (2006: None).

Trade receivables generally have maturities less than 4 months (2006: Less than 4 months), and as of 31 December 2007, TRY, USD and Euro denominated trade receivables are discounted with annual average interest rates of 15,55%, 4,64% and 4,63%, (2006: 15,59%, 5,36%, 3,91%) respectively.

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

Movements in provision for doubtful receivables are as follows:

	2007	**2006**
Balances at 1 January	319.572	319.572
Charged to the income statement	184.704	-
Collections	(16.000)	-
Balances at 31 December	**488.276**	**319.572**

Short-term trade payables:	**2007**	**2006**
Payables to foreign suppliers	11.735.213	9.379.896
Payables to domestic suppliers	5.305.917	1.967.522
Service payables	1.260.600	1.305.253
	18.301.730	12.652.671
Less: Unincurned credit finance charges (-)	(531.261)	(260.384)
	17.770.469	**12.392.287**

Trade payables generally have maturities less than 1 month (2006: Less than 1 month), and as of 31 December 2007, TRY, USD, Euro and GBP denominated trade payables are discounted with annual average interest rates of 15,59%, 4,69%, 4,69%, and 5,99% (2006: 19,95%, 5,36%, 3,72%, and 5,32%) respectively.

NOTE 8 - FINANCIAL LEASING RECEIVABLES AND PAYABLES

None (2006: None).

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

NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES

a) Due from related parties:	**2007**	**2006**
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	28.394.304	28.936.596
Musa Moris Basmacı	361.303	-
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	109.385	475.027
Exsa Americas Inc.	35.145	57.104
Hacı Ömer Sabancı Holding A.Ş.	-	15.252
	28.900.137	29.483.979
Less: Unearned credit finance income (-)	(487.852)	(465.064)
	28.412.285	**29.018.915**

Due from related parties generally have maturities less than 4 months (2006: Less than 4 months), and as of 31 December 2007, TRY, USD, Euro and GBP denominated due from related parties are discounted with annual average interest rates of 15,28%, 4,65%, 4,70%, and 5,97% (2006: 17,97%, 5,52%, 3,13%, and 4,78%) respectively.

b) Due to related parties:	**2007**	**2006**
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	537.317	337.546
Advansa Sasa Polyester Sanayi A.Ş.	76.125	327.722
Ak Sigorta A.Ş.	34.593	48.610
Hacı Ömer Sabancı Holding A.Ş.	24.915	13.604
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	24.654	25.508
Universal Trading (Jersey) Ltd.	15.023	39.531
Sabancı University	5.126	-
Sabancı Telekomünikasyon Hizmetleri A.Ş.	2.692	1.757
Teknosa İç ve Dış Ticaret A.Ş.	600	-
Exsa UK Limited	128	2.286
	721.173	796.564
Unincurned credit finance charges (-)	(27.390)	(33.708)
	693.783	**762.856**

Due to related parties generally have maturities less than 1 month (2006: Less than 1 month), and as of 31 December 2007, TRY, USD, Euro and GBP denominated due to related parties are discounted with annual average interest rates of 15,47%, 4,69%, 4,69%, and 5,99% (2006: 17,00%, 5,56%, 3,72%, and 5,32%) respectively.

c) Bank deposits:	**2007**	**2006**
Akbank T.A.Ş.		
demand deposits	473.367	967.582
time deposits	-	3.020.932
	473.367	**3.988.514**

d) Bank borrowings:	**2007**	**2006**
Akbank T.A.Ş.	18.643.641	17.128.692
	18.643.641	**17.128.692**

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

	2007	**2006**
e) Sales to related parties:		
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	93.509.249	86.562.453
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	783.573	714.011
Exsa Americas Inc.	63.053	-
Hacı Ömer Sabancı Holding A.Ş.	-	25.516
Advansa Sasa Polyester Sanayi A.Ş.	-	1.803
	94.355.875	**87.303.783**
f) Product purchases from related parties:		
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	1.287.408	444.739
Advansa Sasa Dupont Sabancı Polyester Sanayi A.Ş.	1.042.107	1.285.687
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	520.732	720.868
	2.850.247	**2.451.294**
g) Service purchases from related parties:		
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	6.896.185	6.979.199
Aksigorta A.Ş.	624.527	540.434
Hacı Ömer Sabancı Holding A.Ş.	369.575	413.738
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	331.423	-
Sabancı University	293.468	1.765
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	68.351	121.939
Sabancı Telekomünikasyon Hizmetleri A.Ş.	46.712	62.320
Exsa UK Limited	41.168	51.099
Teknosa İç ve Dış Ticaret A.Ş.	738	678
Exsa Americas Inc.	-	72.619
	8.672.147	**8.243.791**
h) Purchases of property, plant and equipment from related parties:		
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	135.510	81.688
	135.510	**81.688**

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

	2007	2006
ı) Sales of property, plant and equipment to related parties:		
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	-	69.900
	-	**69.900**
i) Other income:		
Aksigorta A.Ş.	54.341	57.179
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	23.954	-
Enerjisa Enerji Üretim A.Ş.	3.586	-
	81.881	**57.179**
j) Interest income and foreign exchange gains:		
Akbank T.A.Ş.	3.179.793	3.801.111
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	1.126.668	4.484.899
Advansa Sasa Polyester Sanayi A.Ş.	33.575	34.183
Bossa Ticaret ve Sanayi İşletmeleri T.A.Ş.	18.828	-
Aksigorta A.Ş.	14.031	145
	4.372.895	**8.320.338**
k) Interest expenses and foreign exchange losses:		
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	6.212.719	1.848.678
Akbank T.A.Ş.	2.761.954	11.297.872
Advansa Sasa Polyester Sanayi A.Ş.	3.848	69.516
Sabancı University	1.040	-
Bossa Ticaret ve Sanayi İşletmeleri T.A.Ş.	649	3.978
Exsa Americas Inc.	405	-
Universal Trading Ltd	-	6.163
Aksigorta A.Ş.	-	483
	8.980.615	**13.226.690**
l) Other expenses:		
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	38.982	57.056
	38.982	**57.056**

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

m) Rent expenses:	**2007**	**2006**
Hacı Ömer Sabancı Holding A.Ş.	268.963	292.483
Bossa Ticaret ve Sanayi İşletmeleri A.Ş.	250.000	-
	518.963	**292.483**

n) Remunerations (and other benefits) paid to the board of directors and the top management personel are TRY2.226.029 (2006: TRY1.430.925).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other Receivables	**2007**	**2006**
Work advances	523.999	235.136
Receivable from personnel	92.980	87.473
Other	36.318	49.452
	653.297	**372.061**

Other Payables	**2007**	**2006**
Payables to personnel	1.203.362	695.048
Taxes and funds payable	973.733	724.957
Social security withholding payables	880.624	1.063.189
Other	46.520	48.156
	3.104.239	**2.531.350**

NOTE 11 - BIOLOGICAL ASSETS

None (2006: None).

NOTE 12 - INVENTORIES

	2007	**2006**
Raw materials	4.116.433	5.634.740
Semi-finished goods	15.956.907	15.240.820
Finished goods	19.711.803	6.836.655
Trade goods	2.727.395	184.813
Inventory advances	11.661.187	9.486.289
Other inventories	187.241	227.540
	54.360.966	**37.610.857**

The total amount of inventory expensed and included in the cost of goods sold for the year ended 31 December 2007 is TRY 76.729.852 (2006: TRY 58.386.718).

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

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

None (2006: None).

NOTE 14 - DEFERRED INCOME TAX ASSETS AND LIABILITIES

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Financial Reporting Standards and their statutory tax financial statements.

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20% (2006: 20%).

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2007 and 2006 using the enacted tax rates, is as follows:

	Cumulative temporary differences		**Deferred income tax assets/(liabilities)**	
	2007	**2006**	**2007**	**2006**
Property, plant and equipment and intangible assets	(2.235.753)	(2.934.424)	447.151	586.885
Inventories	83.271	186.894	(16.654)	(37.379)
Provision for employment termination benefits	(4.395.142)	(3.932.584)	879.028	786.517
Other provisions	(750.810)	-	150.162	-
Unearned credit finance income (net)	(587.484)	(758.722)	117.497	151.744
Inventory profit elimination	(751.265)	-	150.253	-
Deferred income tax assets- net			**1.727.437**	**1.487.767**

	2007	**2006**
Deferred income tax assets to be realized after one year	**1.326.179**	**1.373.402**

Movements in deferred income taxes can be analysed as follows:

	2007	**2006**
Balances at 1 January	**1.487.767**	**2.077.350**
Establishment of Subsidiary	(66.449)	-
Deferred tax income/(expense) for the period-net (Note 41)	306.119	(589.583)
Balances at 31 December	**1.727.437**	**1.487.767**

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

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

Other Current Assets	2007	2006
Value added tax recoverable	1.310.728	1.308.146
Deferred value added tax	709.866	-
Prepaid expenses	503.223	182.224
Corporate tax receivable (*)	68.608	-
Other	181.063	-
	2.773.488	**1.490.370**

(*) Corporate tax receivable is the exceeding portion of prepaid taxes paid by Group in 2007 from corporate tax payable as of 31 December 2007 (Note 41).

Other Non Current Liabilities	2007	2006
Advances (*)	456.610	-
Prepaid expenses	855	63
	457.465	**63**

(*) SKT Giyim, the subsidiary of the Group, paid TRY 456.610 for the purchase of 50% the shares of Company Limited Men's Merit located at 198095 St.Petersburg Ploschit Stachek No.9 St.Petersburg, in order to perform effective market research, and to efficiently perform selling and marketing activities in Russia and nearby European countries. The acquisition was not finalized as of the issue date of these consolidated financial statements.

NOTE 16 - FINANCIAL ASSETS

	2007		2006	
	(%)	TRY	(%)	TRY
Exsa Deutschland Gmbh **(*)**	100	661.350	100	661.350
Yünsa Italia SRL **(*)**	100	110.977	100	110.977
Enerjisa Enerji Üretim A.Ş. **(**)**	-	-	-	10.698
S.K.T. Polska **(*)**	70	16.257	-	-
Yünsa UK Limited **(*)**	100	2.451	-	-
		791.035		**783.025**

(*) These companies are not consolidated due to the insignificance of their combined impact on the net worth, financial position and results of the Group, and are carried at cost at 31 December 2007.

(**) The Group sold the shares of Enerjisa Enerji Üretim A.Ş. in May 2007 for a consideration of TRY 14.255 and accounted for a gain of TRY 3.557.

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

NOTE 17 - GOODWILL / NEGATIVE GOODWILL

None (2006: None).

NOTE 18 - INVESTMENT PROPERTY

None (2006: None).

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment within the period is as follows:

	1 January 2007	Additions	Establishment of Subsidiary	Disposal	Transfers	31 December 2007
Cost:						
Land	482.197	-	-	-	-	482.197
Land improvements	5.531.516	491.768	-	-	-	6.023.284
Buildings	36.692.543	12.898.311	-	-	-	49.590.854
Machinery and equipment	143.367.656	3.731.614	1.286.221	(498.186)	1.566.683	149.453.988
Motor vehicles	1.067.161	631	167.301	(742.056)	-	493.037
Furniture and fixtures	3.193.854	727.340	350.132	(900)	-	4.270.426
Other tangible assets	741.749	2.187.834	277.393	-	-	3.206.976
Advances given and construction in progress	1.837.135	2.292.276	-	-	(1.566.683)	2.562.728
	192.913.811	**22.329.774**	**2.081.047**	**(1.241.142)**	**-**	**216.083.490**
Accumulated depreciation:						
Land improvements	(5.152.265)	(65.406)	-	-	-	(5.217.671)
Buildings	(17.776.850)	(1.414.210)	(20.449)	-	-	(19.211.509)
Machinery and equipment	(118.846.881)	(4.962.036)	(448.547)	498.170	-	(123.759.294)
Motor vehicles	(688.796)	(199.623)	(59.412)	523.392	-	(424.439)
Furniture and fixtures	(2.638.789)	(216.848)	(261.293)	900	-	(3.116.030)
Other tangible assets	(741.749)	(167.161)	(101.797)	-	-	(1.010.707)
	(145.845.330)	**(7.025.284)**	**(891.498)**	**1.022.462**	**-**	**(152.739.650)**
Net book value	**47.068.481**					**63.343.840**

Depreciation expense of TRY 6.625.981 has been charged to cost of goods sold (2006: TRY 6.303.375), and TRY 399.303 in operating expenses (2006: 130.680).

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

	1 January 2006	Additions	Disposals	Transfers	31 December 2006
Cost :					
Land	482.197	-	-	-	482.197
Land improvements	5.382.467	149.049	-	-	5.531.516
Buildings	35.753.052	704.684	-	234.807	36.692.543
Machinery and equipment	137.328.924	6.023.635	(1.959.951)	1.975.048	143.367.656
Motor vehicles	1.185.920	5.848	(124.607)	-	1.067.161
Furniture and fixtures	2.928.275	265.579	-	-	3.193.854
Other tangible assets	741.749	-	-	-	741.749
Advances given and construction in progress	2.374.877	1.672.113	-	(2.209.855)	1.837.135
	186.177.461	**8.820.908**	**(2.084.558)**	**-**	**192.913.811**
Accumulated depreciation:					
Land improvements	(5.019.511)	(132.754)	-	-	(5.152.265)
Buildings	(16.680.104)	(1.096.746)	-	-	(17.776.850)
Machinery and equipment	(115.956.682)	(4.850.150)	1.959.951	-	(118.846.881)
Motor vehicles	(600.393)	(213.010)	124.607	-	(688.796)
Furniture and fixtures	(2.497.394)	(141.395)	-	-	(2.638.789)
Other tangible assets	(741.749)	-	-	-	(741.749)
	(141.495.833)	**(6.434.055)**	**2.084.558**	**-**	**(145.845.330)**
Net book value	**44.681.628**				**47.068.481**

NOTE 20 - INTANGIBLE ASSETS

The movement of intangible assets within the period is as follows:

	1 January 2007	Additions	Establishment of Subsidiary	Disposals	31 December 2007
Cost:					
Rights	38.497	421.209	161	-	459.867
Softwares	2.782.862	52.774	30.293	(27.445)	2.838.484
	2.821.359	**473.983**	**30.454**	**(27.445)**	**3.298.351**
Accumulated amortization:					
Rights	(38.497)	(68.413)	(161)	-	(107.071)
Softwares	(2.618.707)	(114.336)	(29.058)	27.445	(2.734.656)
	(2.657.204)	**(182.749)**	**(29.219)**	**27.445**	**(2.841.727)**
Net book value	**164.155**				**456.624**

Amortisation charges incurred during the years ended at 31 December 2007 and 2006 were accounted for under operating expenses.

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

	1 January 2006	Additions	Disposals	Transfers	31 December 2006
Cost :					
Rights	38.497	-	-	-	38.497
Softwares	2.744.201	38.661	-	-	2.782.862
	2.782.698	**38.661**	**-**	**-**	**2.821.359**
Accumulated amortization:					
Rights	(38.497)	-	-	-	(38.497)
Softwares	(2.465.725)	(152.982)	-	-	(2.618.707)
	(2.504.222)	**(152.982)**	**-**	**-**	**(2.657.204)**
Net book value	**278.476**				**164.155**

NOTE 21 - ADVANCES RECEIVED

	2007	2006
Advances received	410.138	10.845
	410.138	**10.845**

NOTE 22 - RETIREMENT PLANS

None (2006: None).

NOTE 23 - PROVISIONS

	2007	2006
Short term provisions:		
Other provisions	750.810	-
Tax provision (Not 41)	-	337.994
	750.810	**337.994**
Long term provisions:		
Provision for employment termination benefits	4.395.142	3.932.584
	4.395.142	**3.932.584**

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

Under the Turkish Legislations, the Group are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TRY 2.030,19 (2006: TRY 1.857,44) for each period of service at 31 December 2007.

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

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

IAS 19 ("Employee Benefits") requires 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 liability:

	2007	**2006**
Discount rate (%)	5,71	5,71
Turnover rate to estimate the probability of retirement (%)	99	99

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY 2.030,19 (2006: TRY 1.857,44) which is effective from 1 January 2008 has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Movements in the provision for employment termination benefits are as follows:

	2007	**2006**
Balances at 1 January	3.932.584	3.844.505
Increase during the year	1.113.811	1.343.828
Establishment of subsidiary	139.086	-
Payments during the year	(790.339)	(1.255.749)
Balances at 31 December	**4.395.142**	**3.932.584**

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

NOTE 24 - MINORITY INTERESTS

	2007
Balance at 1 January	-
Establishment of subsidiary	6.343.865
Net loss	(1.304.972)
Balance at 31 December	**5.038.893**

NOTE 25 - SHARE CAPITAL/TREASURY SHARES

The Company's authorised and issued share capital consists of 2.916.000.000 (2006: 2.916.000.000) shares of TRY1 each.

At 31 December 2007 and 2006 the shareholding structure can be summarised as follows:

	2007		2006	
	TRY	Share (%)	TRY	Share (%)
Hacı Ömer Sabancı Holding A.Ş.	16.878.507	57,88	14.084.007	48,30
Sabancı family	3.982.454	13,66	4.298.354	14,75
Akbank T.A.Ş. Mensupları Tekaüt Sandığı Vakfı	1.017.500	3,49	2.412.548	8,27
Ak Sigorta A.Ş.	435.567	1,49	435.567	1,49
Pilsa Plastik Sanayi A.Ş.	-	-	2.794.500	9,58
Public quotation	6.845.972	23,48	5.135.024	17,61
	29.160.000	100,00	29.160.000	100,00
Adjustment to share capital	30.657.866		30.657.866	
	59.817.866		**59.817.866**	

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

NOT 26 - CAPITAL RESERVES

Restated amounts and inflation adjustment differences of capital and profit reserves that are presented in their historic values in consolidated financial statements as of 31 December 2007 and 2006 are as follows:

	Historical amounts	Restatement differences	Restated amounts
Share capital	29.160.000	30.657.866	59.817.866
Share premium	2.319	93.700	96.019
	29.162.319	**30.751.566**	**59.913.885**

NOT 27 - PROFIT RESERVES

Retained earnings, as per the statutory financial statements, other than legal reserves, are available for distribution, subject to the legal reserve requirement referred to below.

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 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 capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

Effective from 1 January, 2008, the minimum profit distribution ratio for incorporated companies shares traded on the Stock Exchange is 20%, as described in Communiqué No: IV- 27 'Communiqué on Rules to be obeyed by Public Incorporated Companies Dependent on Law of Capital Markets concerning the Distribution of Dividends and Advance Dividends'. Accordingly, it has been made possible that shares, issued in cash or through the addition of dividend to the capital upon the decision of the Company's general assembly, can be distributed to the partners free of charge or that the distribution can be partly made in cash and partly through the free distribution of shares. It has been further enabled that initial dividend amount be left to the partnership without distribution, if such amount is lower than the 5% of the existing paid-up/issued capital amount. Nevertheless, with regard to the joint stock partnerships, which have increased its capital without performing a dividend distribution as to the previous period and which separates its shares as "new" and "old", it has been made obligatory for those partnerships, which will distribute dividend out of its 2007 profits, to distribute the initial dividend amount in cash. 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 in total as restatement difference.

In accordance with the CMB's decision numbered 7/242 on 25 February, 2005; if the amount of net distributable profit based on the CMB's requirement regarding the minimum profit distribution arrangements which is computed over the net profit determined according to the CMB's regulations does not exceed net distributable profit in the statutory accounts, the whole amount calculated per CMB's regulations should be distributed. On the contrary, the amount of net distributable profit based on the CMB's requirement regarding the minimum profit distribution arrangements which is computed over the net profit determined according to the CMB's regulations exceeds net distributable profit in the statutory accounts; distributable profit is limited to the profit per statutory accounts. In the case when there is a net loss per statutory accounts or financial statements prepared in accordance with CMB financial reporting standards, a distribution of profit is prohibited.

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

In accordance with the Communiqué No: XI-25 Section 15 paragraph 399, the accumulated deficit amounts arising as the balancing figures based on the first application of inflation adjustment are considered to be deductive when computing the distributable profit in line with CMB's profit distribution regulations. The accumulated deficit will first be netted-off from net income and retained earnings, and the remaining amount of deficit from extraordinary reserves, legal reserves and adjustment to share capital.

Restatement difference of 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 Communiquè No: XI-25, at 31 December 2007 and 31 December 2006, the shareholders' equity, based on which the dividend can be distributed, is as follows:

	2007	**2006**
Share capital	29.160.000	29.160.000
Share premium	2.319	2.319
Legal reserves	2.335.436	1.314.590
Extraordinary reserves	7.632.905	2.646.115
Inflation adjustment to shareholders' equity	30.751.566	30.751.566
Net income for the period	2.568.861	11.402.236
Total shareholders' equity	**72.451.087**	**75.276.826**

NOT 28 - RETAINED EARNINGS

None (2006: None).

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

NOTE 29 - FOREIGN CURRENCY POSITION

	2007	2006
Assets	28.781.869	29.891.363
Liabilities	(57.720.490)	(52.440.745)
Net foreign currency position	**(28.938.621)**	**(22.549.382)**

		2007		2006	
Assets	**Foreign currency**	**Original amount**	**TRY equivalent**	**Original amount**	**TRY equivalent**
Cash and cash equivalents	USD	222.557	259.212	141.185	198.450
	EUR	71.555	122.374	365.224	676.212
	GBP	192	446	5.111	14.090
	CHF	-	-	425	489
Trade receivables	USD	2.704	3.149	3.104	4.363
	EUR	1.394	2.384	1.394	2.581
Due from related parties	EUR	9.685.089	16.563.439	9.582.935	17.742.804
	GBP	2.766.650	6.434.951	2.397.810	6.610.522
	USD	4.632.879	5.395.914	3.302.399	4.641.852
			28.781.869		**29.891.363**

		2007		2006	
Liabilities	**Foreign currency**	**Original amount**	**TRY equivalent**	**Original amount**	**TRY equivalent**
Trade payables	USD	9.006.579	10.489.963	4.963.154	6.976.209
	EUR	660.587	1.129.736	1.113.512	2.061.667
	CHF	76.004	78.079	264.688	304.471
	GBP	11.263	26.196	2.835	7.816
	JPY	-	-	2.714.000	32.017
Due to related parties	USD	12.899	15.024	28.124	39.531
	EUR	6.756	11.554	-	-
Borrowings	EUR	12.503.213	21.382.995	9.627.309	17.824.963
	USD	16.532.539	19.255.448	13.433.448	18.882.055
	GBP	2.292.229	5.331.495	2.289.534	6.312.016
			57.720.490		**52.440.745**

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

NOTE 30 - GOVERNMENT GRANTS

None (2006: None).

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

	2007	2006
Guarantee letters given	4.290.646	2.406.309
	4.290.646	**2.406.309**

	2007	2006
Guarantee notes and surety received	8.576.223	10.535.214
Guarantee letters received	5.988.995	315.022
Mortgages obtained	58.050	58.050
	14.623.268	**10.908.286**

The Group has export commitment amounting to USD 24.710.886 at 31 December 2007 (2006: USD 26.957.902).

NOTE 32 - BUSINESS COMBINATIONS

Establishment of Subsidiary in 2007:

On 25 January 2007 the Company established SKT Giyim by contributing a nominal capital amounting to TRY 14.615.900. The other shareholders of SKT Giyim are Musa Moris Basmacı with a participation of a nominal capital of TRY 6.208.062 and capital in-kind of TRY 55.938, Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. who participated in the amount of TRY 25, Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. who participated in the amount of TRY 25, Teknosa İç ve Dış Ticaret A.Ş, who participated in the amount of TRY 25 and Temsa Sanayi ve Ticaret A.Ş. who participated in the amount of TRY 25. SKT Giyim is mainly engaged in the men's ready-to-wear industry with the trademark of UPTOWN.

This transaction is an establishment of a subsidiary and consequently is not considered as an acquisition within the context of IFRS 3 "Business Combinations".

NOTE 33 - SEGMENT REPORTING

Segmental financial information has not been presented on a comparative basis since the confection segment has started its operations with the establishment of SKT Giyim on 25 January 2007 (Note 32).

a) External revenues:

	2007
Textile	145.413.259
Confection	18.833.963
	164.247.222

b) Segment assets:

	2007
Textile	159.289.733
Confection	37.006.935
Total segment assets	**196.296.668**
Unallocated assets	(15.339.669)
Less: Intersegment eliminations (-)	(5.009.082)
Total assets per consolidated financial statements	**175.947.917**

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

c) Segment liabilities:

	2007
Textile	83.229.900
Confection	20.209.621
Total segment liabilities	**103.439.521**
Unallocated liabilities	27.498
Less: Intersegment eliminations (-)	(5.009.082)
Total liabilities per consolidated financial statements	**98.457.937**

d) Segment analysis from 1 January to 31 December 2007:

	Textile	Confection	Intersegment eliminations	Total
Net sales	148.739.942	18.833.963	(3.326.683)	164.247.222
Cost of goods sold	(113.005.919)	(12.968.811)	2.575.417	(123.399.313)
Gross profit	35.734.023	5.865.152	(751.266)	40.847.909
Operating expenses	(22.431.960)	(8.138.831)	-	(30.570.791)
Segment result	**13.302.063**	**(2.273.679)**	**(751.266)**	**10.277.118**

e) Capital expenditures:

	2007
Textile	6.871.731
Confection	15.932.026
	22.803.757

f) Depreciation, amortisation and provisions:

	Textile	Confection	Total
Depreciation and amortisation	6.430.209	777.824	7.208.033
Provision for employement termination benefit	969.597	144.214	1.113.811
Other provisions	655.248	95.562	750.810
	8.055.054	**1.017.600**	**9.072.654**

NOTE 34 - SUBSEQUENT EVENTS

None.

NOTE 35 - DISCONTINUED OPERATIONS

None (2006: None).

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

NOTE 36 - OPERATING INCOME

	2007	2006
a) Net Sales		
Foreign sales	94.324.347	87.275.009
Domestic sales	69.922.875	46.265.581
	164.247.222	**133.540.590**
b) Cost of goods sold		
Cost of foreign sales	(69.806.042)	(60.445.293)
Cost of domestic sales	(53.593.271)	(35.207.159)
	(123.399.313)	**(95.652.452)**
Gross profit	**40.847.909**	**37.888.138**

NOT 37 - OPERATING EXPENSES

	2007	2006
Staff costs	7.739.547	3.983.816
Consultancy and professional fees	4.715.750	4.643.537
Export and freight	4.392.968	3.920.870
Marketing	3.606.367	3.123.326
Rent	2.120.339	422.437
Transportation	1.792.953	1.814.168
Employment termination benefits	1.113.811	1.343.828
Other provisios	750.810	-
International fairs	611.432	327.006
Depreciation and amortisation	582.052	283.662
Other	3.144.762	942.433
	30.570.791	**20.805.083**

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

NOTE 38 - OTHER INCOME/EXPENSES

	2007	2006
Other income:		
Stock count surplus	619.236	315.528
Scrap sales income	221.997	135.537
Fair incentives	186.106	14.944
Gain from sale of property, plant and equipment	182.424	113.700
Price difference income	132.675	100.656
Income from reclaims	70.178	121.034
Commission income	54.341	57.179
Rent income	17.565	2.119
Reversal of provisions	16.000	-
Other	340.613	21.243
	1.841.135	**881.940**
Other expense:		
Claims and penalties	(466.537)	(5.030)
Stock count deficit	(417.763)	(11.724)
Tax delay penalties	(354.229)	(28.507)
Consultancy expenses	(231.804)	-
Contribution and fees	(106.037)	(117.730)
Special taxes	(58.450)	(24.336)
Other	(623.177)	(650.531)
	(2.257.997)	**(837.858)**
Other (expenses)/income - net	**(416.862)**	**44.082**

NOTE 39 - FINANCIAL EXPENSES

	2007	2006
Financial expenses:		
Foreign exchange losses	(10.567.002)	(12.353.051)
Interest expense	(7.122.727)	(4.707.365)
	(17.689.729)	**(17.060.416)**
Financial income:		
Foreign exchange gains	9.885.216	13.281.359
Interest income	754.517	1.850.887
	10.639.733	**15.132.246**
Financial expenses - net	**(7.049.996)**	**(1.928.170)**

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

NOTE 40 - NET MONETARY POSITION GAIN/LOSSES

None.

NOTE 41 - TAXES ON INCOME

	2007	2006
Corporate taxes payable	1.852.490	3.207.148
Less: Prepaid taxes (-)	(1.921.098)	(2.869.154)
	(68.608) (Not 15)	**337.994**

Turkish tax legislation does not permit a parent company, its subsidiaries, joint ventures and associates 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.

Corporate Tax Law was amended by the Law No. 5520 dated 13 June 2006. Law no. 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from 1 January 2006. Accordingly the corporation tax rate of the fiscal year 2007 is 20% (2006: 20%). 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).

In Turkey, withholding tax is not imposed on dividend payments to corporations' resident in and to foreign-based taxpayers which draws income through their permanent representatives or a business in the country. Excluding these, withholding tax with a rate of 15% is imposed on dividend payments made to individuals and corporations. Additions of net income to capital are not deemed as dividend payment.

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

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the aforementioned law's 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 years 2006 and 2007.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th 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 cannot be carried back to offset profits from previous periods.

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

The taxation on income for the years ended 31 December 2007 and 2006 is summarised as follows:

	2007	**2006**
- Current taxation	(1.852.490)	(3.207.148)
- Deferred taxation income/(loss) - net	306.119	(589.583)
	(1.546.371)	**(3.796.731)**

The reconciliation of current period tax charge is stated below:

	2007	**2006**
Statutory income before taxation	8.633.843	15.750.869
Disallowable expenses	590.968	205.649
Other tax base additions	37.737	79.411
Other allowances	(100)	(190)
Corporation tax base	9.262.448	16.035.739
Effective tax (%20)	1.852.490	3.207.148
Current period tax charge	**1.852.490**	**3.207.148**

NOT 42 - EARNINGS PER SHARE

	2007	**2006**
Net income for the period (TRY)	2.568.861	11.402.236
Weighted average number of shares with nominal value of YKr1	2.916.000.000	2.916.000.000
Earnings per ordinary share (YKr)	0,088	0,391

NOTE 43 - STATEMENT OF CASH FLOWS

The statement of cash flows is presented together with consolidated financial statements.

NOTE 44 - DISCLOSURE OF OTHER MATTERS

None.

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NOTES