

**ADVANSASA**  
**SASA Polyester Sanayi A.Ş.**



**ANNUAL REPORT**

**FOR THE PERIOD OF  
01.01.2007 - 31.12.2007**

## Advansa Sasa Polyester Sanayi A.Ş. Agenda of the Ordinary General Assembly on 26 March 2008

- 1- Opening and formation of the Council,
- 2- Delegating the Council for signing the minutes of the Assembly,
- 3- Reading and discussing the Annual Report of the Board of Directors and the Auditors Report,
- 4- Presentation of the donations made during the period for the information of the shareholders,
- 5- Presentation of the valuation report that was made by Elit Gayrimenkul Değerleme A.Ş. to the shareholder information, aiming at determining net sales price of Textile assets as the date of 31.12.2006.
- 6- Reading, discussing and approving the Balance Sheet and the Statement of Income and resolution concerning the profit/loss,
- 7- The approval of the Board Members appointed by the Board of Directors in lieu of the Board members resigned during the period,
- 8- Separate acquittal of the members of the Board of Directors and the Auditors,
- 9- Selection, determination of the duty period, fixing the wages of the members of the Board of Directors,
- 10- Selection, determination of the duty period, fixing the wages of the members of the Audit Committee,
- 11- The approval of the Independent Auditing Company that was determined by the Board of Directors,
- 12- Delegating the rights that were mentioned in the articles 334 and 335 of Turkish Commercial Code to the Chairman and the members of Board of Directors.

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## Chairman's Message

In all our activities, our employee's safety and environmental sensitivity have continued to be our priority.

Ethical principles we abide by and practice is the corporate cardinal value, making the Sabancı Group stand out from the rest, has been the common denominator in everything we do, both for our employees and shareholders.

Following the Sale of the PET, PTA and the Preform assets and their related business to the Spanish Group La Seda de Barcelona in 2006, and thereby focusing on the Polyester Staple Fibres, Filament and Polymer main businesses, 2007 was a year Advansa Sasa continued observing the sector dynamics intently while concentrating her efforts through restructuring in preparation for the future challenges and trying to minimize the effect of the adverse conditions that appeared throughout the year .

The overgrowing capacities of the Far Eastern Producers, well in excess of consumption since the turn of the century, increasing crude oil prices and therefore the raw material costs, the increased level of imports of garments into the EU and the US following the Lifting of the Quotas on Textiles have all adversely contributed to the value chain in the industry. In addition to all these negative developments, persistent high valuation of the YTL in the Domestic arena made conditions worse.

The Crude oil prices had been climbing steadily from US\$ 60 per barrel levels at the beginning of the year, to the levels of US\$ 90 at the close of the year in 2007, which resulted polyester main raw material price increases parallel to the crude oil prices. On the other hand, the YTL based costs increased by around 25% in total, due to YTL appreciating by 18% against US\$ and 8% inflation. These disadvantage were fully compensated with the improvements and productivity increases achieved in the plants.

Activities in 2007 have continued in line with core strategies of the Company which can be summarized as;

- Sustained improvements in Health and Safety Performance
- Growth in the field of polyester polymers and developing new speciality polymer solutions
- Product portfolio optimization and growth in domestic market in polyester staple fibres
- Development of non- polyester, new business areas of activity in co-operation with other corporations and/or institutions

Established to meet the customer focused speciality product demands for film and industrial yarn and other end uses, The Polymer Solutions Business, have been chosen by Advansa as the growth business. At the end of the year, we completed the erection of a new Batch Polimerization Plant with the largest capacity in Europe and gaining the capability to produce polymers for different segments including the growing automotive industry.

In 2007 a new investment for a PTA based polymer production facility for industrial yarns end use has been sanctioned . This investment, which will be creating 80'000 tons/year additional capacity is planned to be commissioned by September 2008.

Advansa, successfully increased the share of speciality and niche products in her staple and filament portfolio of products and planned staple investments outside of "staple for traditional textile industry", in line with customer demands outside the Textiles sector. To this end, a new bicomponent staple fibres production line with a capacity of 18'000 tons/year, has been planned to start up in the second half of 2008.

An anti-dumping investigation that was filed in 2006 in response to unfair price competition of polyester staple fibre imports from China and Saudi Arabia, was concluded in September 2007, with the decision to apply anti-dumping duties of 8 USD cents/kg for imports from China and 11 USD cents/kg for imports from Saudi Arabia.

Provided with the most modern equipment and with the technologies in her possession, the Research and Development facilities in Adana offer complete solutions in polyester and other polymer end uses and filament and staple fibres production. Further, we continued to make important strategic partnerships with corporations and institutions which are successful in their respective fields of activity. With the production of the new products, developed by the R& D department, in the new facilities, the value created in Sasa will be significantly enhanced.

I would like to take this opportunity to thank all our employees for their great efforts, all our customers and suppliers for their support and our shareholders for their trust and wish 2008 to be a very good year for both our country and corporation.

**Ziya Engin Tuncay**  
**Chairman of the Board**

## Introduction

**Report Period** : 01 January 2007 - 31 December 2007

**Company Title** : Advansa Sasa Polyester Sanayi A.Ş.

**Board of Directors :**



Ziya Engin Tuncay  
Chairman of the Board  
Duty Period:  
22.06.2006 - 26.03.2008



Dr. Mehmet Yaşar Atacık  
Vice Chairman of the Board/  
Executive Board Member  
Duty Period:  
22.06.2006 - 26.03.2008



Tamer Güven  
Board Member  
Duty Period:  
22.06.2006 - 26.03.2008



Ali Doğan Eserce  
Board Member  
Duty Period:  
07.05.2007 - 26.03.2008



İsmail Teoman Ünsal  
Board Member  
Duty Period:  
07.05.2007 - 26.03.2008

### Audit Committee

Full Name	Duty Period
Mehmet Sert	: 18.04.2007 - 26.03.2008
Volkan Balatlıoğlu	: 18.04.2007 - 26.03.2008
Levent Demirağ	: 18.04.2007 - 26.03.2008

The members of the Board of Directors and the Audit Committee are provided with the authority stated by the Turkish Commercial Code, Articles of Association and related legislation.

## Managers & Directors

Bünyamin Sarioğlu  
 Dr. Ali Akdağ  
 Dr. Can Baykam  
 İbrahim Celal Çelebi  
 Hüseyin Deşir  
 Dr. Uğurtan Doğan  
 Mehmet Döner  
 Toker Özcan  
 Ömer Demir  
 Hüseyin Kalpaklı  
 Hilmi Karabulut  
 Güven Kaya  
 Mehmet Faruk Okan  
 İstemi İsmail Oral  
 Ahmet Necip Özen  
 İhsan Tunceren  
 Hakan Uygur  
 Mehmet Yiğit Zeytinli  
 Eyüp Mehmet İşleker  
 Algan Alınacıklar

General Manager  
 Industrial Zone Site Manager and R&D and Technical Director Fibres  
 Projects Director  
 Operation Director  
 Staple Fibre and Filament Marketing Director  
 Human Resources Director  
 Finance Director  
 Strategy & Business Development Director  
 Information Technologies Manager  
 Filament Manufacturing Manager  
 Utilities & Recovery Manager  
 Staple Manufacturing Manager  
 DMT Manufacturing Manager  
 Safety, Health and Environment Manager  
 Site Engineering Manager  
 Sourcing and Logistics Manager  
 Polymerization & Amorphous Chips Manager  
 Planning & Materials Management Manager  
 Internal Auditor  
 Corporate Business Analyst

### Changes in the share capital of the company:

There hasn't been any changes in the share capital of our company during the period.

### Dividends distributed within last three years :

There hasn't been any dividend distribution in the years 2005, 2006 and 2007.

### The shareholders with participation over 10% of the share capital :

Title	Share%
Advansa BV	51,00

### Marketable securities issued during the period:

There hasn't been any marketable securities issued during the period.

### Sector that our company operates in and our position therein :

Our company meets the significant portion of production capacity of Turkey in Polyester Yarn and Staple Sector in which it operates. The polyester capacity of our company is 277.000 tons/year. Moreover, in integration with the DMT Plant established in our company; the raw material DMT usage has been taken to pre DMT level of Para-xylene and Methanol which are petro-chemical substances and this has provided foreign exchange savings to our company. The production capacity of this plant is 280.000 tons/year.

### Amendments in the Articles of Association:

In the 05 March 2007 dated and 3 numbered Board Meeting, it's been decided to amend the article 11 concerning "Usufruct Shares" and article 31 concerning "Distribution of Net Profit" of the Articles of Association and the necessary permits have been taken from the Capital Markets Board and Ministry of Industry and Commerce as a result of the applications made.

## Investment, Production and Sales Activities

### Investment Activities

Advansa SASA has invested in a new Polymer Batch Plant within the key strategy of the Polyester Polymer Solutions (PPS) SBU to produce products like PEN, PETG, water soluble polyesters, co-polyesters, melt adhesives, polyols and PBT.

The plant has the characteristic of being a first step in that it is both designed and procured by a Chinese company. It started up in January 2008.

In MEG distillation unit which purifies the contaminated MEG coming from our polymer plants, an improvement project has been implemented to save MEG product which exist in disposed process column bottoms. The project has been implemented with a German engineering company and thin-film evaporation technology has been used. Meanwhile, the obsolete technology control system of the plant has been replaced with a high technology (computer based) DCS system.

Within the key strategy of the Polyester Polymer Solutions (PPS) SBU, special polymer products are passed through SSP (Solid State Polycondensation) process in the direction of customer needs. In order to implement this, a package SSP Plant has been procured from Austrian company Starlinger by leasing method. The plant has been started-up successfully and meeting the customer demands.

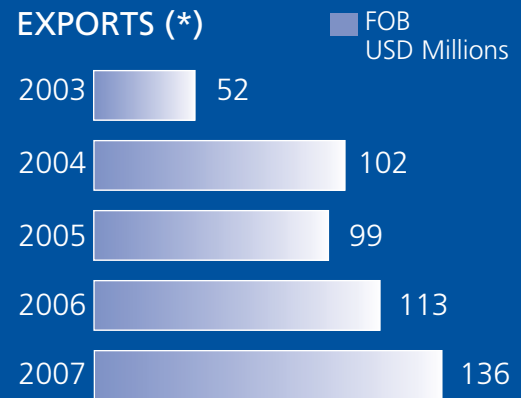
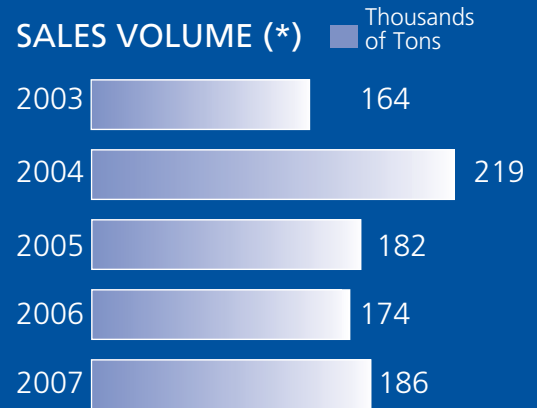
In order to produce steam with biogas released from our waste water treatment plant, a steam boiler has been procured from a Turkish manufacturer and its installation has been completed. The steam boiler is planned to be operational in January 2008.

### Production and Sales Activities

#### Production Activities:

The production volumes of our core products in comparison with previous year production volumes are presented below:

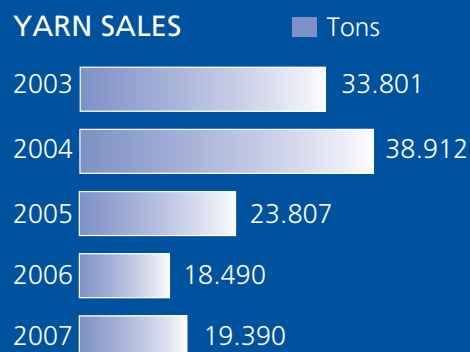
	2007 (tons)	2006 (tons)
Dmt	190.720	164.860
Textile Chips	50.031	40.784
Polyester Staple Fibre	100.213	97.775
Polyester Yarn	19.759	19.249
Poy	39.355	35.649
Tops	3.740	3.683



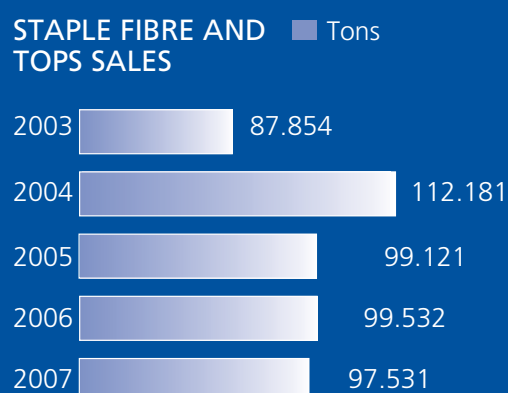
(\*) Our Company has sold the property, plant and equipment, inventories and operations of the Chemicals Segment which is engaged in the production of pet resin and pet bottles to Arteniüs Türkpet Kimyevi Maddeler ve Pet Ambalaj Malzemeleri Sanayi A.Ş. on 30 June 2006. The decrease in the production and sales amounts of the said products is the result of our company not being engaged in the production of these products from the date forward.



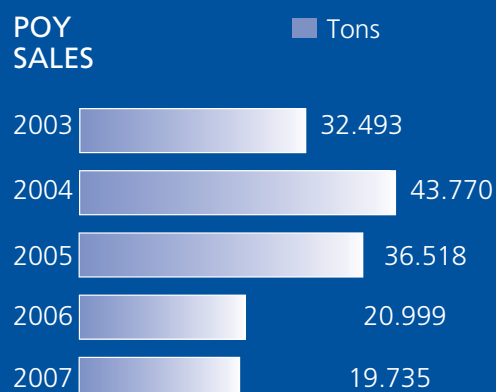
**YARN SALES**



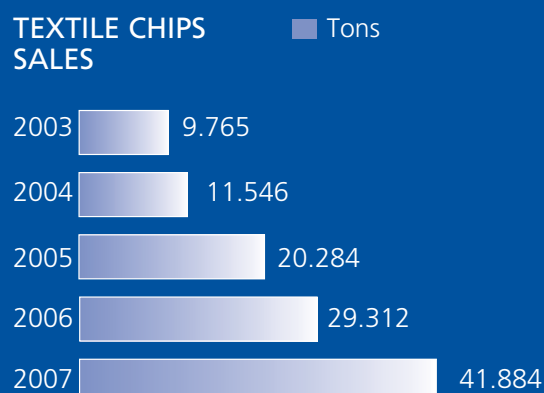
**STAPLE FIBRE AND TOPS SALES**



**POY SALES**



**TEXTILE CHIPS SALES**



**Capacities:**

In our DMT Plant comprising petrochemical features, DMT is being produced with the raw materials Para-xylene and Methanol. The DMT required by the production facilities is transferred to the Polymerization Units in liquid form to be processed with a third raw material Mono Ethylene Glycol and liquid polymer is being produced there. The DMT Plant has a production capacity of 280.000 tons/year. DMT based polymerization capacity is 234.010 tons/year.

Following this, the liquid polymer is transferred to Staple fibre, Yarn and Textile Chips facilities where Tow, Staple Fibre, Poy, Yarn and Textile Chips are being produced as a result of the polymers being processed. White and Coloured Tops is being produced as a result of Tow being processed in the Tops Facility. Capacities of 128.260 tons/year Staple Fibre, 4.500 tons/year Tops, 51.300 tons/year Poy, 24.454 tons/year Yarn ve 92.750 tons/year Textile Chips are present.

Some portion of the manufactured Poy is processed as plain and texture yarn in the Yarn Facilities and introduced to the market. The manufactured Tow and Poy which are not used in internal consumption are also being introduced to the market.

As a result of the sales of the property, plant and equipment of Pet Resin and Pet Preform production facilities on 30 June 2006, the 129.600 tons/year PTA based polymerization capacity of our company is not present from the date forward.

**Sales Activities :**

**Total Net Sales (\* )**

Years	Amounts (Thousands of TRY)	Changes Compared to Previous Year
2007	451.189	%11
2006	405.313	-%1

The sales volumes of our core products in comparison with previous year sales volumes are presented below :

	2007 (tons)	2006 (tons)
Dmt	6.228	4.024
Textile Chips	41.884	29.312
Polyester Staple Fibre	94.054	95.817
Polyester Yarn	19.390	18.490
Poy	19.735	20.999
Tops	3.477	3.715



## Research and Development Activities

The group's mission is to produce processes and technologies to increase the performance and quality in the operations and reduce production costs, develop new products that are requested through sales and marketing, assist in customer satisfaction and support the company's growth and profitability projects.

Year 2007 had been very productive in terms of Fibres R&D. During the year eight R&D scientists worked in Adana facilities whilst three multinational R&D scientists operated from Uentrop Germany. Nine end-use-research and segment technical experts also operated from Adana and Uentrop as supports.

Significant number of trials were carried out throughout the year 2007 for both Advansa and Artenius on Advansa Techlab Continuous Polymerization (CP) unit that had been successfully started up on October 18th, 2005 at Adana RD plant. Also, the Unit served for root cause analysis trials of operations' problems.

A filter tester was started up for analysing chips performance and it is in operation.

Approximately 2 tpd capacity filament test position with masterbatch dosing unit; SPM 11/12 installation has been completed. More flexible, faster and more cost effective filament trials will be carried out and hence, new filament products will be speedily commercialized.

As filament projects; DO products with high margins were commercialized. DO products have more margins compared with commodities due to higher selling prices. Antibac filament, PBT based POY, Thermocool are major active filament projects.

A 3,6 tpd capacity bicomponent and a 5,8 tpd capacity monocomponent staple test positions were continuously in use. Bicomponent, antibacterial, low pill and crimpless tow staple products were commercialized. 67.000 Euro will be provided from Tubitak for Bicomponent Project. Antiblister staple will be commercial in 2008.

As support to R&D project activities, the multifunctional technical library and the fiber surface research and finish labs at Adana R&D Center have operated through out the year. The DSC (Differential Scanning Calorimeter) equipment bought for the labs this year has operated for both R&D projects and operations facilities.

In the field of product developments, new fibres were developed for our brands like Thermolite®, Coolmax®, Securelle®, Climarelle® different lusture, improved cationic dyeable and flame retarded polymers, and in terms of differentiating our standard products micro and multi filament yarns, micro staple, hollow staple, high tenacity black staple, antibac filament and staple, improved low pill staple antiallergic staple, staple for needle punching and geotextiles, fibrefill staple from CP's were developed. In addition surface finishes for better performance of our

products were developed whilst projects were carried out to exclude all non-environmental friendly additives from these finishes.

Advansa Sasa revenues from Fibres R&D developed products totalled to approximately 51 Million Euros in 2007.

Due to increasing volume on market share; some of the products' relocation works from Uentrop to Adana have been completed. This capability will enable to increase on production volume, decrease in costs and transition to specialities at Adana plants. 145 NSD high performance nonwoven project is ongoing and 26 Thousand TRY had been supported by Tubitak.

The R&D group worked in close cooperation with respected universities, research institutes and engineering technological companies to achieve some of the results. Some examples of these are Sabanci (Turkey) and Neiderhein (Germany) university and TITK Institute (Germany), Uhde-Inventa Fischer, Barmag, Wacker, and Freudenberg. This enabled the group to be open to more development ideas in the very competitive textile environment.

By the help of a new organisational structure that aims faster, flexible and precise service to automotive segment; POY and colored masterbatch production had accomplished.

The year 2006 was a successful year for Polyester Polymer Solutions Group, PPS. Two new products that have annual 18.000 tonnes demand were developed and tests at customers resulted with success. Contracts were signed with these customers for 2007 production. Also, some products that are not in Advansa's portfolio before such as engineering polymers, poliurethan, PEN and PBT were developed and commercialized.

PPS group had focused on to improve application areas of newly developed products in year 2007. The design of new batch polymerisation unit, that can produce specialities, had been completed. A new SSP unit that is serving Advansa production targets is in use. These newly installed Batch polymerisation and SSP lines will serve to commercialization of R&D projects.

All these activities also help to serve the company to become a technology developing and marketing company.

## Safety, Occupational Health & Environmental (SHE) Activities

SHE Department activities carried out under the consideration of a belief that the health and safety of everybody involved in its operations and the protection of the natural environment are very important and integral to the success of the business. Activities of year 2007 summarized as below.

### Trainings & Awareness Activities

As we believe that SHE training is an essential element of safe and environmentally friendly workplaces and management must teach, motivate and sustain employee SHE knowledge to eliminate injuries and environmental incidents, we continued SHE trainings in 2007. SHE Induction training was obliged for beginners from all levels at the first working week before starting to work and for outsourced contractors (714 contractor employees trained). Detailed and interactive contractor training were prepared for major contractor works. Take-2 (behavioural safety) trainings for all employees were conducted under the responsibility of the line managements. Hazardous Operations and PPE Usage, Safety Auditing, Incident Investigation and Reporting, Work Control Permit Certification, Ergonomics, Manual Handling & Back Prevention, Hearing Protection, Hot Work Inspector trainings, Fire & Fire Fighting, Hazardous Chemicals & Hazard Communication, Respiratory Protection, Risk Assessment, Water & Waste Management trainings were conducted by in-house resources. Workplace safety and occupational health promotions and leaflets prepared for employee awareness twice monthly. During Safety & Occupational Health Week a painting competition conducted between the children of employees with a topic of "Safety at Home" and an afforestation event conducted. Emergency preparedness is vital for chemical industry and 20 fire and rescue drills held by operations and site fire department co-operation.

### Incident & Injury Investigations

Incidents & injuries are the opportunities for improving the weaknesses in our SHE system. Therefore, they are being investigated effectively. We didn't experience any LWC (Lost Workday Case) injuries, significant fires, process incidents or environmental incidents, but only 4 injuries which needed medical treatment were occurred in 2007 and by investigating the root causes, actions were taken and lessons learned from these injuries communicated with all employees for preventing the re-occurrence by working with the line managements. 2007 is an important year for us because we achieved the third year and 10 million working hours without having any LWC injuries.

By reporting and sharing the off the job injuries of the Advansa employees which results with lost work days, the number of such cases decreased from 41 in year 2005 to 18 in year 2007, number of days lost decreased from 880 in year 2005 to 308 in year 2007. By extensive reporting of process incidents, high potential incidents and learning events, all Advansa employees pointed out that it is essential to investigate all unsafe practices and incidents with potential for injury as well as all injuries.

### She Auditing

All Adana site operations audited in compliance with site SHE Audit Plan which was prepared by SHE department same as in previous years. According to this plan, departments were audited twice monthly by two different groups. Besides this general SHE audits, plants were also audited by committees according to different procedures by using checklists. Plant internal audits were also carried out by their own teams. As previous years we prepared a contractor audit plan for major contractor maintenance works. In this way we provided safety contractor works (Batch Polymer Assembling, Waste Water Treatment Biogas Boiler, MEG distillation). This year we also conducted initial and cyclic PHA (process hazard analysis) studies for new and existing facilities by teams formed in Advansa. Auditing and consulting services were applied to Iskenderun and IZ sites of our company. Loss prevention audits conducted by third party (GRC) in co-operation with Sabancı Holding in IZ and Adana sites.

### Projects

Major Fire Project Phase 2 about Adana, Misis and Iskenderun plants to implement fire alarm and detection systems is completed and system is in use now.

Maintenance shutdowns were conducted in June and December and during this process legally required equipment tests and maintenance works have completed in time without any unwanted safety pauses. Six sigma project to improve SHE processes continued in 2006 and outputs shared with management.

For protecting and improving the employee safety, IHS (integrated health services) and OH (occupational health) committee worked together and provided improvements about different topics. Vaccinations of employees such as Hepatitis B, Tetanus and Flu were continued (with the company opportunities for the employees under risk). Noise measurements through related plants and preparation

of noise map of the site applications were continued. Bacteriological analysis of potable water were conducted. In the scope of the agreement with Artensa and Enerjisa, SHE services continued to provide to these companies according to SLAs.

### Legislative Works and Others :

Meetings of the Employee Safety and Health Committees formed for three different registered plants were conducted and actions from these meetings were carried out in 2007. Inspections held by Ministry of Labor completed without recommendations.

Periodic health surveillances (check ups, odiograms, lung function tests etc.) and medical care of Advansa employees held by IHS. Periodic preventive maintenance and controls of legally required equipments (pressurised vessels, lifting devices, fire fighting equipments, safety valves, confined space toxic gas monitoring etc) completed.

Discharge permit for waste water provided after revitalizing of anaerobic waste water treatment system..

As an environmentally responsible company, by implementing our policy with the help of appropriate management systems which together with safety, occupational health and environmental targets and continuous improvement programmes. One of the milestone of this perspective biogas production from anaerobic treatment of waste water has been started. A new boiler investment project to produce steam from biogas for the need of operations developed and implemented.



## Corporate Governance Principles Compliance Reports

### 1) STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Advansa Sasa Polyester Sanayi A.Ş. (hereinafter referred to as "the Company") adheres to and applies the "Corporate Governance Principles" published by the Capital Markets Board ("CMB") during the 1 January -31 December 2007 period.

### 2) SHAREHOLDER RELATIONS DEPARTMENT

We have established a Shareholder Relations Department under the Finance Directorship. This department is composed of two people and is headed by Mehmet Döner, our Finance Director while the second person in this department is Ali Bülent Yılmazel, our CMB and Shareholder Relations Chief. Below are the communication details of the members of staff in question:

Full Name	Title	Phone	E-mail
Mehmet Döner	Finance Director	322 441 01 88	mehmet.doner@advansa.com
Ali Bülent Yılmazel	CMB and Shareholder Relations Chief	322 441 00 53 / 2384	bulent.yilmazel@advansa.com

This department made sure that the Company Stock Ledger was kept in a sound, reliable and up-to-date manner in 2007 in addition to carrying out the transactions for stock changes of shareholders; organizing the Ordinary General Assembly Meeting of 2006 in accordance with the legislation as well as with the Company's Articles of Association and other internal regulations; making sure that reference documents were available to shareholders before and during the General Assembly Meetings; sending out to shareholders reports including voting results of the General Assembly Meetings; preparing the 2006 annual report as well as conveying to the İstanbul Stock Exchange ("ISE") the financial statements of the Company and information on special events within the framework of our Company's obligation of public disclosure in compliance with the Capital Markets Legislation. Other than these, this department met the additional data and documents claims of the CMB related with the special event disclosures. Within this period, this department received approximately 12 requests for stock changes and 75 requests for the annual report, all of which were honoured.

### 3) SHAREHOLDERS' RIGHT TO OBTAIN INFORMATION

Within this period, shareholders requested annual reports of previous periods. Such requests were handled immediately

and the requested information was sent to the shareholders by mail from the company headquarters or branches.

In line with the Capital Markets Legislation, our Company declared information concerning the special events to the ISE, thus keeping potential and existing investors informed.

The Articles of Association of the Company does not provide for the right to appoint a special auditor. No requests to this effect were received from shareholders in 2007.

### 4) INFORMATION ON GENERAL ASSEMBLY MEETING

In 2007, one Ordinary General Assembly Meeting were held on 18.04.2007. The Ordinary General Assembly Meeting was attended by shareholders representing 51% of total votes. Invitations for these meetings were issued in accordance with the provisions of the Turkish Commercial Code and of the Company's Articles of Association. During the 15 days period preceeding the General Assembly Meeting, the Balance Sheet, Income Statement, Board of Directors' Annual Report and the Auditors Report were made available to shareholders at the company headquarters. The agenda items of the General Assembly Meetings were addressed in an impartial and detailed manner where they were shared in an open and comprehensible way giving all shareholders equal opportunity to express their opinion and ask questions, which contributed to the creation of a sound discussion environment. No discussion items were proposed at the General Assembly other than the existing agenda items. Minutes of the General Assembly Meeting are accessible at all times by shareholders at the Company headquarters.

Significant decisions that are mentioned in the Turkish Commercial Code are submitted to the approval of the shareholders in the general assembly. Once Corporate Governance Principles become part of the legislation, all significant decisions that will be mentioned in the amended laws will be submitted to the approval of shareholders in the General Assembly.

### 5) VOTING RIGHTS AND MINORITY RIGHTS

The Articles of Association do not provide for any privileged voting rights.

In order to avoid any harm to the harmonious management structure of the Company, no cumulative voting rights have been granted in the Articles of Association regarding the existing share percentages and the share structure of the Company. Once legislative amendments are carried out to the effect of preventing the misuse of cumulative rights by minorities, this issue will be reconsidered by the General Assembly.

## 6) POLICY AND TIMING OF PROFIT DISTRIBUTION

The profit distribution policy of our Company is distributing 30% of the distributable profit to the shareholders in cash. This policy is reviewed every year by the Board of Directors according to the national and global conditions, current projects and state of the designated funds.

The Company announced this profit distribution policy to public with a special event disclosure in 2006 and informed the shareholders in the Ordinary General Assembly Meeting of 2005.

Profit distribution is carried out within the shortest time possible following general assembly meetings within the time limits stipulated in the legislation.

## 7) TRANSFER OF SHARES

There are no provisions in the Company's Articles of Association that provide for restrictions to the transfer of shares.

## 8) DISCLOSURE POLICY OF THE COMPANY

Although our Company does not have a written policy of disclosure, we send to the ISE those information and documents that are required in the legislation. These information and documents are sent within the specified time limits to be disclosed to the public as part of information on special events and financial statements. These transactions are carried out by the Shareholder Relations Department.

## 9) DISCLOSURE OF SPECIAL EVENTS

In 2007, the ISE was notified of 21 special events in line with the requirements of the CMB. Two of these disclosures were made in response to CMB's demand of additional explanation. All the disclosures were provided in time and no sanctions were imposed by the CMB and ISE. The stocks of our Company are not listed on foreign stock exchanges.

## 10) INTERNET SITE OF THE COMPANY AND ITS CONTENT

The Internet site of our Company () has been formed, including the Investor Relations section, according to the decisions taken in CMB's 10 December 2004 dated and 48/1588 numbered meeting.

## 11) DISCLOSURE OF ULTIMATE DOMINANT SHAREHOLDER REAL PERSON(S)

There are no ultimate dominant shareholder real persons in our Company.

## 12) PUBLIC DISCLOSURE OF PERSONS WHO HAVE ACCESS TO INSIDE INFORMATION

The list of persons who have access to inside information is disclosed to the shareholders of our Company through our annual report and also was shared publicly on our web site which has become effective. The names of Members of the Board of Directors, the auditors and the members of top management of our Company have already been publicly announced through the disclosures of special events.

## 13) INFORMATION PROVIDED FOR STAKEHOLDERS

Meetings are organized to keep our employees informed and the available database is used for sharing of information. Meetings are being held with unions to share information and exchange opinions. Information provided on special events, periodic financial statements as well as annual reports in line with the Capital Markets legislation serve to inform potential investors. Furthermore, information is also shared with public through responses given in surveys conducted by various public and private sector organizations.

## 14) STAKEHOLDERS' PARTICIPATION IN MANAGEMENT

The employees' participation in the management of the Company is ensured through periodic internal meetings as well as through annual objective setting and performance evaluation meetings. Moreover, employees provide feedback for the management and for their co-workers as a result of which, results are taken into consideration at various management meetings, thus paving the way to the formulation of action plans required for changes that are needed. These efforts ensure the participation and contribution of our employees that is necessary for the effective management of our Company.

## 15) COMPANY POLICY ON HUMAN RESOURCES

The human resources practices conducted by the Human Resources Division of our Company are based on our understanding that our employees constitute the key asset of our Company shaping its success with their;

- ▶ commitment and contribution to the goals of the Company,
- ▶ focus on meeting the needs of our customers, and
- ▶ interest in their jobs.

Our vision in human resources is to develop and make our work environment more effective within the coming five-year period with a view to make our Company successful

in global competition where our work environment; is shaped by our Health, Work Safety and Environment philosophy, is one that our employees are proud and happy to be a part of, ensures full-fledged labour peace and is based on mutual respect.

The Human Resources Division of our Company works in close collaboration with the top management in a way to assist the execution of cost reduction oriented strategies and plans.

The Human Resources Division provides the implementation of the Work/Function Strategy and Plans by functional process and systems which are rapid, permanent and ensure labour peace.

While taking key decisions concerning the formation of the permanent staff, recruiting, improvement and organisation plans, the conformity of these decisions to the future fixed cost and budget objectives are carefully monitored.

The main human resources processes conducted in our Company are; Labour (Industry) Relations, Employee Relations, Job Descriptions and Job Evaluation, Selection and Recruitment, Compensation Management, Career Development, Performance Evaluation, Training and Development, Organization Success Plan, Organization Development, Human Resources Research and Information Systems, Administrative Affairs and Security.

In our Company in parallel with the integrated human resources processes, Job Families and Grade System are effective.

The Human Resources Division ensures sustainability and development of employees in the Company following recruitment while aiming at a proactive approach in fulfilling competitive, adequate and transparent human resources functions to meet every business need. This division also adopts the principle of offering equal opportunities to people of equal standing.

The SA Code of Business Ethics which are applied in Sabancı Group are effective in our Company.

The certain human resources regulations implemented in our Company are:

- ▶ Employee Selection, Recruitment, Promotion, Transferring and Dismissal/Severance Regulation,
- ▶ Performance Evaluation Regulation,
- ▶ Vacation Regulation,
- ▶ Travel Regulation,
- ▶ Internship Regulation.

Furthermore an Advansa scale Human Resources Manual exists.

## 16) INFORMATION ON RELATIONS WITH CUSTOMERS AND SUPPLIERS

Requests from customers regarding the products they have purchased are honoured in a rapid manner and customers are informed of any possible delays before the applicable deadline. Our production takes place in accordance with ISO 9001:2000 quality standards and Oexo-Tex paper. Customers are sent technical specifications indicating the features of every product that is purchased as well as certificates of analysis during delivery that include the features of the dispatched product only. We pay special attention to the confidentiality of information on our customers and suppliers within the framework of trade secrets while taking the necessary measures to make sure that good relations are established with our customers and suppliers free from unfair involvements in addition to ensuring that terms of agreements between such parties are complied with.

We have a Technical Services Department working in the area of customer satisfaction, which attends to incidents of customer satisfaction/dissatisfaction on the field and provides solutions. The Technical Services Department conducts weekly/monthly customer visits and customer satisfaction meetings, and communicates customer feedback to the relevant departments of the Company. Below are the communication details of the members of our Technical Services Department.

Full Name	Title	Phone	E-mail
Fırat Çimen	Staple-Textile Product Responsible	322 441 00 53 /2332	firat.cimen@advansa.com
Şenay Geçgel	Staple-Nonwoven Product Responsible	322 441 00 53 /2337	senay.gencil@advansa.com
Ziya Fahrioğlu	Staple-Fiberfill Product Responsible	322 441 00 53 /2781	ziya.fahrioglu@advansa.com
Sinan Bulut	Filament-POY-Texturize Product Responsible	322 441 00 53 /2635	sinan.bulut@advansa.com

Our Company takes great care to work with suppliers who are customer satisfaction focused, sensitive about laws on unfair competition, other relevant laws and ethical values and have high senses of occupational health, safety and environment. Our Company establishes sound, long-term and mutual trust based relations with it's suppliers.

## 17) SOCIAL RESPONSIBILITY

As stated in our Annual Report, although not publicly disclosed, our Company maintains a human and environment sensitive policy of Safety, Health and Environment and strictly implements the code of ethics of the Company.

Furthermore, on condition that there is no detriment to the first dividend to be distributed to the Company shareholders in accordance with the Articles of Association, our Company pays 4% of its annual profit before tax as donation to either Hacı Ömer Sabancı Foundation or Sabancı University where this amount is deducted from the Company's tax base.

Meanwhile, our Company collects discarded pet bottles from collection centres and reprocesses them contributing to the economy.

### 18) STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS AND INDEPENDENT MEMBERS

Below are the Members of the Board of Directors of our Company:

Full Name	Title
Ziya Engin Tuncay	Chairman (Non-Executive)
Dr.Mehmet Yaşar Atacık	Vice Chairman (Non-Executive)
Tamer Güven	Member (Non-Executive)
Ali Doğan Eserce	Member (Non-Executive)
İsmail Teoman Ünsal	Member (Non-Executive)

The Members of the Board of Directors are entitled to carrying out activities based on a decision of the General Assembly in line with articles 334 and 335 of the Turkish Commercial Code.

### 19) QUALIFICATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS

The qualifications of the Members of the Company's Board of Directors overlap with those stated in the CMB Corporate Governance Principles. Although the minimum qualifications for Members of the Board of Directors are not stated in the Articles of Association, in accordance with its article 19, provisions of the Turkish Commercial Code apply in the absence of relevant provisions in the Articles of Association.

### 20) THE MISSION, VISION AND STRATEGIC GOALS OF THE COMPANY

The Board of Directors of the Company has formulated the mission and vision of the Company and disclosed them with the previously published annual reports. The Board of Directors have revised the mission and the vision of the Company in 2006 and brought to a conclusion shown below:

#### The vision of our Company is;

To be a company moving forward, focusing its strengths on the key market challenges and providing customers with outstanding quality products and new business solutions.

#### The mission of our Company is;

- ▶ To manufacture and sell polyester fibres and yarns, polyester-based polymers and specialties and DMT, across the European, Middle East and Africa (EMEA) regions.
- ▶ Research and develop product and processes, provide technology, brands and product solutions either in house or in partnerships with suppliers, customers or universities.
- ▶ Provide a range of services and solutions to polyester producers and other industries.
- ▶ Continuously demonstrate world class Safety, Health and Environmental performance.

Strategic goals formulated by the executives are approved by Members of the Board of Directors. Furthermore, the Company's Board of Directors monitors accomplishment of targets, the operations and past performance of the Company through regularly produced monthly reports. Moreover, the Board of Directors also receives results of comparisons of budgeted versus actual figures for the current year performance prepared by the Company authorities.

### 21) RISK MANAGEMENT AND THE INTERNAL CONTROL MECHANISM

The Board of Directors has initiated various mechanisms for the purposes of risk management and internal control. The Credit Control Unit of our Company evaluates commercial, political and exchange rate based risks within the framework of the specified credit control policies, and manages these risks. In addition to this, the Internal Audit Department is authorized and responsible for conducting intra-company controls.

### 22) POWERS AND RESPONSIBILITIES OF THE MEMBERS OF THE BOARD OF DIRECTORS AND MANAGERS

Limitations to the management rights and representation powers of the Members of the Board of Directors have been defined in the Articles of Association. In addition, the modality of use of signatures by those who have the power of representation has been identified. The powers and responsibilities of those who bear the power to affix their signature on behalf of the Company have been explicitly stated on the signature circular prepared in line with the

Articles of Association. The signature circular in question has been registered and disclosed in accordance with the relevant legislation.

In cases that fall outside the authorities and responsibilities specified in the relevant articles of the Articles of Association and the signature circular, provisions of the Turkish Commercial Code shall be applied as stated in article 19 of the Articles of Association.

### **23) PRINCIPLES OF ACTIVITY OF THE BOARD OF DIRECTORS**

In 2007, the Board of Directors held 29 meetings with written approvals in line with the provisions of the Turkish Commercial Code and the Articles of Association. According to the Articles of Association of the Company, the dates and agenda of meetings of the Board are determined by the Chairman or the Deputy Chairman where the Board meets upon the request of the Chairman or the Deputy Chairman. The Board Members are notified of the items on the specified agenda in advance allowing them to make preparations.

No dissenting opinions were expressed regarding the decisions taken at the Board meetings in 2007.

For decisions to be taken regarding issues addressed in article 2.17.4 of section IV of the CMB Corporate Governance Principles, it was made sure that the Board Members without a legitimate excuse for absence did attend the Board meetings. Minutes did not include questions from the Board Members for no member had questions regarding such issues. Members of the Board of Directors have not been granted the right to a weighted vote and/or a veto for decisions to be taken regarding the issues in question.

### **24) PROHIBITION AGAINST ENTERING INTO TRANSACTIONS AND COMPETING WITH THE COMPANY**

In 2007, Members of the Board of Directors did not enter into transactions with the Company and did not engage in activities competing with the Company in the same field of activity.

### **25) RULES OF ETHICS**

The rule of ethics of our Company can be summarized under four basic sections:

#### **a) Privacy**

As employees of Sabancı Group; we pay great attention to the privacy of our customers, employees and other related persons and organisations which we cooperate and have their private information kept confidential. We protect the confidential information related with the activities of the group companies, use these information solely in accordance

with Sabancı Group objectives and share these information only within the limits determined and with the persons concerned.

#### **b) Integrity**

Honesty and integrity are the primary values in all our business processes and relations. We act with honesty and integrity in affairs with our employees and shareholders.

#### **c) Conflict of Interest**

As employees of Sabancı Group, we try to avoid any conflict of interest. By making use of our current position; we do not try to have personal benefits from the persons and organizations which we have business affairs through ourselves, families or relatives. We do not interfere in any business activities providing financial benefits other than H. Ö. Sabancı Holding A.Ş. and Group companies. We abstain from using Sabancı reputation and power, our Sabancı identity to derive personal benefits.

#### **d) Responsibilities**

In addition to our legal responsibilities; we pay attention to fulfill our responsibilities to our customers, employees, shareholders, suppliers and business associates, competitors, community, humanity and Sabancı reputation.

### **26) NUMBER, STRUCTURE AND INDEPENDENCE OF COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS**

An Audit Committee reports to the Board of Directors. The Board of Directors of the Company has not deemed it necessary to establish a separate committee for corporate governance principles for it is the Board itself that engages in ensuring compliance with such principles. Both of the members of the Audit Committee were selected from among the non-executive Members of the Board of Directors. There are no independent members in the Audit Committee for there are none in the Board of Directors, either.

### **27) REMUNERATION OF THE BOARD OF DIRECTORS**

The amount of the attendance fee to be paid to the Members of the Board of Directors is determined by the General Assembly.

At the Ordinary General Assembly Meeting of 2006, a decision was taken to the effect of not paying any wages to the Board Members.

In 2007, the Company did not extend any loans or did not give credits to any of its Board Members or managers, did not extend the deadlines of loans or credits given, did not improve the terms of loans or credits, did not grant any credits via third parties under the name of personal loans or did not extend any guarantees for any of its Board Members or managers.

## AUDITORS REPORT

## TO THE GENERAL ASSEMBLY OF ADVANSA SASA POLYESTER SANAYİ A.Ş.

- Company's**
- Title** : Advansa Sasa Polyester Sanayi A.Ş.  
**Headquarters** : ADANA  
**Paid-in Capital** : TRY 216.300.000  
**Registered Capital** : TRY 500.000.000  
**Line of Activity** : Marketing and production of Polyester Staple, Polyester Yarn and related products.
- Auditors'**
- Name-Surname** : Levent Demirağ -Mehmet Sert -Volkan Balatlıoğlu  
**Duty Period** : One year  
**Shareholder or not** : Not a shareholder.
- Number of Board meetings participated and Audit Committee meetings held** Haven't participated the Board meetings.  
Audit Committee held four meetings.
- The scope of examinations in the accounts, books and documents of the company, the dates of the examinations and the conclusions reached** Examinations are made in June, August, November 2007 and February 2008 in accordance with Commercial Code and Tax Legislation, any subject requiring criticism haven't been met. The Board resolutions taken concerning the company management activities have been entered in duly held Board Resolution Book.
- In accordance with Turkish Commercial Code Article 353/1-3, the number of cash counts made and their conclusions** The reconciliation of the cash counts made with the cashbook has been determined.
- In accordance with Turkish Commercial Code Article 353/1-4, the number of examinations made and their results** During the monthly examinations, the presence of the paper assets and documents and their conformance with the book records have been determined.
- Complaints and frauds received and actions taken accordingly** There were no complaints received.

We have examined the accounts and transactions of Advansa Sasa Polyester Sanayi A.Ş. for the period of 01 January 2007 – 31 December 2007 according to Turkish Commercial Code, Articles of Association and other legislations with the Generally Accepted Accounting Principles and Standarts.

In our opinion; the accompanying and adopted in principle balance sheet as of 31 December 2007 presents fairly the financial position of the company by the mentioned date; the Statement of Income for the period 01 January 2007 – 31 December 2007 presents fairly the operational results for the mentioned period and are found to be in accordance with truth.

We offer the approval of the Balance Sheet and Statement of Income and the acquittance of the Board of Directors.  
28 February 2007

## AUDIT COMMITTEE

Levent DEMİRAĞ



Mehmet SERT



Volkan BALATLIOĞLU



**CONVENIENCE TRANSLATION  
INTO ENGLISH OF  
FINANCIAL STATEMENTS  
AT 31 DECEMBER 2007  
TOGETHER WITH INDEPENDENT  
AUDITOR'S REPORT**

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

To the Board of Directors of Advansa Sasa Polyester Sanayi A.Ş.

1. We have audited the accompanying financial statements of Advansa Sasa Polyester Sanayi A.Ş. (the "Company") which comprise the balance sheet as of 31 December 2007 and the related statement of loss, changes in shareholders' equity and the 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 Company management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing principles and standards issued by the CMB. Those principles require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

### Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Advansa Sasa Polyester Sanayi A.Ş. as of 31 December 2007, and of its financial performance and its 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 effects of differences between financial reporting standards issued by the CMB, the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

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



Gökhan Yüksel, SMMM  
Partner  
Istanbul, 10 March 2008

**BALANCE SHEETS AT 31 DECEMBER 2007 AND 31 DECEMBER 2006**

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

	Notes	2007	2006
<b>ASSETS</b>			
<b>Current assets</b>		<b>222.838</b>	<b>264.516</b>
Cash and due from banks	4	25.784	31.386
Marketable securities (net)	5	-	-
Trade receivables (net)	7	58.940	80.834
Financial lease receivables (net)	8	-	-
Due from related parties (net)	9	8.429	12.739
Other receivables (net)	10	12.317	9.635
Biological assets (net)	11	-	-
Inventories (net)	12	117.259	119.582
Receivables from construction contracts work in progress (net)	13	-	-
Deferred tax assets	14	-	-
Assets held for sale	19.b	99	10.332
Other current assets	15	10	8
<b>Non-current assets</b>		<b>225.039</b>	<b>255.328</b>
Trade receivables (net)	7	-	-
Financial lease receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	440	3.843
Positive/Negative goodwill (net)	17	-	-
Investment property (net)	18	14.038	5.347
Tangible assets (net)	19.a	201.103	237.688
Intangible assets (net)	20	1.895	845
Deferred tax assets	14	-	-
Other non-current assets	15	7.563	7.605
<b>Total assets</b>		<b>447.877</b>	<b>519.844</b>

These financial statements have been approved by the Board of Directors on 10 March 2008.

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

**BALANCE SHEETS AT 31 DECEMBER 2007 AND 31 DECEMBER 2006**

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

	Notes	2007	2006
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>142.982</b>	<b>159.529</b>
Financial borrowings (net)	6	107.546	99.781
Short-term portion of long-term financial borrowings (net)	6	-	-
Lease payables (net)	8	262	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	21.159	38.157
Due to related parties (net)	9	5.955	12.469
Advances received	21	284	136
Construction contracts progress billings (net)	13	-	-
Provisions	23	4.124	5.125
Deferred tax liabilities	14	-	-
Other current liabilities	10	3.652	3.861
<b>Non-current liabilities</b>		<b>17.195</b>	<b>16.201</b>
Financial borrowings (net)	6	-	-
Lease payables (net)	8	985	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	14.217	13.143
Deferred tax liabilities	14	1.993	3.058
Non-current liabilities	15	-	-
<b>MINORITY INTERESTS</b>	24	-	-
<b>SHAREHOLDERS' EQUITY</b>		<b>287.700</b>	<b>344.114</b>
<b>Share capital</b>	25	<b>216.300</b>	<b>216.300</b>
Treasury shares	25	-	-
<b>Legal reserves</b>	26	<b>196.213</b>	<b>196.213</b>
Share premium		-	-
Share cancellation gains		-	-
Revaluation fund		-	-
Financial assets fair value reserve		-	-
Inflation adjustment to shareholders' equity		196.213	196.213
<b>Profit reserves</b>	27	<b>6.508</b>	<b>19.002</b>
Legal reserves		5.356	5.356
Statutory reserves		-	-
Extraordinary reserves		1.152	13.646
Special reserves		-	-
Investment and property sales income to be added to the share capital		-	-
Translation reserve		-	-
<b>Net loss for the year</b>		<b>(43.920)</b>	<b>(22.845)</b>
<b>Accumulated profits</b>	28	<b>(87.401)</b>	<b>(64.556)</b>
<b>Total liabilities and shareholders' equity</b>		<b>447.877</b>	<b>519.844</b>
Commitments and contingent assets and liabilities	31		

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

**STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER**

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

	Notes	2007	2006
<b>OPERATING REVENUE</b>			
Sales (net)	36	451.189	532.563
Cost of sales (-)	36	(430.128)	(498.177)
Service income (net)	36	-	-
Other operating income	36	-	-
<b>GROSS PROFIT</b>		<b>21.061</b>	<b>34.386</b>
Operating expenses (-)	37	(41.821)	(47.898)
<b>GROSS OPERATING LOSS</b>		<b>(20.760)</b>	<b>(13.512)</b>
Other income	38	49.004	156.145
Other expenses (-)	38	(34.760)	(89.235)
Financial expenses (net) (-)	39	(38.469)	(98.352)
<b>OPERATING LOSS</b>		<b>(44.985)</b>	<b>(44.954)</b>
Monetary gain	40	-	-
<b>MINORITY INTEREST</b>	24	-	-
<b>LOSS BEFORE TAX</b>		<b>(44.985)</b>	<b>(44.954)</b>
Taxation on income	41	1.065	22.109
<b>NET LOSS FOR THE YEAR</b>		<b>(43.920)</b>	<b>(22.845)</b>
Earnings per share			
-usufruct shares (TRY)	42	-	(833,76)
-thousands of ordinary shares (TRY)	42	(2,03)	(0,97)

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER**

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

	Share capital	Inflation adjustment to shareholders' equity	Reserve for fair value change of financial assets	Profit reserves	Accumulated loss and net loss for the year	Total
<b>Balance at 1 January 2006</b>	<b>216.300</b>	<b>196.213</b>	-	<b>19.002</b>	<b>(64.556)</b>	<b>366.959</b>
Net loss for the year	-	-	-	-	(22.845)	(22.845)
<b>Balance at 31 December 2006</b>	<b>216.300</b>	<b>196.213</b>	-	<b>19.002</b>	<b>(87.401)</b>	<b>344.114</b>
<b>Balance at 1 January 2007</b>	<b>216.300</b>	<b>196.213</b>	-	<b>19.002</b>	<b>(87.401)</b>	<b>344.114</b>
Enerjisa value increase fund (Note 16)	-	-	1.690	-	-	1.690
Closing of Enerjisa value increase fund (Note 16)	-	-	(1.690)	-	-	(1.690)
Purchase of usufruct shares (Note 42)	-	-	-	(12.494)	-	(12.494)
Net loss for the year	-	-	-	-	(43.920)	(43.920)
<b>Balance at 31 December 2006</b>	<b>216.300</b>	<b>196.213</b>	-	<b>6.508</b>	<b>(131.321)</b>	<b>287.700</b>

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

**STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

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

	Notes	2007	2006
<b>Cash flows from operating activities</b>			
<b>Loss before taxation</b>		<b>(44.985)</b>	<b>(44.954)</b>
<b>Adjustments to reconcile loss before taxation to net cash provided by non-operating activities</b>			
Depreciation and amortisation expense	18,19,20	21.919	31.628
Interest expense	39	7.749	10.026
Income from sale of property, plant and equipment	38	(186)	(1.423)
Provision for employment termination benefits	23	3.054	1.636
Interest income	38	(868)	(2.291)
Provision for trade receivables	7	2.701	1.096
Diminishment in value of inventories-net	12	296	(739)
Impairment loss on financial assets	16	-	4.755
Income from sale of financial assets	16	(1.550)	11
Impairment charge on property, plant and equipment	38	28.963	65.623
Impairment charge on assets held for sale	38	-	3.637
Chemicals segment sales income	35	-	(91.877)
<b>Net cash provided by/(used in) non-operating activities</b>		<b>17.093</b>	<b>(22.872)</b>
<b>Adjustments to reconcile loss before taxation to net cash provided by operating activities</b>			
Trade receivables	7	19.193	26.459
Due from related parties	9	4.310	(1.149)
Inventories	12	2.027	(35.767)
Other receivables	10	(2.682)	(4.803)
Other current assets	15	(2)	(7)
Other non-current assets	15	42	(233)
Financial Lease	8	1.247	-
Trade payables	7	(17.712)	23.986
Due to related parties	9	(6.514)	(13.254)
Other current liabilities	10	(209)	(1.397)
Advances received	21	148	(205)
Provisions	23	(1.001)	1.569
Employment termination benefits paid	23	(1.980)	(2.882)
<b>Net cash provided by/(used in) operating activities</b>		<b>13.960</b>	<b>(30.555)</b>
<b>Investing activities:</b>			
Purchase of property, plant and equipment and intangible assets	19,20	(14.930)	(9.664)
Proceeds from sale of chemicals segment		-	180.855
Proceeds from sales of financial assets	16	4.953	-
Proceeds from sale of property, plant and equipment		1.307	5.666
Interest received		868	2.291
<b>Net cash (used in)/provided by investing activities</b>		<b>(7.802)</b>	<b>179.148</b>
<b>Financing activities:</b>			
Change in bank borrowings-net		7.834	23.758
Funds borrowed from related parties		-	(161.336)
Interest paid		(7.100)	(10.086)
Purchase of usufruct shares	42	(12.494)	-
<b>Net cash used in financing activities</b>		<b>(11.760)</b>	<b>(147.664)</b>
Net (decrease)/increase in cash and cash equivalents		(5.602)	929
Cash and due from banks at the beginning of the period		31.386	30.457
<b>Cash and due from banks at the end of the period</b>	<b>4</b>	<b>25.784</b>	<b>31.386</b>

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

**NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS**

Advansa Sasa Polyester Sanayi A.Ş. (the "Company") was incorporated on 8 November 1966 in Adana. The Company is mainly engaged in the production and marketing of polyester fibre, yarn and related products, pet chips and pet bottles (\*). The company also acts as an unauthorised agent for Aksigorta A.Ş., an associated insurance company. The Company is a subsidiary of Advansa B.V. domiciled in the Netherlands which in turn is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding"). In this context, the Company's ultimate parent company is Sabancı Holding. Shares of the Company are quoted on the Istanbul Stock Exchange.

(\* )At the Extraordinary General Assembly Meeting dated 22 June 2006, it is decided to sell the property plant and equipment, inventories and operations of the major portion of Chemicals Segment, which is engaged in the production of pet chips and pet bottles to Artensa Kimyevi Maddeler ve Pet Ambalaj Malzemeleri Sanayi A.Ş. ("Artensa"), and the sale transaction is completed on 30 June 2006. Consequently, the Company has not been engaged in the production and marketing of pet chips and pet bottles since 30 June 2006 (Note 35). In addition, on 1 July 2006, 177 personnel who were formerly employed in the Chemicals Segment were transferred to Artensa.

The address of the registered office is as follows:  
Tarsus Yolu Üzeri 13. k.m. P.K. 371  
01322 Adana

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS****2.1 Accounting standards**

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

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards the application of inflation accounting is no longer required. Accordingly, the Company did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by the IASB in its financial statements for the accounting periods starting 1 January 2005. These financial statements and the related notes have been presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

The 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.

**2.2 Significant accounting estimates and decisions**

Preparation of financial statements necessitates the usage of estimates and assumptions that can affect the amounts of reported assets and liabilities as at balance sheet date, the explanation for the contingent assets and liabilities and the income and expenses reported during the accounting period. Although these estimates and assumptions are based on Company management's best estimates related with the current conditions and transactions, actual results may differ than these estimates.

**2.3 Convenience translation into English of financial statements originally issued in Turkish**

The accounting principles described in Note 2 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of IAS 29 - "Financial Reporting in Hyperinflationary Economies" and IAS 1 - "Presentation of Financial Statements" and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements are summarised below:

**Revenue recognition**

Revenues are recognised at the fair value of the consideration received or receivable on an accrual basis when all the following

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

conditions have been satisfied; delivery has occurred, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Company. Net sales represent the invoiced value less sales returns, discounts and commissions.

#### Other revenues earned by the Company are recognised on the following bases:

Rental income - on an accrual basis  
 Interest income - on an effective yield basis  
 Dividend income - when the Company's right to receive payment is established

#### Inventories

Inventories are valued at the lower of cost or fair value less cost to sell. Cost elements included in inventories comprise all costs of materials purchase, labour and an appropriate amount for factory overheads. The unit cost of inventories is determined on a weighted average basis. Fair value less cost to sell is the estimate of the selling price in the ordinary course of business, less the costs of completion and estimate selling expenses.

#### Related parties

For the purpose of these financial statements, shareholders, associated companies, Advansa B.V. (Note 25) group companies, key management personnel and Board of Directors' members, in each case together with their families and companies controlled or affiliated with them are considered and referred to as related parties.

#### Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation and impairment loss if exists. Depreciation is provided over adjusted costs on a straight-line basis over the economic useful lives. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Years
Buildings	18 - 25
Machinery, plant and equipment	15 - 25
Motor vehicles	5
Furniture and fixtures	5 - 10
Leasehold improvements	5

Property, plant and equipment is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and 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 is the higher of net selling price or value in use. Net selling price is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit plus the residual value.

Gains or losses on disposals of property, plant and equipment are included in the related income and expense accounts, as appropriate.

#### Assets held for sale

Assets held for sale are carried at the lower of cost or fair value less cost to sell. The carrying amount is recovered through the sale of the related asset. For the property plant and equipment reclassified as assets held for sale, depreciation is not calculated from the date of reclassification.

#### Intangible assets

Intangible assets comprise of acquired intellectual property and computer 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 amounts of any intangible assets including goodwill are assessed and written down immediately to their recoverable amount.

#### Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices,

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

foreign currency exchange rates and interest rates. The Company'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 Company.

The Company's risk management is implemented by the Company's Treasury Department according to approved policies by Board of Directors. Treasury Department detects and evaluates financial risks and relieve of a risk through close relations with other departments of the Company.

#### Market risk

##### Foreign exchange risk

The Company is subject to foreign exchange risk due to foreign currency denominated liabilities and assets' translation to New Turkish Lira. Foreign exchange risk is traced and minimized through the analysis of foreign currency position.

At 31 December 2007, had the TRY weakened/strengthened by 10% against the US Dollar ceteris paribus, net income for the year would have been lower/higher by TRY 2.341 (31 December 2006: TRY6), mainly as a result of foreign exchange losses/gains arising from the translation of US Dollar assets and liabilities.

At 31 December 2007, had the TRY weakened/strengthened by 10% against the Euro ceteris paribus, net income for the year would have been lower/higher by TRY 1.167 (31 December 2006: TRY2.257), mainly as a result of foreign exchange losses/gains arising from the translation of Euro assets and liabilities.

At 31 December 2007, had the TRY weakened/strengthened by 10% against the Euro ceteris paribus, net income for the year would have been lower/higher by TRY 1 (31 December 2006: TRY14), mainly as a result of foreign exchange losses/gains arising from the translation of Euro assets and liabilities.

##### Interest rate risk

The Company 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 Company tries to borrow at the most suitable rates. At 31 December 2007, if interest rates on US Dollar denominated borrowings had been 10% higher/lower ceteris paribus, net income for the year would have been TRY412 (31 December 2006: TRY483) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2007, if interest rates on Euro denominated borrowings had been 10% higher/lower ceteris paribus, net income for the year would have been TRY 214 (31 December 2006: TRY88) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

##### Credit risk

Credit risk consists of cash and cash equivalents, deposits at banks, customers subject to credit risk due to uncollected receivables. As of balance sheet date the Company's bank balances are as follows;

	2007	2006
Akbank	725	575
HSBC Bank A.Ş.	363	1.827
Türkiye İş Bankası A.Ş.	319	11
Citibank	149	327
Yapı ve Kredi Bankası A.Ş.	79	358
Türkiye Garanti Bankası A.Ş.	65	15
Fortis Bank A.Ş.	43	2
Finansbank A.Ş.	30	-
TEB A.Ş.	15	255
Türkiye Halk Bankası A.Ş.	12	10
Türkiye Vakıflar Bankası T.A.O.	12	-
Bank Mellat	4	3
T.C. Ziraat Bankası A.Ş.	1	1
Oyakbank A.Ş.	1	-
	<b>1.818</b>	<b>3.384</b>



### **NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables are estimated to be their fair values due to the elimination of the credit finance income.

#### **Monetary liabilities**

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

Long-term borrowings are translated at variable year-end exchange rates and denominated in foreign currencies and accordingly their fair values approximate their carrying values. Trade payables are presented at their fair values.

#### **Available for sale 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 designations 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 investments in which the Company has an interest below 20%, or over which the Company does not exercise a significant influence, or which are immaterial, are classified as available-for-sale. Available-for-sale investments that do not have quoted market prices in active markets and whose fair values cannot be measured reliably are carried at cost less any provision for diminution in value. Available-for-sale investments that have quoted market prices 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 the changes in the fair value of securities 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 securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement.

#### **Foreign currency transactions and translation**

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets denominated in foreign currencies have been translated at the exchange "bid rates" prevailing at the period end and liabilities denominated in foreign currencies have been translated at the exchange "ask rates" prevailing at year-end. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the statements of income.

#### **Earnings per share**

Earnings per share disclosed in the accompanying statement of income are determined by dividing net income by the weighted average number of shares in existence during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them a retroactive effect for the period in which they were issued and each previous year.

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

#### **Provisions, contingent assets and liabilities**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and 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. A possible obligation or asset that arises 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 Company have not been recognised in the accompanying financial statements and treated as contingent liabilities and contingent assets.

#### **Segment reporting of financial results**

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

### **NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

economic environment, and that is subject to risks and returns that are different from those components operating in other economic environments.

The Company has chosen business segments as the Company'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. Geographical segments have not been disclosed in these financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Company in geographical areas other than Turkey are not reportable geographical segments individually when compared with the overall financial statements; only revenue from sales to external customers for each customer-based geographical segment is disclosed.

#### **Discontinued operations**

Discontinued operations are the cash flows related with operations either has been disposed of, or that is classified as held for sale and represents a separate major line of business or geographical area of operations. Discontinued operations are part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. The Company measures discontinued operations as the lower of carrying amount and fair value less costs to sell.

#### **Investment property**

Land and buildings that are held to earn rent or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Company applies IAS 16, Property, plant and Equipment. At that date, the property becomes investment property and thus is transferred to investment property.

#### **Provision for employment termination benefits**

The provision for employment termination benefits represents the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of employees calculated in accordance with the Turkish Labour Law.

#### **Cash and cash equivalents**

Cash and due from banks comprise of cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months.

#### **Trade receivables**

Trade receivables that are created by the Company by way of providing goods directly to a debtor are carried at amortised cost. Short duration receivables with no stated interest rate are measured at original invoice amounts unless the effect of imputing interest is significant.

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

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

#### **Loans originated by the Company**

When the loan is originated by the Company by providing money directly to a bank, the loan is secured with marketable securities, Turkish government bonds and treasury bills, acquired under reverse repurchase agreements with banks with a predetermined sale price at fixed future dates and is stated at amortized cost.

The accrued interest represents the apportionment to the current period of the difference between future sale prices and the amount provided by the Company. Such originated loans where the original maturity at the time the money is directly transferred to the bank is less than three months, are considered and classified as cash equivalents for the purposes of cash flow statements.

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

#### **Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

#### Deferred income taxes

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

The principal temporary differences arise from the restatement of property, plant and equipment and inventory over their historical cost, accrued interest income and expense, provision for employment termination benefits, provision for restructuring expenses, tax losses carried forward and unused tax credits.

Deferred tax liabilities are recognised for all taxable temporary differences, where 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 relate to income taxes levied by the same taxation authority and deferred tax assets and liabilities are offset accordingly.

#### Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity by deducting from retained earnings in the period in which they are declared.

#### Offsetting

Financial assets and liabilities are offset and the net amount is 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.

#### Changes in accounting estimates, accounting principles and errors

Significant changes at the accounting principles and significant accounting errors should be applied retrospectively and prior period financial statements should be restated. Changes in the accounting estimates should be accounted in financial statements prospectively; if the change is related to only one period it should be accounted at the current year that the change is performed, but if it is related to more than one period it should be accounted at both the current and future periods.

### NOTE 4 - CASH AND CASH EQUIVALENTS

	2007	2006
Cash in hand	6	5
Banks - demand deposits	1.499	3.384
Banks - time deposits (*)	319	-
Cheques received (**)	23.960	27.997
	<b>25.784</b>	<b>31.386</b>

(\*)As of 31 December 2007 time deposits are denominated in US Dollar and yearly interest rate is 4% (31 December 2006: None).

(\*\*)Cheques received constitute the cheques obtained from customers and given to banks for collection or cheques in portfolio as a result of trade activities and with maturities of less than three months.

### NOTE 5 - MARKETABLE SECURITIES

None (31 December 2006: None).

**NOTE 6 - FUNDS BORROWED, BORROWINGS AND DEBT SECURITIES IN ISSUE**

	<b>2007</b>	<b>2006</b>
Akbank T.A.Ş. ("Akbank")	107.546	60.218
HSBC Bank	-	39.563
	<b>107.546</b>	<b>99.781</b>

Foreign currency denominated bank borrowings obtained from Akbank and corresponding interest expense accruals as at 31 December 2007 and 2006 are as follows:

<b>Principal</b>	<b>2007</b>			<b>2006</b>		
	<b>Interest Rate %</b>	<b>Original Amount</b>	<b>TRY Amount</b>	<b>Interest Rate %</b>	<b>Original Amount</b>	<b>TRY Amount</b>
<b>Original Currency</b>						
USD	5,98	58.800.000	68.814	6,13	41.400.000	58.473
EURO	5,54	22.500.000	38.664	4,22	900.000	1.674
			<b>107.478</b>			<b>60.147</b>
<b>Accrued interest</b>						
USD		58.390	68		50.000	71
EURO		-	-		-	-
			<b>68</b>			<b>71</b>
			<b>107.546</b>			<b>60.218</b>

Foreign currency denominated bank borrowings obtained from HSBC Bank and corresponding interest expense accruals as at 31 December 2006 is as follows:

<b>Principal</b>	<b>2006</b>		
	<b>Interest Rate %</b>	<b>Original Amount</b>	<b>TRY Amount</b>
<b>Original Currency</b>			
USD	6,00	14.400.000	20.339
EURO	4,29 - 4,32	10.300.000	19.162
			<b>39.501</b>
<b>Faiz Tahakkuku</b>			
USD		32.517	46
EURO		8.470	16
			<b>62</b>
			<b>39.563</b>

The maturity dates of borrowings at 31 December 2007 and 2006 are less than six months.

## NOTE 7 - TRADE RECEIVABLES AND TRADE PAYABLES

<b>Trade Receivables:</b>	<b>2007</b>	<b>2006</b>
Trade receivables	57.371	79.222
Cheques received (*)	3.335	3.343
Deposits and guarantees given	3	20
Less: unearned credit finance income	(57)	(19)
Less: provision for doubtful receivables	(1.712)	(1.732)
	<b>58.940</b>	<b>80.834</b>

(\*)Cheques received constitute the cheques obtained from customers and kept in portfolio as a result of trade activities and with maturities of more than three months.

As at 31 December 2007 trade receivables are discounted by 1,50% (31 December 2006: 1,72%).

Overdue but not impaired receivables are as follows;

<b>Overdue period</b>	<b>2007</b>	<b>2006</b>
0 - 1 month	2.664	5.796
1 - 2 months	302	1.962
2 - 3 months	284	1.284
Over 3 months	661	1.518
<b>Total</b>	<b>3.911</b>	<b>10.560</b>

Since overdue but not impaired receivables as at 31 December 2007 and 2006 are mainly overdue between 0-1 month and due to existence of receivable insurance, bank guarantee, mortgage and other guarantees, no provision is provided for in these financial statements.

Overdue and impaired receivables are as follow;

<b>Overdue period</b>	<b>2007</b>	<b>2006</b>
0 - 3 months	121	99
3 - 9 months	-	134
Over 9 months	1.591	1.499
<b>Total</b>	<b>1.712</b>	<b>1.732</b>

The movements of the provision for doubtful receivables during the period are as follows:

	<b>2007</b>	<b>2006</b>
<b>Balance at 1 January</b>	<b>(1.732)</b>	<b>(855)</b>
Increase during the period	(2.701)	(1.096)
Decrease during the period	2.721	219
	<b>(1.712)</b>	<b>(1.732)</b>

<b>Trade Payables:</b>	<b>2007</b>	<b>2006</b>
Trade payables	21.241	38.261
Less: unincurred credit finance expense	(82)	(104)
	<b>21.159</b>	<b>38.157</b>

As at 31 December 2007 trade payables are discounted by 1,50% (31 December 2006: 1,72%). Average credit terms for trade receivables and trade payables are 80-90 days and 45 days respectively.

## NOTE 8 - LEASE RECEIVABLES AND LEASE PAYABLES

The company's lease payables due to financial leasing agreements signed with group company Ak Finansal Kiralama A.Ş. (Note 9) are as follow;

Lease payables	2007	2006
Short term lease payables	262	-
Long term lease payables	985	-
	1.247	-

## NOTE 9 - BALANCES AND SIGNIFICANT TRANSACTION WITH RELATED PARTIES

a) Due from related parties:	2007	2006
<b>1) SHAREHOLDERS</b>	<b>1.115</b>	<b>1.646</b>
- Advansa B.V.	1.115	1.646
<b>2) INVESTMENTS</b>	<b>10</b>	<b>-</b>
- Bimsa	10	-
<b>3) GROUP COMPANIES</b>	<b>7.304</b>	<b>11.093</b>
- Advansa GmbH.	6.691	5.766
- Kordsa Brasil S.A.	-	3.701
- Exsa Export San.Mam. Satış ve Araştırma A.Ş. ("Exsa")	400	-
- Exsa Americas Inc.	-	763
- Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Yünsa")	76	320
- Bossa Ticaret ve Sanayi İşletmeleri T.A.Ş. ("Bossa")	48	78
- Ak Finansal Kiralama A.Ş.	35	-
- Temsa Sanayi ve Ticaret A.Ş. ("Temsal")	16	5
- Aksigorta A.Ş. ("Aksigorta")	32	70
- Enerjisa Enerji Üretim A.Ş. ("Enerjisa")	-	15
- Exsa (UK) Ltd.	-	352
- Gıdasa Sabancı Gıda Sanayi ve Ticaret A.Ş. ("Gıdasa")	-	11
- Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	-	8
- Kordsa Global Endüstriyel İplik ve Kord Bezi San. Tic. A.Ş. ("Kordsa")	6	4
	8.429	12.739

**NOTE 9 - BALANCES AND SIGNIFICANT TRANSACTION WITH RELATED PARTIES (Continued)**

<b>b) Due to related parties:</b>	<b>2007</b>	<b>2006</b>
<b>1) SHAREHOLDERS</b>	<b>716</b>	<b>1.545</b>
- Advansa B.V.	716	1.545
<b>2) INVESTMENTS</b>	<b>29</b>	<b>42</b>
- Bimsa Uluslararası İş, Bilgi ve Yön. Sist. A.Ş. ("Bimsa")	29	42
<b>3) GROUP COMPANIES</b>	<b>5.210</b>	<b>10.882</b>
- Enerjisa	3.089	3.987
- Advansa GmbH	1.586	714
- Advansa Iberica SL	288	743
- Aksigorta A.Ş.	58	132
- Olmuksa	137	228
- Ak Finansal Kiralama A.Ş.	31	-
- Sabancı Holding	7	5
- Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa")	8	2
- Sabancı Telekomünikasyon Hizm. A.Ş. ("Sabancı Telekom")	2	-
- Exsa (UK) Ltd.	1	4.983
- Universal Trading (Jersey) Ltd.	-	74
- Advansa (France) S.A.	-	11
- Exsa Americas Inc.	3	3
	<b>5.955</b>	<b>12.469</b>
<b>c) Bank deposits</b>	<b>2007</b>	<b>2006</b>
Akbank	<b>725</b>	<b>575</b>
<b>d) Funds borrowed</b>	<b>2007</b>	<b>2006</b>
Akbank (Note 6)	107.546	60.218
<b>e) Lease payables</b>		
<b>Ak Finansal Kiralama A.Ş.</b>	<b>2007</b>	<b>2006</b>
Short term lease payables	262	-
Long term lease payables	985	-
	<b>1.247</b>	<b>-</b>

The Company's main shareholder Advansa BV, sold its investments Advansa (UK) Ltd., Advansa Romania S.r.l. and Artenius shares to La Seda De Barcelona at 2 October 2006. As a result of this transaction after 2 October 2006 related party relation between the Company and afore mentioned companies ended. Sales to afore mentioned companies and purchases from afore mentioned companies are not classified as related party transaction in 2007 but classified as related party transaction at the comparison period 2006.

**NOTE 9 - BALANCES AND SIGNIFICANT TRANSACTION WITH RELATED PARTIES (Continued)**
**f) Sales to related parties:**
**2007**

	<b>Goods</b>	<b>Services</b>	<b>Fixed Assets</b>	<b>Rent</b>
<b>1) SHAREHOLDERS</b>	-	<b>6.381</b>	-	-
- Advansa B.V.	-	6.381	-	-
<b>2) GROUP COMPANIES</b>	<b>108.570</b>	<b>1.393</b>	-	-
- Advansa GmbH	91.859	478	-	-
- Kordsa Brasil S.A.	5.418	-	-	-
- Bossa	6.166	27	-	-
- Exsa	3.282	9	-	-
- Yünsa	985	51	-	-
- Exsa Americas Inc.	853	-	-	-
- Genex Brands Ltd.	7	-	-	-
- Aksigorta	-	312	-	-
- Enerjisa	-	123	-	-
- Temsa	-	130	-	-
- Olmuksa	-	48	-	-
- Gıdasa	-	47	-	-
- Kordsa	-	56	-	-
- Çimsa	-	25	-	-
- Akçansa	-	24	-	-
- Pilsa Plastik Sanayi A.Ş. ("Pilsa")	-	22	-	-
- Toyotasa	-	20	-	-
- Teknosa	-	19	-	-
- Exsa (UK) Ltd.	-	2	-	-
<b>Total</b>	<b>108.570</b>	<b>7.774</b>	-	-

**2006**

	<b>Goods</b>	<b>Services</b>	<b>Fixed Assets</b>	<b>Rent</b>
<b>1) SHAREHOLDERS</b>	-	<b>5.097</b>	-	-
- Advansa B.V.	-	5.097	-	-
<b>2) INVESTMENTS</b>	-	<b>142</b>	-	-
- Enerjisa	-	142	-	-
<b>3) GROUP COMPANIES</b>	<b>136.959</b>	<b>5.990</b>	<b>84.432</b>	<b>63</b>
- Advansa GmbH	78.255	282	-	-
- Artensa (Not 35)	28.788	4.447	82.325	63
- Kordsa Brasil S.A.	7.947	-	-	-
- Bossa	5.433	15	-	-
- Advansa (UK) Ltd.	4.528	184	-	-
- Kordsa	3.291	6	-	-
- Advansa Romania S.r.l.	3.261	193	2.107	-
- Gıdasa	2.341	15	-	-
- Exsa Americas Inc.	1.831	-	-	-
- Yünsa	1.240	10	-	-
- Exsa (UK) Ltd.	25	5	-	-
- Olmuksa	10	10	-	-
- Exsa Export San.Mam. Satış ve Araştırma A.Ş.	5	3	-	-
- Temsa	4	70	-	-
- Aksigorta	-	626	-	-
- Sabancı Holding	-	55	-	-
- Çimsa	-	43	-	-
- Pilsa	-	10	-	-
- Akçansa Çimento Sanayi ve Ticaret A.Ş.	-	6	-	-
- Teknosa İç ve Dış Ticaret A.Ş.	-	6	-	-
- Toyotasa Toyota Sabancı Satış ve Pazarlama A.Ş.	-	4	-	-
<b>Total</b>	<b>136.959</b>	<b>11.229</b>	<b>84.432</b>	<b>63</b>

The Company has sold the Chemicals segment to Artensa for a consideration of TRY180.855 at 30 June 2006 (Note 35). This sales transaction consists of inventory amounting TRY 15.923, fixed assets amounting TRY 82.325 and goodwill amounting TRY 82.607.

**NOTE 9 - BALANCES AND SIGNIFICANT TRANSACTION WITH RELATED PARTIES (Continued)**
**g) Purchases from related parties:**
**2007**

	<b>Goods</b>	<b>Services</b>	<b>Fixed Assets</b>	<b>Rent</b>
<b>1) SHAREHOLDERS</b>	-	<b>3.762</b>	-	-
- Advansa BV.	-	3.762	-	-
<b>2) INVESTMENTS</b>	-	<b>323</b>	<b>238</b>	<b>1</b>
- Bimsa	-	323	238	1
<b>3) GROUP COMPANIES</b>	<b>4.151</b>	<b>60.681</b>	<b>1.668</b>	<b>96</b>
- Olmuksa	3.055	-	-	-
- Advansa GmbH	1.067	3.174	31	-
- Enerjisa	-	51.259	-	-
- Aksigorta	-	4.278	-	-
- Advansa Iberica SL	-	1.431	-	-
- Avivasa Hayat ve Emeklilik (*)	-	290	-	-
- Sabancı Telekom	-	63	5	-
- Carrefoursa	29	-	-	-
- Sabancı Holding	-	50	-	96
- Tursa	-	47	-	-
- Sabancı Üniversitesi	-	36	315	-
- Exsa Americas Inc.	-	25	-	-
- Bossa	-	8	-	-
- Çimsa	-	5	-	-
- Temsa	-	15	-	-
- Exsa (UK) Ltd.	-	-	1	-
- Ak Finansal Kiralama A.Ş.	-	-	1.316	-
<b>TOTAL</b>	<b>4.151</b>	<b>64.766</b>	<b>1.906</b>	<b>97</b>

(\*)As at 31 October 2007, Aviva Hayat ve Emeklilik and Ak Emeklilik merged in equal shareholding structure and became Avivasa Emeklilik ve Hayat.

**2006**

	<b>Goods</b>	<b>Service</b>	<b>Fixed Assets</b>	<b>Rent</b>
<b>1) SHAREHOLDERS</b>	<b>86.600</b>	<b>7.454</b>	-	-
- Advansa B.V.	86.600	7.454	-	-
<b>2) INVESTMENTS</b>	<b>15</b>	<b>48.260</b>	-	-
- Enerjisa	-	47.702	-	-
- Bimsa	15	558	-	-
<b>3) GROUP COMPANIES</b>	<b>46.826</b>	<b>10.228</b>	-	<b>155</b>
- Exsa (UK) Ltd.	30.253	4	-	-
- Universal Trading (Jersey) Ltd.	10.733	-	-	-
- Olmuksa	3.253	-	-	-
- Advansa GmbH	1.034	1.748	-	-
- Advansa (UK) Ltd.	982	751	-	-
- Artensa	448	-	-	-
- Advansa Romania S.r.l.	117	-	-	-
- Sabancı Telekom	2	153	-	-
- Pilsa	2	1	-	-
- Yünsa	2	-	-	-
- Aksigorta	-	5.429	-	-
- Advansa Iberica SL	-	1.353	-	-
- Ak Emeklilik A.Ş.	-	304	-	-
- Sabancı Üniversitesi	-	235	-	-
- Exsa Americas Inc.	-	71	-	-
- Advansa (France) S.A.	-	66	-	-
- Tursa	-	48	-	-
- Sabancı Holding	-	47	-	139
- Çimsa	-	16	-	-
- Bossa	-	2	-	-
- Temsa	-	-	-	16
<b>Total</b>	<b>133.441</b>	<b>65.942</b>	-	<b>155</b>

**NOTE 9 - BALANCES AND SIGNIFICANT TRANSACTION WITH RELATED PARTIES (Continued)**

<b>h) Financial income:</b>	<b>2007</b>	<b>2006</b>
Akbank	<b>47</b>	<b>72</b>
<b>i) Financial expenses:</b>	<b>2007</b>	<b>2006</b>
Advansa B.V.	-	3.919
Akbank	5.542	3.678
	5.542	7.597
<b>j) Commission income:</b>	<b>2007</b>	<b>2006</b>
Aksigorta (Note 38)	<b>312</b>	<b>626</b>

k) Remuneration of directors and key management personnel amounts to TRY1.724 (31 December 2006: TRY1.735).

**NOTE 10 - OTHER RECEIVABLES AND PAYABLES**

	<b>2007</b>	<b>2006</b>
<b>Other Receivables:</b>		
Transferred VAT	9.327	4.906
VAT return claimed subject to VAT rate reduction	2.190	2.734
VAT return claimed on export deliveries	102	1.142
Miscellaneous receivables	698	853
	12.317	9.635
<b>Other Payables:</b>		
Taxes and funds payable	2.997	3.080
Due to personnel	626	737
Other	29	44
	<b>3.652</b>	<b>3.861</b>

**NOTE 11 - BIOLOGICAL ASSETS**

None (31 December 2006: None).

**NOTE 12 - INVENTORIES**

	<b>2007</b>	<b>2006</b>
Raw materials and supplies	40.953	66.088
Semi-finished goods	242	2.157
Intermediate goods	38.652	28.085
Finished goods	33.775	22.056
By-products	2.832	2.215
Other	4.274	2.154
Less: impairment in value of inventories (*)	(3.469)	(3.173)
	<b>117.259</b>	<b>119.582</b>

## NOTE 12 – INVENTORIES (Continued)

At 31 December 2007 the aggregate amount of inventories written-down due to impairment is TRY 1.756 (31 December 2006: TRY1.659). The amount of reversal of impairment at 31 December 2007 is TRY 1.460 (31 December 2006: TRY 2.398).

For the year ended at 31 December 2007, the aggregate amount of inventories expensed and included in cost of goods sold is TRY311.811 (31 December 2006: TRY 366.504).

(\* )Impairment has been allocated to finished goods, intermediate goods and other inventories.

## NOTE 13 - RECEIVABLES FROM WORK IN PROGRESS AND PROGRESS BILLINGS OF THE CONSTRUCTION CONTRACTS

None (31 December 2006: None).

## NOTE 14 - DEFERRED INCOME TAX ASSETS AND LIABILITIES

### Deferred income taxes

The Company recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Accounting Standards and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Accounting Standards and tax purposes.

Since the Company preferred to utilize the investment incentive balance, calculated in accordance with the laws valid on 31 December 2006, for the income generated in the years 2006, 2007 and 2008, the tax rate used for the calculation of deferred income tax assets and liabilities calculated based on temporary differences expected to be realised or settled based on the taxable income in coming years under the liability method is %30 (31 December 2006: %30). When the Company's carry forward tax losses and unused investment incentives are taken into consideration, it can be concluded that the Company is subject to only a 19,8% tax rate. For this reason deferred income tax calculations have been performed over 19,8%.

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 are as follows:

	Cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	2007	2006	2007	2006
Net difference between the tax base and the carrying value of property, plant and equipment and intangibles	28.064	33.547	(5.557)	(6.642)
Provision for employment termination benefits	14.217	13.143	2.816	2.601
Adjustment for insurance compensation income	13.789	17.700	(2.730)	(3.504)
Net difference between the tax base and carrying value of inventories	10.665	5.565	2.112	1.102
Net difference between the tax base and the carrying value of other non-current assets	2.302	2.788	456	552
Provision for unused vacation	2.071	2.143	410	424
Restructuring provision	890	1.024	176	203
Provision for export expenses	830	855	164	169
Provision for doubtful receivables	648	645	128	128
Adjustment for unearned credit finance expense	82	104	(16)	(21)
Adjustment for unearned credit finance income	57	19	11	4
Net difference between the tax base and the carrying value of assets held for sale	48	8.730	(10)	1.729
Other provisions	238	993	47	197
Deferred income tax assets			6.320	7.109
Deferred income tax liabilities			(8.313)	(10.167)
<b>Deferred income tax liabilities, net</b>			<b>(1.993)</b>	<b>(3.058)</b>

**NOTE 14 - DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)**

<b>Deferred income tax assets:</b>	<b>2007</b>	<b>2006</b>
Deferred income tax asset to be recovered after more than 12 months	3.681	3.577
Deferred income tax asset to be recovered within 12 months	2.639	3.532
	<b>6.320</b>	<b>7.109</b>
<b>Deferred tax liabilities:</b>	<b>2007</b>	<b>2006</b>
Deferred income tax liability to be settled after more than 12 months	7.513	9.372
Deferred income tax liability to be settled within 12 months	800	795
	<b>8.313</b>	<b>10.167</b>
<b>Movements in deferred income taxes can be analysed as follows:</b>	<b>2007</b>	<b>2006</b>
<b>Balance at 1 January</b>	<b>(3.058)</b>	<b>(25.167)</b>
Charge to income statement (note 41)	1.065	22.109
<b>Balance at 31 December</b>	<b>(1.993)</b>	<b>(3.058)</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Company did not recognise deferred income tax assets of TRY102.348 (31 December 2006: TRY60.783) in respect of losses, which are summarised as follows:

2010	60.783
2012	41.565
	<b>102.348</b>

The Company offset TRY67.288 of taxable income as of 31 December 2006 against carry forward tax losses of TRY128.071. The remaining carry forward tax loss of TRY 60.783 after this offsetting is originated from the year 2005 and can be used against probable future taxable income until 2010.

The Company did not recognise deferred income tax assets over the unused investment allowances in the amount of TRY 87.989 (31 December 2006: TRY83.402).

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

<b>Other Current Assets:</b>	<b>2007</b>	<b>2006</b>
Prepaid expenses	10	8
	10	8
<b>Other Non-current Assets:</b>	<b>2007</b>	<b>2006</b>
Spare parts	7.470	7.466
Prepaid expenses	93	139
	<b>7.563</b>	<b>7.605</b>

**NOTE 16 - FINANCIAL ASSETS**

	<b>2007</b>		<b>2006</b>	
	<b>TRY amount</b>	<b>%</b>	<b>TRY amount</b>	<b>%</b>
Enerjisa (*)	-	-	8.158	0,90
Bimsa	1.484	10,00	1.484	10,00
	1.484		9.642	
Less: diminishment in value of Enerjisa	-		(4.755)	
Less: diminishment in value of Bimsa	(1.044)		(1.044)	
	<b>440</b>		<b>3.843</b>	

The participation amounts to the capital are carried at acquisition cost and the participation percentages to the capital are calculated from nominal amounts.

**NOTE 16 - FINANCIAL ASSETS (Continued)**

(\* )At 23 March 2007, Board of Directors decided to sell Enerjisa shares to Verbund (Österreichische Elektrizitätswirtschafts-Aktiengesellschaft) with reference to the enterprise value of Enerjisa amounting to 410.000.000 U.S Dollars except for adjustments based on approval of Energy Market Regulatory Authority. Since the fair value of Enerjisa can not be measured reliably prior to 23 March 2007 it was carried at cost less impairment in the amount of TRY3.403. As the transaction revealed the fair value of Enerjisa, its carrying amount was adjusted to TRY5.093 and the increase of TRY1.690 was classified in reserve for fair value change of financial assets. Enerjisa shares were sold on 31 May 2007 for a consideration of TRY4.892 and the Company realized a profit of TRY1.489 which was accounted for in the income statement and corresponding reserve was offset. Adjustments have been made after the sale and at 29 January 2008, an additional profit of TRY61 was realized. The aggregate income from sale of Enerjisa shares accounted for in the financial statements at and for the year ended 31 December 2007 is TRY1.550.

**NOTE 17 - GOODWILL/NEGATIVE GOODWILL (NET)**

None (31 December 2006: None).

**NOTE 18 - INVESTMENT PROPERTY (NET)**

The movement schedules of investment properties for the years ended 31 December 2007 and 2006 are as follows:

	1 January 2007	Addition	Transfers (* )	Disposals	31 December 2007
<b>Cost:</b>					
Land	1.061	-	2.587	-	3.648
Buildings	6.532	-	9.454	-	15.986
	7.593	-	12.041	-	19.634
<b>Accumulated depreciation:</b>					
Building	2.246	665	2.685	-	5.596
	2.246	665	2.685	-	5.596
<b>Net book value</b>	<b>5.347</b>				<b>14.038</b>

(\* )The Company has leased some buildings and land improvements within property, plant and equipment in Adana facilities with the net book value of TRY139 and some buildings and land improvements with the net book value of TRY9.217 in Kurtköy facilities within assets held for sale to third parties. The subject assets are transferred to investment properties.

The Company has leased properties with the net book value of TRY14.038 at 31 December 2007 to the third parties through lease agreements. The Company has generated rent income of TRY907 throughout the period resulting from these lease agreements (Note 38 and 44).

	1 January 2006	Addition	Transfers (* )	Disposals	31 December 2006
<b>Cost:</b>					
Land	1.061	-	-	-	1.061
Buildings	2.978	-	3.554	-	6.532
	4.039	-	3.554	-	7.593
<b>Accumulated depreciation:</b>					
Building	946	246	1.054	-	2.246
	946	246	1.054	-	2.246
<b>Net book value</b>	<b>3.093</b>				<b>5.347</b>

(\* )The Company has leased some of the buildings in Adana Central Facility to Artensa.

The Company has leased owned properties with a net book value of TRY5.347 as of 31 December 2006 to the third parties through lease agreements. The Company has generated rent income of TRY644 throughout the period resulting from these lease agreements (Note 38).

**NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (NET)**

a) The movement schedules of property, plant and equipment and related accumulated depreciation for the years ended 31 December 2007 and 2006 are as follows:

	1 January 2007	Additions	Transfers from construction in progress	Other transfers (*)	Impairment loss (**)	Chemicals segment disposals	Disposals	31 December 2007
<b>Cost:</b>								
Land	13.400	-	-	-	-	-	-	13.400
Land improvements	8.248	-	-	(21)	-	-	-	8.227
Buildings	59.860	-	269	(206)	-	-	-	59.923
Machinery and Equipment	360.227	668	9.483	791	(28.963)	-	(29)	342.177
Motor Vehicles	2.864	7	-	-	-	-	(168)	2.703
Furniture and Fixtures	5.696	172	187	2	-	-	(37)	6.020
Construction in progress	7.509	12.600	(10.327)	-	-	-	(110)	9.672
	457.804	13.447	(388)	566	(28.963)	-	(344)	442.122
Accumulated depreciation:								
Land improvements	2.952	473	-	(9)	-	-	-	3.416
Buildings	19.632	3.033	-	(79)	-	-	-	22.586
Machinery and equipment	190.991	16.357	-	743	-	-	(8)	208.083
Motor vehicles	2.595	147	-	-	-	-	(148)	2.594
Furniture and fixtures	3.946	423	-	2	-	-	(31)	4.340
	220.116	20.433	-	657	-	-	(187)	241.019
<b>Net book value</b>	<b>237.688</b>							<b>201.103</b>

	1 January 2006	Additions	Transfers from construction in progress	Other transfers	Impairment loss (***)	Chemicals segment disposals	Disposals	31 December 2006
<b>Cost:</b>								
Land	13.929	-	-	-	-	(529)	-	13.400
Land improvements	9.115	-	341	(831)	-	(377)	-	8.248
Buildings	64.187	1	1.522	(2.723)	-	(3.118)	(9)	59.860
Machinery and Equipment	532.097	681	9.553	347	(65.623)	(112.207)	(4.621)	360.227
Motor Vehicles	3.033	5	1	6	-	(22)	(159)	2.864
Furniture and Fixtures	6.020	208	19	18	-	(523)	(46)	5.696
Construction in progress	11.404	8.764	(11.451)	-	-	(1.182)	(26)	7.509
	639.785	9.659	(15)	(3.183)	(65.623)	(117.958)	(4.861)	457.804
Accumulated depreciation:								
Land improvements	2.685	473	-	(175)	-	(31)	-	2.952
Buildings	17.644	3.132	-	(879)	-	(262)	(3)	19.632
Machinery and equipment	210.119	26.345	-	292	-	(43.292)	(2.473)	190.991
Motor vehicles	2.470	295	-	6	-	(16)	(160)	2.595
Furniture and fixtures	3.756	470	-	11	-	(251)	(40)	3.946
	236.674	30.715	-	(745)	-	(43.852)	(2.676)	220.116
<b>Net book value</b>	<b>403.111</b>							<b>237.688</b>

## NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (NET) (Continued)

Some machinery, equipment and fixtures previously classified as available for sale fixed assets with the net book value of TRY 46 are started to be used during the period so these are reclassified as property, plant and equipment. Besides, some of the buildings in Adana Central Facility with the net book value of TRY 139 are leased to third parties so these are classified as investment properties in the financial statements.

As disclosed in the significant accounting policies, where the carrying amount of an asset is higher than its recoverable amount, it is written down immediately to its recoverable amount. As practiced at each year end, the Company management has made an assessment as to whether there is an impairment of property, plant and equipment. As a result of the assessment made, the Company calculated the recoverable amount of its property, plant and equipment as at 31 December 2007 by reference to value in use.

(\*\*)Value in use is determined by reference to the estimated discounted future cash flows method. The discount rate used in the estimate of future cash flows is 8,58 %. Consequently, value in use of property, plant and equipment of which the net book values amount to TRY50.431 was calculated as TRY21.468 and accordingly an impairment loss of TRY28.963 has been accounted for as the excess of net book value over value in use of the mentioned property, plant and equipment. The impairment loss is accounted for as part of the other operating expenses in the statement of income (Note 38).

(\*\*\*)Value in use as of 31 December 2006 is determined by reference to the estimated discounted future cash flows method. The discount rate used in the estimate of future cash flows is 8,60 %. Consequently, value in use of property, plant and equipment of which the net book values amount to TRY 135.020 was calculated as TRY 69.397 and accordingly an impairment loss of TRY 65.623 has been accounted for as the excess of net book value over value in use of the mentioned property, plant and equipment. The impairment loss is accounted for as part of the operating expenses in the statement of income (Note 38). The total amount of impairment losses is associated with the assets of the Textile segment.

Total depreciation and amortisation charges for the years ended at 31 December 2007 and 2006 and the related income statement accounts are as follows:

	<b>2007</b>	<b>2006</b>
Cost of production	19.480	28.109
Selling and marketing expenses	1.658	2.392
General administrative expenses	781	1.127
	<b>21.919</b>	<b>31.628</b>

### b) Assets held for sale:

The movement schedules of assets held for sale and related accumulated depreciation for the years ended at 31 December 2007 and 2006 are as follows:

	<b>1 January 2007</b>	<b>Additions</b>	<b>Other transfers ( * )</b>	<b>Disposals</b>	<b>31 December 2007</b>
Cost	41.046	-	(12.609)	(8.163)	20.274
Accumulated depreciation	(30.714)	-	3.340	7.199	(20.175)
	<b>10.332</b>	<b>-</b>	<b>(9.269)</b>	<b>(964)</b>	<b>99</b>

(\*)Some machinery and equipment classified in available for sale fixed assets with the net book value of TRY52 started to be used and they are classified in tangible assets. Some buildings and land improvements with the net book value of TRY9.217 was leased to third parties and classified in investment properties. Assets held for sale are expected to be sold within the twelve-month period following 31 December 2007

	<b>1 January 2006</b>	<b>Additions</b>	<b>Other transfers</b>	<b>Impairment loss ( ** )</b>	<b>Disposals</b>	<b>31 December 2006</b>
Cost	60.888	-	(371)	(3.637)	(15.834)	41.046
Accumulated depreciation	(44.799)	-	309	-	13.776	(30.714)
	<b>16.089</b>	<b>-</b>	<b>(62)</b>	<b>(3.637)</b>	<b>(2.058)</b>	<b>10.332</b>

#### NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (NET) (Continued)

The Company management has decided to close down the Kurtköy Texturised Yarn Facility and to dispose some of the production machineries at the Adana Central Facility within the restructuring operations to conform to the global market dynamics and to improve the competitive structure of the Filament unit. In this context; some of the machinery, equipments, furniture and fixtures with carrying amount of TRY2.058, which are classified as assets held for sale in the balance sheet in 2005 have been sold and some machinery, equipment and fixtures with carrying amount of TRY62 have been classified as property, plant and equipment in consequence of they have started to be used in production again.

(\* \*)As at 31 December 2006, the Company decided to write-off some of the machinery, equipments furniture and fixtures that were classified as assets held for sale, after the determination of non-possibility of any disposal and the management provided impairment loss provision of TRY3.637. The impairment loss provision is accounted for as part of the other operating expenses (Note 38).

#### NOTE 20 - INTANGIBLE ASSETS

The movement schedules of intangible assets and related accumulated depreciation for the years ended 31 December 2007 and 2006 are as follows:

	1 January 2007	Additions	Transfers from construction in progress	Disposals	31 December 2007
<b>Cost:</b>					
Rights	4.124	1.483	388	-	5.995
<b>Accumulated amortisation:</b>					
Rights	3.279	821	-	-	4.100
<b>Net book value</b>	<b>845</b>				<b>1.895</b>

	1 January 2006	Additions	Transfers from construction in progress	Disposals	31 December 2006
<b>Cost:</b>					
Rights	4.104	5	15	-	4.124
<b>Accumulated amortisation:</b>					
Rights	2.612	667	-	-	3.279
<b>Net book value</b>	<b>1.492</b>				<b>845</b>

#### NOTE 21 - ADVANCES RECEIVED

	2007	2006
Advances received from customers	284	136
	<b>284</b>	<b>136</b>

#### NOTE 22 - RETIREMENT PLANS

None (31 December 2006: None).

**NOTE 23 - PROVISIONS**

	<b>2007</b>	<b>2006</b>
Provision for unused vacation	2.071	2.143
Provision for restructuring expenses	891	1.024
Provision for export expenses	830	855
Other provisions	332	1.103
	<b>4.124</b>	<b>5.125</b>

The movement schedules of provision for restructuring expenses for the years ended 31 December 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
<b>Balance at 1 January</b>	<b>1.024</b>	<b>3.454</b>
Increase during the period (Note 38)	431	2.755
Payments	(564)	(5.185)
	<b>891</b>	<b>1.024</b>

The Company shut down the Kurtköy Texturised Yarn Facility in 2005 and at the same time decided to dispose some of the machinery and equipment located at the Adana Site. The provision for restructuring expenses is mostly related to lawsuits filed against the Company by the workers and other expenses.

**Provision for employment termination benefits**

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

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause excluding 25/2 article of labor law, is called up for military service or dies. As of 8 September 1999 related labor law was changed and retirement requirements made gradual. The amount payable consist of one gross wage for each year of service limited to maximum termination indemnity for non-union employees and 47 days gross wage for each year of service limited to maximum termination indemnity for union employees. Same payment is done for days remaining from 1 year.

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

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

The Communiqué requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly following actuarial assumptions were used in the calculation of the total liability;

	<b>2007</b>	<b>2006</b>
Discount rate (%)	5,71	5,71
Retention rate to estimate the probability of retirement (%)	98	98

The principal assumption is that 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. The maximum amount of TRY2,09 (1 January 2007: TRY1,96), which is effective from 1 January 2008, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

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

	<b>2007</b>	<b>2006</b>
<b>Balances at 1 January</b>	<b>13.143</b>	<b>14.389</b>
Charge for the year	3.054	3.399
Transfers to Artensa	-	(1.763)
Payments during the year	(1.980)	(2.882)
	<b>14.217</b>	<b>13.143</b>

#### NOTE 24 - MINORITY INTERESTS

None (31 December 2006: None).

#### NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

The shareholders and shareholding structure of the Company at 31 December 2007 and 2006 are as follows:

	2007		2006	
	TRY	% Share	TRY	% Share
Advansa B.V.	110.313	51,00	110.313	51,00
Europlus Investment Holdings Ltd. (*)	-	-	33.140	15,32
Other	105.987	49,00	72.847	33,68
	<b>216.300</b>	<b>100,00</b>	<b>216.300</b>	<b>100,00</b>
Inflation adjustment to share capital (**)	196.213		196.213	
	<b>412.513</b>		<b>412.513</b>	

(\*)Europlus Investment Holdings Ltd. sold whole shares with nominal value of TRY 33.140, to other shareholders in the ISE national market between 19 February 2007 and 22 February 2007. After this transaction, Europlus Investment Holdings Ltd has no participation in the share capital of the Company.

(\*\*)Adjustment to share capital represents the restatement effect of cash contributions to share capital at year-end equivalent purchasing power after netting of prior period losses.

#### NOTE 26-27-28 - CAPITAL RESERVES, PROFIT RESERVES, ACCUMULATED LOSSES / RETAINED EARNINGS

The details of the differences arising between the inflated and historical amounts of statutory shareholders' equity items presented above are as follows:

	Historical amount	Restated amount	Inflation adjustment to shareholders' equity
<b>31 December 2007</b>			
Share capital	216.300	412.513	196.213
Legal reserves	5.356	5.356	-
Extraordinary reserves (Note 27)	1.152	1.152	-
	<b>222.808</b>	<b>419.021</b>	<b>196.213</b>
<b>31 December 2006</b>			
Share capital	216.300	412.513	196.213
Legal reserves	5.356	5.356	-
Extraordinary reserves	13.646	13.646	-
	<b>235.302</b>	<b>431.515</b>	<b>196.213</b>

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

**NOTE 26-27-28 - CAPITAL RESERVES, PROFIT RESERVES, ACCUMULATED LOSSES / RETAINED EARNINGS (Continued)**

In accordance with the decision of Capital Markets Board on 8 January 2008 no 4/138 the minimum dividend distribution ratio for the publicly listed joint stock companies shall be applied as 20% (31 December 2006: 20%). Accordingly, it has been made possible that based on the decisions taken in general assemblies of the companies the distribution can be made in cash, non-cash by issuance of free shares with respect to the transfer of profits to the capital or a combination of both as partially in cash and non-cash. For the cases when the initial dividend determined is less than 5% of issued/paid in capital, it is allowed to retain the dividends within the companies. However, for those companies which are going to distribute dividends over the profits generated from 2007 operations and which increased their share capitals without distributing dividends in the previous year and thus have a distinguish of shares as "new" and "old" shares, it is enforced to make the distribution of initial dividends in cash.

In accordance with the Communiqué with serial XI and no 25, as a result of the first financial statement adjustment made according to the inflation such equity capital items as capital, issue premium, legal reserves, statutory reserves, special reserves and extraordinary reserves are included in the balance sheet with their book values. The adjusted values of these items are jointly included in the account "equity capital inflation adjustment differences" under the group of equity capital.

**NOTE 29 - FOREIGN CURRENCY POSITION**

	<b>2007</b>	<b>2006</b>
Assets	92.470	116.707
Liabilities	(127.826)	(139.194)
<b>Net foreign currency position</b>	<b>(35.356)</b>	<b>(22.487)</b>

	Original currency	<b>2007</b>		<b>2006</b>	
		Original amount	TRY amount	Original amount	TRY amount
Cash and cash equivalents	USD	14.395.541	16.766	16.599.325	23.332
	EUR	295.350	505	1.089.351	2.017
	GBP	25.739	60	16.506	46
Due from related parties	USD	343.689	400	587.150	825
	EUR	9.509.583	16.263	6.333.275	11.726
Trade receivables	USD	30.275.615	35.262	42.089.246	59.161
	EUR	13.468.958	23.035	10.356.341	19.175
	GBP	19.152	45	47.492	131
Other receivables and current/ non-current assets	USD	16.727	19	46	-
	EUR	49.876	85	130.357	241
	GBP	13.088	30	19.382	53
<b>Total foreign currency denominated assets</b>			<b>92.470</b>		<b>116.707</b>
Funds borrowed	USD	58.858.390	68.882	55.882.517	78.929
	EUR	22.500.000	38.664	11.208.470	20.852
Due to related parties	USD	764.044	894	667.434	942
	EUR	1.765.670	3.034	3.832.213	7.129
Trade payables	USD	4.852.752	5.679	2.278.640	3.218
	EUR	5.309.686	9.124	14.346.504	26.690
	GBP	24.991	58	11.814	33
Other liabilities	USD	348.478	408	201.370	284
	EUR	573.771	986	568.996	1.059
	GBP	41.338	97	20.987	58
<b>Total foreign currency denominated liabilities</b>			<b>127.826</b>		<b>139.194</b>

### NOTE 30 - GOVERNMENT GRANTS

The Company conducts several research and development projects within the research and development facility in its Adana central facilities. Regarding these projects, the Company has applied to Tübitak (The Scientific and Technological Research Council of Turkey) to obtain support in the scope of Communiqué of Money-Credit Coordination Board No 98/10 regarding research and development aid, and Tübitak Regulation for Supporting Program for industrial research and development projects. As a result of these applications, some of the research and development projects of the Company were included in the relevant support programmes. This support which is foreseen to be taken will be in the form of grant and will be realized as "payment of various expenditures concerning the projects to the Company at a certain rate".

Also with the amendment in the Corporate Tax Law made by article 31 of Law no 5228, in order to support research and development efforts of private sector entities, companies can offset 40% of expenditure for research and development against income declared in the related period, in addition to R&D expenses recorded as expense in the related period.

The company as a result of these applications as of 31 December 2007 has obtained TRY 26 support income which has been classified as other income in financial statements (Note 38).

### NOTE 31 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a)In December 2003, as a result of a tax review relating to 2002, the tax authorities concluded that the Company did not accrue and pay VAT and withholding taxes over the interest expenses relating to bank borrowings taken through Advansa B.V., the parent company. The Company's management was legally informed about this conclusion on 19 January 2004.

The Company filed a lawsuit against Yüreğir Tax Office due to this assessment with penalty on 16 February 2004. The lawsuit was concluded in favour of the Company, however tax office appealed to the Council of State. The appeal related to withholding and fund assessment was rejected by the Council of State, and the correction application of Tax Office for decision of Council of State were also rejected, and lawsuit was concluded in favour of the Company. Appeal of Tax Office related to the VAT assessment was accepted by the Council of State and the correction application of Company for decision of Council of State was rejected. The relevant lawsuit was forwarded to Adana 1st Tax Court. In October 2007, Adana 1st Tax Court ruled against the Company, and consequently the Company was subject to tax and tax penalty assessment in the amount of TRY 7.083. The Company applied to Adana 1st Tax Court for the stop of execution and review of the ruling on 24 October 2007. Final decision will be made by the Presidency of 3rd Chamber of the Council of State (Note 34).

The decision of the 3rd Chamber of Council of State on the stop of execution has been notified to the Company; however, the primary decision on the appeal has not been notified to the Company as of the date of the report. As the relevant court case has not been concluded as of the date on which the financial statements were prepared, the Company does not have any legal or effective liability. Furthermore, the Company does not expect to face any liability as a result of the law suit. Therefore, the Company has not provided any provision for the court case in its financial statements.

b)The Company has sold the major portion of Chemicals Segment to Artensa on 30 June 2006 and the employees of this segment are transferred to Artensa with all their rights and obligations as of 1 July 2006. According to legislation, for a two years time period, all rights and obligations of the employees transferred to Artensa will be covered by the Company unless they are covered by Artensa. The employment termination benefit commitments of the transferred employees are TRY2.113 as at 31 December 2007.

c)As a result of tax investigation conducted in 2007 which covers previous periods TRY32.417 tax and TRY44.823 penalty was imposed by judgment to the Company in July 2007 related to loans used through Advansa BV which is the parent company. In September 2007 the Company management has litigated in the tax court in objection to this penalty. In January 2008 some of the trials were held and based on interim decisions of the court additional information and documents are asked from the Company. The company does not expect that any liability will arise as a result of the lawsuits relating to above mentioned tax assessments due to the following reasons; the statute of limitation is not considered in some of the cases and this is against to tax legislation, the legal structure of the parent company Advansa BV is not ascertained by the authority, and in some similar suits there are conclusions which are contrary to the assessment of tax authorities. Considering the above facts the Company has not provided any provision for the court case in its financial statements.

Commitments and contingencies, which are not included in the liabilities at 31 December 2007 and 2006, are as follows:

	<b>2007</b>	<b>2006</b>
Commitments based on export incentive certificates	356.793	281.197

As of 31 December 2007, the Company has export commitments amounting TRY43.225 which are not fulfilled yet (2006: TRY29.435). The amounts mentioned above (2007: TRY356.793, 2006: TRY281.197) include commitments based on export

### NOTE 31 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

incentive certificates which are presently fulfilled but the closing transactions are totally TRY313.568 (31 December 2006: TRY251.762) are not concluded yet.

	<b>2007</b>	<b>2006</b>
Letters of guarantees given	42.884	10.020

Mortgages and guarantees taken at 31 December 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Mortgages taken	14.288	21.792
Letters of guarantees taken	8.303	9.155
Notes of guarantees taken	21.649	2.108

	<b>2007</b>	<b>2006</b>
Carry forward investment allowance (Note 14)	87.989	83.402

The Company has given letter of guarantee amounting to USD 127.000.000 and EUR 20.000.000 (31 December 2006: USD 127.000.000 and EUR 20.000.000) for bank borrowings obtained through Advansa B.V., the shareholder of the Company and all been paid on 30 June 2006. As of 31 December 2007 this obligation was terminated.

### NOTE 32 - BUSINESS COMBINATIONS

None (31 December 2006: None).

### NOTE 33 - SEGMENT REPORTING

The Company, decided to sell the Chemicals segment involved in the production of Pet Resin and Pet Preform and the inventory associated with that segment to Artenius in the Extraordinary General Assembly held on 22 June 2006. The transaction occurred on 30 June 2006. Starting from 30 June 2006, the company ended its Chemicals segment and involved in the operations in the textile segment. Therefore, all of the balances stated in the financial statements prepared as of 31 December 2007 are related solely to the textile segment and are not separately disclosed in this note. The information stated as of 31 December 2006 is disclosed only for the purpose of comparison.

#### a) External revenues:

	<b>2006</b>
Textile	420.436
Chemicals	112.127
	<b>532.563</b>

External revenues based on locations of external customers are as follows:

	<b>2006</b>
Turkey	341.701
Europe	165.143
Other	25.719
	<b>532.563</b>

### NOTE 33 - SEGMENT REPORTING (Continued)

b) Depreciation and amortisation, impairment loss on property, plant and equipment, other non-cash expenses and capital expenditures:

	2006		
	Textile	Chemicals	Total
Depreciation and amortisation	26.658	4.970	31.628
Provision of diminishing in value of property, plant and equipment	65.623	-	65.623
Provision of diminishing in value of assets held for sale	3.637	-	3.637
Provision of diminishing in value of financial assets	4.755	-	4.755
Other non-cash expenses	5.146	496	5.642
Capital expenditures	9.013	651	9.664

c) Segmental analysis for the period 1 January 2006 - 31 December 2006:

	Textile	Chemicals	Total combined	Inter segment elimination	Total
External revenues	420.436	112.127	532.563	-	532.563
Inter segment revenues	1.143	6.475	7.618	(7.618)	-
<b>Revenues</b>	<b>421.579</b>	<b>118.602</b>	<b>540.181</b>	<b>(7.618)</b>	<b>532.563</b>
Operating expenses	(438.858)	(114.835)	(553.693)	7.618	(546.075)
Other operating (expenses)/ revenues-net	(79.373)	92.083	12.710	-	12.710
<b>Operating (loss) / profit</b>	<b>(96.652)</b>	<b>95.850</b>	<b>(802)</b>	<b>-</b>	<b>(802)</b>

### NOTE 34 - SUBSEQUENT EVENTS

In January 2008, lawsuits concerning the tax penalties eventuated. As an interim decision, the court requested additional information and documents from the Company related to the lawsuits (Note 31.c).

### NOTE 35 - DISCONTINUED OPERATIONS

In the Extraordinary General Assembly held on 22 June 2006, it has been decided to sell the Chemicals segment to Artenius which was involved in the production of pet resin and pet perform, the ongoing business and inventory for the amount of Euro 90.000.000 (TRY 180.855) in cash and this sales transaction occurred on 30 June 2006. After 30 June 2006, the Company's Chemicals segment operations ceased but Textile segment operations continued. Since the financial statements as of 31 December 2007 are solely related to the ongoing operations of textile segment, these are not separately disclosed in this note. The details as of 31 December 2006 are solely presented for comparison purposes.

The Statements of Income of the Chemicals Segment for the year ending at 31 December 2006 is as follows:

	<b>2006</b>
Revenues	112.696
Expenses	(116.257)
Chemicals Segment profit before tax	(3.561)
Tax	12.234
Chemicals Segment profit after tax	8.673
Chemicals Segment sales profit before tax	91.877
Tax	-
Chemicals Segment sales profit of assets after tax	91.877
<b>Net profit related to discontinued operations</b>	<b>100.550</b>

The statements of cash flow of the chemicals segment for the years ended 31 December 2006 is as follows:

	<b>2006</b>
Net cash generated/(used) in operating activities	32.882
Net cash generated/(used) in investing activities	177.780
Net cash (used)/generated in financing activities	(41.814)
	<b>168.848</b>

	<b>2006</b>
Loss per share from the continuing operations attributable to shareholders	
Loss per share in full TRY usufruct shares	(4.503,47)
thousands of ordinary shares	(5,25)
Profit/(loss) per share from the discontinued operations attributable to shareholders	
Earnings/(loss) per share in full TRY usufruct shares	3.669,71
thousands of ordinary shares	4,28

**NOTE 36 - OPERATING INCOME**

	<b>2007</b>	<b>2006</b>
Domestic sales	266.541	341.421
Foreign sales	187.095	194.559
Other sales	838	1.197
Other discounts	(832)	(1.038)
Sales discounts	(497)	(1.194)
Sales returns	(1.956)	(2.382)
<b>Sales revenues (net)</b>	<b>451.189</b>	<b>532.563</b>
<b>Cost of sales</b>	<b>(430.128)</b>	<b>(498.177)</b>
<b>Gross operating profit</b>	<b>21.061</b>	<b>34.386</b>

**NOTE 37 - OPERATING EXPENSES**

	<b>2007</b>	<b>2006</b>
General administrative expenses	(17.783)	(19.575)
Selling, marketing and distribution expenses	(24.038)	(28.323)
	<b>(41.821)</b>	<b>(47.898)</b>

Staff costs for the years ended 31 December 2007 and 2006 are included in the following accounts:

	<b>2007</b>	<b>2006</b>
Cost of sales	41.450	41.617
Selling, marketing and distribution expenses	1.599	2.349
General administrative expenses	7.136	6.954
	<b>50.185</b>	<b>50.920</b>

**NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/ LOSSES**

Other operating income:

	<b>2007</b>	<b>2006</b>
Foreign exchange gains	33.751	51.909
Miscellaneous sales income	7.881	6.216
Provisions reversed	2.435	123
Enerjisa sales income (Not 16)	1.550	-
Rent income	907	644
Interest income	561	599
Agency and commission income	312	626
Credit finance income	307	1.692
Fixed assets sales income	186	1.423
Insurance compensation	52	297
R&D project support income	26	-
Purchase discounts	4	-
Chemicals segment sales income	-	91.877
Other	1.032	739
<b>Other operating income</b>	<b>49.004</b>	<b>156.145</b>

**NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/ LOSSES (Continued)**

**Other operating expenses:**

	<b>2007</b>	<b>2006</b>
Impairment loss on property, plant and equipment (*)	(28.963)	(65.623)
Doubtful receivable provision expenses	(2.701)	(1.074)
Cost of miscellaneous sales	(1.402)	(4.382)
Taxes and duties paid	(636)	(2.669)
Provision for restructuring expenses (Note 23)	(431)	(2.755)
Diminishing in value of financial assets (Note 16)	-	(4.755)
Diminishing in value of assets held for sale (*)	-	(3.637)
Provision for unused vacation	72	(2.143)
Other	(699)	(2.197)
<b>Other operating expenses</b>	<b>(34.760)</b>	<b>(89.235)</b>

(\*)The details of impairment loss on property, plant and equipment and assets held for sale are discussed in Note 19.

**NOTE 39 - FINANCIAL EXPENSES**

Financial expenses:

	<b>2007</b>	<b>2006</b>
Foreign exchange losses	(30.720)	(88.326)
Interest expenses	(7.035)	(9.473)
Credit finance expense	(714)	(553)
	<b>(38.469)</b>	<b>(98.352)</b>

**NOTE 40 - GAIN/LOSS ON NET MONETARY POSITION**

None (31 December 2006: None).

**NOTE 41 - TAXES ON INCOME**

Corporate Income Tax Law has been changed with the law numbered 5520 which was published at 13 June 2006. Most of the rules of the new Corporate Income Tax Law are applicable from 1 January 2006. According to this, corporate tax rate applicable for the year 2007 is %20 (2006: %20). Corporate tax rate is applied to the taxable profit which is calculated by adding non-taxable expenses and deducting some exemptions taken place in tax laws (exemptions for participation revenues, exemptions for investment incentives) and discounts (R&D discount) from accounting profit of the Company. No additional taxes are paid unless profit is distributed (except %19.8 withholding tax paid over used investment incentives).

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

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th (including the tax statements of March 2007 that Income Tax Law numbered 5615 is effective from 4 April 2007 and the law about the change in some laws) 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.

**NOTE 41 - TAXES ON INCOME (Continued)**

A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of 5 years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realized.

The exemption for investment incentive allowance that has been applied for several years and latest calculated as 40% of corporate tax payers' capital expenditures exceeding a certain amount, has been abolished with Corporate Income Tax Law No.5479 dated 30 March 2006. On the other hand, according to the law and the temporary clause number 69 added to Income Tax Law, with the investment discount exception amounts as of 31 December 2005 that exists;

(a)investment started after 1 January 2006, within the scope of investment incentive share certificates granted prior to 24 April 2003 in accordance with the appendices 1,2,3,4,5, and 6 of Income Tax Law numbered 193 prior to the change with the law numbered 4842 dated 9 April 2003,

(b)investment allowances being granted before 1 January 2006, which presents an economic and technical integrity with the investments, in accordance with the Income Tax Law numbered 193 abolished article No.19 of Corporate Income Tax Law numbered 193,

can be utilised for the income generated in the years 2006, 2007 and 2008 in accordance with the articles valid on 31 December 2005 (including the corporate tax rate in accordance with Corporation Tax Law numbered 5422 and the related articles of Income Tax Law). In such a case, corporate tax rate and withholding tax rate for used investment allowances will be %30 and %19.8, respectively.

Investment allowance amount that cannot be deducted from 2008 income, will not be subject to deduction from 2009 and subsequent year incomes and allowance applications will not be made for investments after 31 December 2008.

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. The aggregate amount of the Company's carry forward tax losses at 31 December 2007 is TRY 102.348 (31 December 2006: TRY 60.783).

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the (including the tax statements of March 2007 that Income Tax Law numbered 5615 is effective from 4 April 2007 and the law about the change in some laws) of the fourth month of 25th day 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.

Total taxes payable for the years ended 31 December 2007 and 2006 have been reconciled to the current period tax charge as follows:

	<b>2007</b>	<b>2006</b>
Current period tax charge	-	-
Deferred taxation	(1.065)	(22.109)
<b>Taxation on income</b>	<b>(1.065)</b>	<b>(22.109)</b>

#### NOTE 42 - EARNINGS PER SHARE

As existence of usufruct shares, which were initially issued in 14 February 2007 according to 11th article of Company's Articles of Association and which have right to receive dividends at a rate of 8% from the distributable profit of the Company without right of vote, does not comply with Modern Corporate Governance Principles and has adverse effect to fair value of the Company, the Board of Directors decided to purchase those 2.192 usufruct shares from their holders, with the price of TRY5.70 for each share determined by an expert firm. As a result of this decision, purchase transaction is made between 23 February 2007 and 27 February 2007, by making a total payment of TRY12.494,40. In ordinary general meeting of shareholders of the year 2006 held on 18 April 2007, it was decided to provide the payment for usufruct shares from extraordinary reserves in equity accounts, and terminate the shares after purchase.

Therefore, loss per usufruct shares was not calculated for 31 December 2007, and loss per share was calculated by dividing net loss belongs to shareholders with number weighted average shares. Loss per share for 31 December 2006 which is the comparable period of 31 December 2007, was calculated by dividing net loss attributable to shareholders with the weighted average number of shares, after deducting 8% share attributable to usufruct share owners.

	2007	2006
Net loss attributable to shareholders	(43.920)	(22.845)
Weighted average number of ordinary shares	21.630.000.000	21.630.000.000
usufruct shares	-	2.192
Earnings per share in full TRY usufruct shares	-	(833,76)
thousands of ordinary shares	(2,03)	(0,97)

#### NOTE 43 - STATEMENTS OF CASH FLOW

Statements of cash flows are presented together with the financial statements.

#### NOTE 44 - DISCLOSURE OF OTHER MATTERS

Receivables from operational leasing contracts:

The Company has leased its investment properties to third parties by operational leasing method. Receivables from operating leases occurred from balance sheet date due to operational lease contracts are as follows:

	Original Currency	Original Amount	TRY
Less than 1 year	USD	750.000	878
Less than 1 year			12
Over than 1 year	USD	300.000	351
Over than 1 year			2
			<b>1.243</b>

The Company has leased some buildings in Adana Central Facility to Artensa as of 1 October 2006 for forty-nine years time. Receivables from operational leases occurred from balance sheet date due to operational lease contracts are as follows:

#### NOTE 44 - DISCLOSURE OF OTHER MATTERS (Continued)

31 December 2007	TRY
Less than 1 year	261
1 - 5 years	1.044
5 - 10 years	1.305
10 - 25 years	3.914
25 years and above	5.936
	<b>12.460</b>

## FINANCIAL RATIOS

	2007	2006
<b>Liquidity Ratios</b>		
Current Ratio	1,56	1,66
Acid Test Ratio	0,65	0,78
Cash Ratio	0,18	0,20
<b>Operational Ratios</b>		
Days Sales Outstanding	65	73
Days Finished Products and Intermediate Goods Inventory Outstanding	54	37
<b>Financial Structure Ratios</b>		
Total Liabilities / Shareholders' Equity	0,56	0,51
Total Liabilities / Total Assets	0,36	0,34
<b>Profitability Ratios</b>		
Return on Assets	(0,10)	(0,04)
Return on Equity	(0,15)	(0,07)
Gross Profit Margin	0,05	0,06



